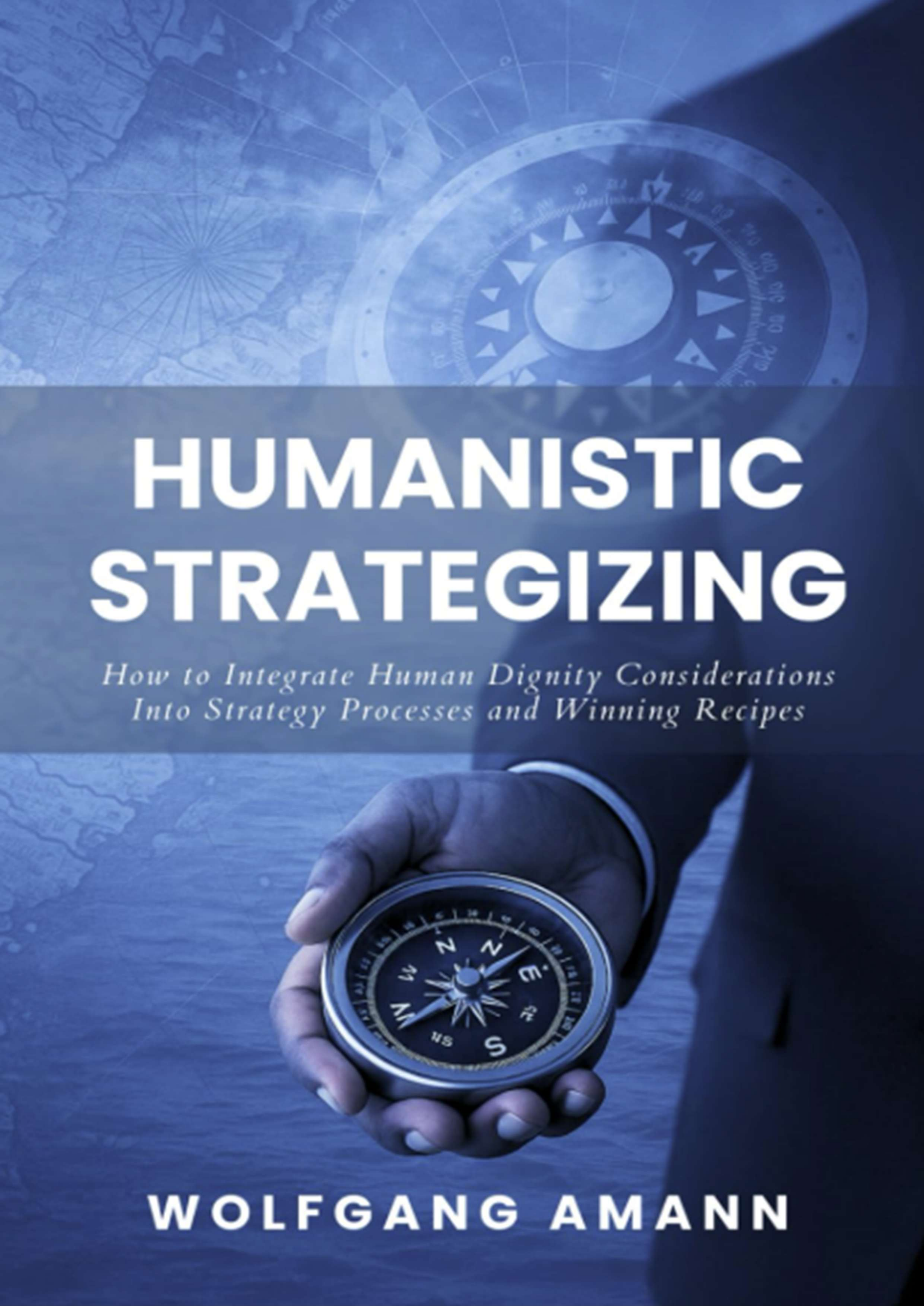

HUMANISTIC STRATEGIZING

How to Integrate Human Dignity Considerations Into Strategy Processes and Winning Recipes

WOLFGANG AMANN

Humanistic Strategizing

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Wolfgang Amann

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Foreword and Acknowledgement

I am deeply grateful to many colleagues in the business school world, as well as those involved in strategizing. I was allowed to learn from and with them. Amongst them, Cuno Puempin was the first to introduce me to the world of strategizing. We have published two books together to map strategic success potentials along with insights on how to build the capabilities to use them. I feel fortunate to have also worked with Peter Lorange as the former president of IMD. Both strategy gurus walked the talk, enabling massive success within and outside of the academic world. They were credible and amazingly inspiring role models. Curiously, they differed in key assumptions about strategizing. While Cuno Puempin defended his view that strategizing is about keeping doors open and preparing for plans B and C in the event of environmental uncertainty, Peter Lorange posited that strategy means making a choice. Both encouraged me to form my own viewpoints and develop an integrative view on what strategizing actually is. This book presents the results of a journey that has been underway for over 25 years. The resource at hand offers an easy-to-read book on what modern strategizing looks like. The approach is used in many companies, award-winning courses, and core strategy courses at HEC Paris, which has been ranked as the number one business school in the world in the field of executive education. I would like to thank corporate partners, colleagues, and course participants for their feedback on the core model. Finally, please note that this book is written for busy board members and executives. This influenced the length of the book and also the writing style. While endnotes are used to acknowledge sources and suggest further readings, in-text referencing is minimized to enhance readability.

Doha, 24 March 2025

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Chapter 1

Why Should we Explore a New Approach for Strategizing?

1.1. Strategizing is Broken

The answer to this question is very simple. We ought to explore innovations simply because, by and large, the strategy is not working. Too often, there is no consistent way to describe strategy. Hence, there is a communication challenge. 95% of staff members worldwide do not understand the overall strategy, the part that is directly relevant to their roles, or how it fits into the larger picture to create value. What contributes to this malaise is the fact that 85% of executive teams spend less than an hour per month discussing strategy. Beyond communication issues, alignment often falls short of expectations. 67% of HR and IT departments are not aligned with strategy. 60% of budgets are not linked to strategy. 79% of middle managers do not have incentives linked to strategy.[1]

Leadership is often the main cause of these insufficiencies. 90% think they are better than their peers! They lack self-awareness when it comes to their true strengths and performability. 95% believe they are self-aware. However, when one asks the team members around them, only a maximum of 15% would confirm that this individual is actually self-aware.[2] More awareness could help prevent failures, such as the fact that an average of 95% of new product or service initiatives fail. Even amongst the better strategies, 93% have evolved notably, which requires constant learning.

One limitation I often encountered when teaching strategy in high-end executive education seminars, running strategy retreats, consulting on strategy, or discussing strategy as a board member is that the individuals involved often struggle to think clearly in terms of three boxes.[3]

- Box 1 represents the past. It addresses all the legacy systems in place, which can include IT, process manuals, organizational culture, and even the staff members who bring the culture to life and perpetuate it. Strategy is accomplishing more than merely planning the future with a clean-sheet approach. An organization's past matters, as it significantly impacts the reach of the organization in the future, as well as the speed at which it advances.
- Box 2 is the present. Strategic leaders have an obligation to acknowledge that an organization's performance today requires support, psychological safety, certainty, and adequate resources. A lack of clarity or rumours about possible changes are not conducive to ensuring peak performance today. Today's stellar needs attention as well.
- Box 3 is about the future. This is where an organization develops clear ideas about the future and how to enable it. The risk is assuming everyone can be a good strategist without verifying it. Even within the strategic thinking domain, individuals can't excel at all tasks in the same way. Once more, self-awareness emerges as a crucial success factor.

This book has been written to address these flaws – and others, as outlined in the following sections.

1.2. Ten Previous Schools of Strategizing

Before presenting the humanistic approach to strategizing, also known as humanistic strategizing, this sub-chapter reviews the ten main schools of strategizing identified by strategy guru Henry Mintzberg[4]. They include:

1. The design school viewing strategy as a process of conception.
2. The planning school viewing strategy as a formal process.
3. The positioning school viewing strategy as an analytical process.

4. The entrepreneurial school viewing strategy as a vision.
5. The cognitive school viewing strategy as a mental process.
6. The learning school viewing strategy as an emergent process.
7. The power school viewing strategy as negotiation.
8. The cultural school viewing strategy as a collective process.
9. The environmental school viewing strategy as a reactive process.
10. The configuration school viewing strategy as a transformative process.

The following sections detail each one of them, along with a critical evaluation.

Ad 1: The Design School: Strategy as a Process of Conception

The Design School is well-suited for organizations operating in stable industries, such as utilities or manufacturing, where long-term planning is viable. It is also useful in educational settings for introducing basic strategy concepts. The Design School perceives strategy formation as a deliberate and rational process. It focuses on aligning an organization's internal capabilities and resources- its strengths and weaknesses with external environmental conditions, including opportunities and threats. This alignment, often represented through the use of a SWOT analysis, serves as the foundation for crafting effective strategies. Key assumptions include the following two. The strategist, usually senior management, has a clear and objective understanding of the organization and its environment. Strategy creation is a customized and tailored process that yields a clear, coherent plan.

The key principle of this approach to strategizing is that strategy-making is a conscious, purposeful act that strives for balance between the organization and its environment. Also, it emphasizes simplicity and clarity, ensuring that strategies are easy to communicate and implement. The process is linear: analyze → formulate → implement. The strengths of such an approach are clarity and simplicity as a straightforward framework (e.g., SWOT analysis) makes strategy accessible to managers and leaders. It is a rational process because the school promotes logical thinking and structured decision-making. Finally, the foundation for strategic education becomes transparent, as this approach has laid the groundwork for many modern approaches to strategic management.

Weaknesses include four main aspects. First, the assumption of stability may lead to a false perception of a relatively stable and predictable environment. In dynamic or volatile industries, this approach can fall short as it lacks flexibility. Second, it promotes a top-down approach. By focusing on senior leadership as strategists, it underplays the role of employees and stakeholders in shaping strategy. Third, there is a risk of oversimplification. Real-world complexities may not fit neatly into the SWOT framework, leading to overly simplistic conclusions. Fourth, there may well be numerous implementation challenges. The linear process overlooks the iterative and emergent nature of strategy in practice.

Ad 2: The Planning School Viewing Strategy as a Formal Process

The Planning School is a cornerstone of strategic management in predictable and controlled environments but requires flexibility or supplementation with other approaches in fast-changing industries. The Planning School builds upon the foundational ideas of the Design School, adding structure, formalization, and detailed procedures to strategy-making. Here, strategy is treated as a systematic, step-by-step process, where goals are set, data is analyzed, and forecasts are used to design comprehensive action plans. This approach assumes that the future can be predicted and controlled through careful planning and that strategy is most effective when meticulously crafted in advance. The Planning School is grounded in rationality and emphasizes the use of analytical tools, frameworks, and timelines to inform the decision-making process.

Key principles characterizing this approach start by viewing strategy as a rational process. Strategy is developed through a series of deliberate, logical steps. Forecasting and predictions are the foundations for making progress. Future trends and challenges are anticipated using quantitative analysis and modeling. It also separates strategy formulation from implementation. Strategy is developed by planners (often at the top) and executed by operational teams. There is a noteworthy emphasis on details and documentation. Strategies are meticulously outlined in formal documents, including budgets, timelines, and performance metrics.

Like other schools, this approach has advantages. First and foremost, it is a thorough and structured approach. The systematic nature ensures all aspects of strategy are considered, leaving little room for oversight. Consequently, there is predictability and control. Planning provides organizations with a sense of direction and control by aligning goals with specific actions and measurable outcomes. In addition, there is consistency and scalability. Its standardized processes can be replicated across large organizations for coherence and alignment. Applicability is given in stable environments. This school is well-suited for industries with relatively stable and predictable conditions, such as infrastructure or public administration.

As for disadvantages, one must note rigidity in turbulent environments. The Planning School struggles to respond to unexpected changes or dynamic environments as it tends to emphasize fixed plans. It also portrays a lack of creativity. Its formal and procedural focus can stifle innovation and limit adaptability. It overemphasizes forecasting. It relies heavily on predictions, which may prove inaccurate or overly simplistic in complex or fast-changing industries. The separation of formulation from implementation is also problematic. The disconnect between planners and operational teams can lead to miscommunication and poor execution. Ultimately, the approach is both resource- and time-intensive. Extensive data analysis, documentation, and planning can consume significant resources, which may not always yield a justifiable return.

In summary, the Planning School has been widely applied in government projects, multinational corporations, and large-scale initiatives where formalization and control are crucial. Infrastructure projects, such as building roads or public transportation systems, benefit from the Planning School's emphasis on timelines, budgets, and resource allocation. However, its limitations become evident in industries that require agility, such as tech startups or consumer electronics, where speed and flexibility are more important than rigid plans. In industries like software development or fashion, the rigidity of planning can hinder responsiveness to rapidly changing market demands.

Ad 3: The Positioning School Viewing Strategy as an Analytical Process

The Positioning School frames strategy-making as a science grounded in analysis and competition. It centers on the idea that an organization's success depends on its ability to position itself effectively within its industry. This school draws heavily on industrial economics and the work of Michael Porter, particularly his frameworks, such as the Five Forces Model and generic strategies (cost leadership, differentiation, and focus). Unlike other schools that prioritize creativity or culture, this approach takes a rational, data-driven route, emphasizing measurable and quantifiable strategic decisions.

Key principles include its external market focus. The Positioning School primarily considers external factors such as market structure, competition, and customer needs in determining strategy. Moreover, if strategy is positioning, then success lies in finding and defending the most advantageous market position, whether through cost efficiency, product uniqueness, or targeting a specific niche. Regarding the use of analytical tools, there is a significant reliance on models such as Porter's Five Forces and strategic segmentation to assess competition and profitability. Overall, it is an objective and quantitative approach. Strategies are formulated based on rigorous analysis and economic principles.

Its strengths include its rational and systematic way of making progress. This school offers a structured and analytical approach to strategy-making, ensuring that decisions are informed and data-driven. It focuses on competitive advantage. By emphasizing differentiation, cost leadership, or niche markets, it offers clear paths to outperform competitors. It builds on practical frameworks. Tools like Porter's Five Forces and SWOT analysis simplify complex industry dynamics into actionable insights. Benchmarking emerges as its core strength as it encourages organizations to compare themselves with competitors, driving continuous improvement.

Simultaneously, there is an overemphasis on external factors. The Positioning School often prioritizes external market factors, potentially neglecting internal strengths, culture, and resources that are crucial for long-term success. Industries are assumed to be reasonably static, at least static enough to be analyzed, and there is time to deploy strategies before the industry evolves. It assumes relatively stable industry structures, which can limit its applicability in rapidly changing markets, like technology or startups. In addition, there is a too-narrow focus on competition, with insufficient emphasis on blue oceans or reinventing the game. The focus on outcompeting others can overshadow the importance of collaboration, innovation, and customer-centric strategies. There is a risk of conformity. Heavy reliance on established frameworks can lead to generic, cookie-cutter strategies that fail to create meaningful differentiation. Finally, short-termism may have negative consequences, as this school often prioritizes immediate market positions, potentially at the expense of long-term adaptability and innovation.

In sum, the Positioning School has proven particularly useful in mature industries with clear boundaries and stable competition. Industries like consumer goods, traditional manufacturing, and retail, where competition and profitability metrics are well-defined, benefit greatly from this school. Companies like IKEA (cost leadership) and Apple (differentiation) embody the principles of this school. IKEA's focus on operational efficiency and cost-saving innovation makes it a low-cost leader, while Apple dominates through its unique branding and product design. However, its limitations become apparent in dynamic environments where creativity and adaptability are critical. In rapidly evolving industries such as artificial intelligence, biotechnology, or fashion, where market dynamics shift rapidly, the school's static frameworks can hinder innovation.

Ad 4: The Entrepreneurial School Viewing Strategy as a Vision

The Entrepreneurial School is best suited for startups, creative industries, and situations requiring transformative change. It encourages bold, imaginative thinking that pushes boundaries and challenges conventional norms. The Entrepreneurial School emphasizes the critical role of leadership and vision in the formulation of strategy. Here, strategy is driven by visionary leaders who chart a course for their organizations based on creativity, foresight, and intuition. It focuses on proactive, bold decision-making rather than reactive or analytical approaches. This school thrives on the dynamic and flexible nature of entrepreneurial settings, where leaders often act as the primary architects of strategic direction. The vision they provide serves as the guiding force that drives the organization forward.

Key principles include the following four---First, it is a leader-centric approach. The leader plays a central role as the visionary strategist. Second, creative and intuitive processes are at its core. Strategy emerges from the leader's imagination and insights rather than formal analysis or planning. Third, flexibility and proactivity matter. Strategies are dynamic and adaptable, enabling organizations to capitalize on opportunities as they emerge. Fourth, it fosters a long-term vision. The focus is on achieving ambitious goals, often through innovative approaches.

Strengths of this school include its focus on vision and direction. This school offers a clear and compelling sense of purpose that motivates and unites the organization. Also, the emphasis is on adaptability. It enables leaders to respond quickly to environmental changes, leveraging their intuition and creativity. Equally, it fosters innovation. By encouraging bold and unconventional thinking, the Entrepreneurial School fosters innovation and risk-taking. In addition, it fosters empowerment. It celebrates the role of entrepreneurs and charismatic leaders in shaping strategy and driving growth.

In contrast, weaknesses include the strong dependence on a leader. The success of the Entrepreneurial School is heavily reliant on the leader's vision, intuition, and decision-making. If the leader lacks experience, foresight, or resilience, the organization may falter. Moreover, there seems to be a neglect of structure. The informal and intuitive nature of strategy-making may lead to inconsistencies or inefficiencies in implementation. Adding to the weaknesses of this approach is the risk of overreach. Bold strategies often come with significant risks. If not grounded in realistic assessments, they may result in costly failures. One must also be aware of the limited attention paid to collaboration. By centering strategy on the leader, this school can undervalue the contributions of other stakeholders and employees. Lastly, there is a short-term focus. Leaders may prioritize immediate opportunities or challenges over long-term stability.

In conclusion, the Entrepreneurial School is particularly relevant in startup environments or organizations undergoing major transformations, where bold decisions and flexibility are essential. Leaders like Steve Jobs (Apple) and Elon Musk (Tesla, SpaceX) exemplify this approach, utilizing their visionary thinking to drive innovation and position their companies as market leaders. However, its reliance on the leader's abilities can be problematic, especially in larger, more complex organizations where collaboration and systemic processes are crucial. Organizations that rely too heavily on visionary leaders may struggle to sustain their momentum once the leader departs or loses touch with market realities.

Ad 5: The Cognitive School Viewing Strategy as a Mental Process

The Cognitive School's principles can help leaders and managers refine their decision-making processes by increasing their awareness of their biases and mental limitations. Tools such as mindfulness training, mental mapping, and reflective exercises are often employed to enhance strategic thinking. The Cognitive School shifts the focus of strategy formulation to the individual mind. It highlights how strategists perceive, interpret, and process information to inform their strategic decisions. Strategy, from this perspective, is shaped by cognitive capabilities, limitations, biases, and mental models. This school acknowledges the complexity and subjectivity of human thought, recognizing that strategy is as much about perception as it is about rationality. The Cognitive School is influenced by psychology and behavioral economics, considering how bounded rationality (limited cognitive resources) and heuristics (mental shortcuts) impact decision-making.

Key principles include its heavy focus on strategy formation as a psychological process. It prioritizes how individuals create mental maps to navigate complex environments. The approach is one of the few, if not the only one, that embraces and does not ignore the influence of cognitive biases. Decision-making is shaped by biases such as overconfidence, anchoring, and availability heuristics. This is also linked to the fact that strategy-makers often operate within limits imposed by time, resources, and cognitive capacity. Furthermore, learning and adaptation recur as themes. The school emphasizes continuous learning and revising strategies as new information emerges.

Clear strengths are fits focus on the human factors. This school highlights the critical role of individual perception and thought processes in shaping strategy. It acknowledges biases. By recognizing cognitive limitations, it provides a realistic view of decision-making. It underlines the importance of creativity and insight. It values intuition, creativity, and innovative thinking, enabling the development of unique strategies tailored to specific situations. Finally, there is flexibility and learning. Strategies are seen as iterative processes that evolve based on feedback and experience.

In turn, the list of weaknesses consist of 1) Subjectivity as by focusing heavily on individual cognition, this school can overlook broader organizational and systemic dynamics; 2) Risk of bias as cognitive biases may lead to flawed strategies, especially when decision-makers rely too heavily on intuition or mental shortcuts; 3) Limited applicability as while insightful for small-scale or individual-level decision-making, it may struggle to address large-scale strategic challenges requiring collaboration and diverse perspectives; and 4) Neglect of external factors as the emphasis on mental processes can underplay the importance of external environmental analysis and competitive dynamics.

The Cognitive School is particularly relevant for understanding how leaders and strategists in complex environments make decisions. This school is well-suited for creative industries, startups, or research-driven environments where intuition and mental agility are essential for navigating uncertainty. However, its focus on individual cognition may not address the collaborative and iterative nature of strategy-making in larger organizations. In structured or bureaucratic organizations, the reliance on individual cognition may be insufficient to address collective challenges or achieve consensus.

Ad 6: The Learning School Viewing Strategy as an Emergent Process

The Learning School emphasizes the value of cultivating a learning-oriented culture within organizations. Practices like agile methodologies, design thinking, and feedback loops are common tools for applying this school's principles. Organizations can benefit by fostering an environment that encourages employees to experiment, reflect, and collaborate. The Learning School views strategy formulation as a dynamic, iterative, and emergent process. Instead of seeing strategy as a product of deliberate planning or design, it emphasizes experimentation, feedback, and continuous organizational learning. This school acknowledges that uncertainty, complexity, and change are inherent to the strategy-making process, necessitating adaptation over time. In this approach, strategy emerges not solely from the actions of top management but from the entire organization as it collectively learns and responds to changing circumstances. It's rooted in the belief that organizations cannot predict the future with certainty, but they can learn and evolve to face it effectively.

The key principles of this approach to strategizing include four main aspects. First, strategy is something emergent. Strategies evolve through a process of trial, error, and incremental adjustments based on what works and what doesn't. Second, feedback loops matter. Learning occurs as organizations collect feedback from their actions and adapt accordingly. Third, organizational learning is central. Strategy formation is collaborative, involving contributions from all levels within the organization. Finally, adaptability is emphasized, and the flexibility and responsiveness it fosters help in a constantly changing environment.

Strengths and weaknesses also characterize this approach to strategizing. Starting with strengths, the list includes an adaptation to uncertainty. This school thrives in complex and unpredictable environments by encouraging continuous evolution rather than rigid plans. There is also space for inclusivity. Involving all members of the organization fosters collaboration, innovation, and shared ownership of strategy. Additionally, there is a strong emphasis on experience. Organizations learn from their successes and failures, building institutional knowledge that informs future strategies. Equally, the dynamic perspective is worth mentioning. It recognizes that strategy is a process rather than a fixed output, allowing for greater agility.

A brief discussion of weaknesses rounds up our analysis. The approach may well lack a clear direction. The Learning School's focus on emergent strategies can sometimes lead to a reactive rather than proactive approach, with no overarching vision to guide the organization. There are inefficiency issues. Trial-and-error learning can be time-consuming, costly, and resource-intensive, particularly if mistakes are repeated. This approach could also overemphasize learning. Organizations may become overly cautious, prioritizing experimentation over decisive action or bold vision. Last, there could be difficulties when implementing. While adaptive strategies are beneficial, aligning them across large, complex organizations can be challenging.

The Learning School is especially relevant in industries characterized by rapid change, such as technology, healthcare, and startups, where flexibility and responsiveness are critical. Companies like Toyota have implemented the Learning School through practices like kaizen (continuous improvement). Toyota fosters a culture of experimentation and feedback, allowing employees at all levels to contribute to the company's evolution. However, its emergent nature may not be well-suited for highly regulated or stable industries, where clear plans and long-term goals are essential. Organizations in industries such as utilities or construction may struggle with the Learning School's lack of structure, as their operations require precision and predictability.

Ad 7: The Power School Viewing Strategy as Negotiation

The Power School encourages leaders to develop political acumen and negotiation skills. Practices such as stakeholder analysis, coalition building, and conflict resolution can help organizations align diverse interests and develop more coherent strategies. The Power School views strategy formulation as a process driven by power dynamics and political interactions both within and outside the organization. It challenges the assumption that strategy is solely a rational or objective process, arguing instead that it emerges through negotiation, compromise, and influence among different stakeholders. In this school, strategy is seen as a product of competition and collaboration among internal coalitions and external interest groups. This perspective is grounded in political science and organizational behavior, emphasizing the role of power struggles, alliances, and lobbying in shaping strategic decisions.

When summarizing the key principles of this approach, the following aspects must be included. First, strategy is truly viewed as a political process. Strategy is shaped by the interplay of interests, agendas, and power dynamics. Then, attention shifts to internal coalitions and the corresponding skills. Different groups or factions within the organization compete for influence over strategic decisions. Afterwards, external negotiations ought to be mastered. Relationships with stakeholders, regulators, and competitors influence the organization's strategy. Eventually, the focus on influence counts. Success depends on the ability to navigate complex power structures and build alliances.

When reviewing strengths, what stands out is that it is a realistic view. The Power School acknowledges the messy, real-world nature of strategy-making, where decisions are rarely purely rational. Stakeholder engagement stands out as well. It highlights the importance of considering the interests and influence of all stakeholders, both internal and external. Once more, adaptability must be acknowledged. By emphasizing negotiation and compromise, this school cultivates strategies that can accommodate diverse and conflicting priorities. One also has to mention practical relevance. It is particularly useful in organizations or industries where politics play a significant role, such as government agencies, public-sector organizations, or multinational corporations.

When relying on this approach, the following five points must be considered. First, conflict and division may be overemphasized, which can distract from creating economic value. The emphasis on power struggles can lead to internal conflicts that hinder collaboration and unity, which harms success. It also fosters a short-term focus. Political agendas may prioritize immediate gains or personal interests over long-term strategic goals. Equally, there is a lack of transparency. The negotiation process can be opaque, making it difficult to align strategies with broader organizational values or objectives. Additionally, there is an issue with values and ethics due to the risk of manipulation. Power dynamics may result in unethical behavior or decision-making influenced by vested interests rather than organizational priorities. Simultaneously, there may well be a neglect of rational analysis. By focusing on political interactions, this school can undervalue analytical and objective approaches to strategy formulation.

In summary, the Power School is particularly relevant in contexts where strategy is influenced by complex stakeholder relationships, such as heavily regulated industries, non-profit organizations, or global operations. Organizations navigating intricate regulatory environments, such as healthcare or finance, can benefit from the Power School's focus on stakeholder negotiation and influence. However, its emphasis on politics can create inefficiencies and conflicts if not managed carefully. In industries driven by innovation or creativity, such as technology or entertainment, power struggles may stifle collaboration and hinder progress.

Ad 8: The Cultural School Viewing Strategy as a Collective Process

The Cultural School emphasizes the importance of fostering a healthy and adaptable organizational culture. Leaders can apply its principles by fostering open communication, celebrating shared values, and ensuring that strategies align with the organization's identity. Tools such as cultural assessments, storytelling, and team-building exercises are often used to strengthen cultural alignment.

The Cultural School is particularly relevant for organizations where values and identity are central to their success, such as family-run businesses, non-profits, or companies with strong brand identities. However, its inward focus can be a liability in dynamic markets that require agility and external awareness. The Cultural School places organizational culture at the heart of strategy formulation. Unlike schools that focus on rational analysis or individual leadership, this approach emphasizes the collective values, beliefs, and norms that members of an organization share. Strategy is shaped by these cultural factors, making it a deep social process that evolves organically over time. The Cultural School suggests that strategy is less about deliberate planning or competition and more about aligning decisions with the organization's identity. It highlights the importance of fostering a cohesive culture that inspires unity and cooperation.

When reviewing key principles, four stand out as most noteworthy. First, culture (and not resources or other factors) becomes the lens through which strategy is viewed. Strategy emerges from the shared values, beliefs, and assumptions of organizational members. This emphasizes the nature of strategizing as a social and collective process. Strategy-making involves collaboration and consensus-building across all levels of the organization. In addition, strategizing is not something abstract but embedded. Strategies are deeply rooted in the organization's culture and reflect its identity and purpose. Consequently, aspects of stickiness and continuity emerge as important ones. This school emphasizes the building and maintenance of cultural cohesion over time.

As for strengths, there is a unifying vision sought after. A strong culture fosters alignment, commitment, and shared understanding, making it easier to implement strategies. The approach fosters collaboration and inclusiveness. By involving the entire organization, this approach encourages buy-in and collective ownership of strategic decisions. Long-term stability becomes a key consideration in the reasoning. The focus on cultural cohesion helps create strategies that are sustainable and resilient over time. Contextual awareness becomes one of the characteristics a strategic leader must incorporate into the exercise. Strategies are tailored to the unique identity of the organization, ensuring relevance and authenticity.

At the same time, resistance to change should not be underestimated. A strong culture can become a double-edged sword, making it difficult to adapt to external changes or adopt innovative strategies. Equally, the approach may ignore external environments unduly. The Cultural School tends to prioritize internal factors, potentially overlooking competitive and environmental dynamics. Dealing with cultures can take time. Therefore, decision-making may slow down. The collective nature of strategy formulation can lead to slower decision-making, which may not be suitable in fast-paced industries. It is also worth noting that homogeneity can be risky. Overemphasis on cultural cohesion may stifle diversity of thought and limit creative problem-solving.

In sum, companies like Zappos and Patagonia embody the Cultural School by aligning their strategies with strong, purpose-driven cultures. These organizations leverage their cultural cohesion to create customer loyalty and long-term sustainability. However, in rapidly changing or competitive industries, such as technology, cultural rigidity can hinder innovation and responsiveness.

Ad 9: Ad The Environmental School Viewing Strategy as a Reactive Process

The Environmental School encourages practices such as environmental scanning, scenario planning, and trend analysis. These tools enable organizations to identify and effectively respond to external threats and opportunities. Leaders are advised to remain vigilant, agile, and informed about market and industry trends to stay competitive. The Environmental School views strategy formulation as a reactive and adaptive process dictated by external forces. Unlike other schools that emphasize internal strengths, leadership, or organizational culture, this school asserts that the environment shapes and constrains an organization's strategic choices. The organization's role is to adapt to these external pressures and ensure its survival. This school is heavily influenced by theories of contingency and organizational ecology. It suggests that organizations act more as passive responders to environmental changes than as active creators of their own futures.

There are four main principles. First, the environment is the main driver of strategy. External forces, including economic conditions, competition, regulation, and technological trends, play a significant role in shaping strategy. These turns strategizing into something very reactive. Strategies are developed in response to external challenges and opportunities. This also boils down to survival and adaptation receiving priority. The primary goal of strategy is to ensure organizational survival by aligning with external conditions. As a consequence, there is minimal internal focus. This school places less emphasis on internal capabilities or leadership and more on external alignment.

Amongst strengths, the approach has a clear focus on reality. The Environmental School provides a pragmatic perspective by highlighting the importance of adapting to environmental realities. The approach also has strong applicability in turbulent times. It is particularly effective in rapidly changing or unpredictable industries, where flexibility and responsiveness are critical. Its emphasis on external scanning encourages organizations to continuously monitor external trends and forces to remain competitive. It also alerts strategists to avoid overconfidence. By emphasizing external constraints, this school helps guard against arrogance or complacency in strategy-making.

There are not only upsides. In line with the considerations mentioned above, its reactive nature is particularly notable. By focusing on reaction rather than proactive action, this school may limit its ability to innovate and develop strategic foresight. There is neglect of internal capabilities. Emphasizing external factors can cause an organization to overlook its unique strengths, resources, and culture. The overemphasis on survival has a role, though is it overplayed? The school's focus on adaptation for survival may lead to short-term thinking, ignoring opportunities for growth or differentiation. This approach inherently incorporates a certain passivity and fatalism. This approach risks portraying organizations as powerless and overly reliant on external forces, rather than shaping their own futures. Finally, the difficulties encountered during the execution phase should not be overlooked. The constant need to adapt to external conditions can create instability and strain organizational resources.

In summary, the Environmental School is most relevant in volatile, uncertain, and highly regulated industries, where organizations are subject to powerful external forces. In industries such as agriculture (affected by weather), energy (influenced by global market prices), or finance (shaped by regulatory changes), this school's emphasis on external adaptation is essential. However, its reactive nature may not be suitable for organizations seeking to lead rather than follow market trends. In innovative industries like technology or fashion, focusing exclusively on external conditions may stifle creativity and proactivity.

Ad 10: The Configuration School Viewing Strategy as a Transformative Process

The Configuration School encourages leaders to adopt a diagnostic approach, assessing their organization's current configuration and planning for future transitions. Tools such as life-cycle analysis, change management frameworks, and scenario planning are commonly used to apply its principles. Leaders must develop a keen awareness of their organization's unique characteristics and adapt strategies accordingly. The Configuration School takes a holistic approach to strategy, synthesizing elements from all other schools to address the multifaceted nature of organizations and their environments. It views strategy as a process of transformation, where organizations undergo different "configurations" or stages, each requiring distinct strategic approaches. These stages may include periods of stability, growth, decline, or renewal. This school emphasizes that organizations are not static; they evolve through cycles of stability and change. The strategist's role is to recognize these configurations and transitions, aligning strategies with the organization's current state and future aspirations.

Key principles to consider with this approach include the following. First, strategy is understood as a process of transformation. Organizations pass through distinct stages, each with their own strategic needs. Then, the approach offers a reasonably holistic perspective. The school integrates ideas from other schools to address the unique challenges of each configuration. There is a focus on stability and change. Strategies are designed to maintain balance during stable periods and facilitate transformation during periods of change. What matters is organizational fit. Strategies are tailored to align with the organization's structure, resources, and external environment at each stage.

Major strengths emerge, such as flexibility and adaptability. By recognizing the need for different strategies at different stages, this school accommodates the complexity and dynamic nature of organizations. Moreover, there is an integration of concepts; at least, this is more the case in the aforementioned alternative. It provides a somewhat more comprehensive framework by drawing on the strengths of other schools, ensuring a balanced and versatile approach. Its focus on alignment is especially noteworthy. The emphasis on configuration ensures that strategies are well-suited to the organization's current state and future trajectory. Finally, preparations for change become clearer. It equips organizations to navigate transitions effectively, minimizing disruption and maximizing opportunities.

There are downsides as well, starting with complexity. The multifaceted nature of this school can make implementation challenging, particularly for organizations with limited resources or expertise. Additionally, there is a risk of oversimplification. While it aims to integrate different schools, the Configuration School may oversimplify complex realities by categorizing organizations into predefined stages. The emphasis on organizational fit may overlook external factors, such as competitive pressures or emerging market trends. Managing transitions between configurations can be resource-intensive and fraught with uncertainty.

The Configuration School is particularly relevant for organizations navigating major transformations, such as restructuring, mergers, or entering new markets. Organizations undergoing significant transitions, such as Kodak's shift from film to digital imaging (though not fully successful), illustrate the importance of this school's principles. Its emphasis on alignment and adaptability ensures that strategies are contextually relevant and responsive to change. In fast-moving industries, the time required to assess configurations and align strategies may limit responsiveness to emerging opportunities.

Observations on These Ten Schools

These ten schools detailed above are characterized by several flaws. First, they overpromise. The first three schools are prescriptive. They create an illusion that if strategists follow them, success will follow almost automatically. The strategist will be surprised by the failure rates. Of course, the consulting industry and business school professors continue to innovate and sell their services. One newer approach after the ten schools were presented was blue ocean strategy. Once more, it could be interpreted as new semantics for a recycled idea of differentiation. Following an approach solely based on its promises may not yield satisfactory results. After the first prescriptive schools, the remaining seven are descriptive. Once more, an illusion is created that they help understand strategizing. If a sound comprehension is in place, strategists may believe they can now proceed being certain to have success.

The concept of success must also be revisited in the context of these ten schools. The level of aspirations appears to be rather limited. Many companies, despite having competitive advantages, still lose money and ultimately disappear. Pursuing an advantage is merely too low a level of aspiration. Winning must be the goal.

These schools also lack clear links to values and ignore, by and large, who strategizes. Discussing tools of such importance as strategy without a clear values debate seems rather irresponsible.

The locus of decision-making is unclear in many of them. Who is the top management? Who in the group strategizes? Why? And who is not? Once more, why? What is the role of owners, boards, the board chairs, the CEO, the C-suite in general, the Chief Strategy Officer, or the Corporate Development Officer? The what, how, and when of strategizing seem unduly cut off from the who and where questions.

Furthermore, reviewing ten schools renders strategists aware of divergent approaches. Which ones should they adopt? All ten? The easiest? The one with the clearest process so as to be on the safe side? Should strategists give in to politics, given the power school of strategizing? The strategists seem none the wiser after critically pondering about each of these schools and the entire set. What is needed is not divergence but convergence into a single, enabling framework. This is where humanistic strategizing comes into play. It will be properly introduced in the next section.

1.3. The Essence of Humanistic Strategizing

The humanistic approach to strategizing, or humanistic strategizing in short, emerges as a school of thought that relies only partly on past tools to make way for innovation. Before delving into the details, it is necessary to revisit the origins of modern humanistic management and, consequently, humanistic strategizing, and to understand what it aims to achieve.

Together with Spitzeck et al. (2009), we first introduced this new school of thought within management. It foresees fostering human dignity as an outcome of doing business. It was a challenge to several established trains of thought in academia as well as practice.

First, humanism in business fundamentally questioned blind adherence to shareholder value. If mismanaged, it can become an exploitative, dehumanizing system, with human resources merely serving as a means to an extractive end in a too marrow functionalist paradigm. Optimizing human resources and the way they function ignores their rights, intrinsic and non-market-given value, needs, and human nature. Humanistic values, therefore, ought to be linked to and not separated from business outcomes, as well as all tools, especially strategizing, since it is about the winning recipe.

There is another innovation humanistic management has brought about. It is an encouragement of changing thinking styles in ethics deliberations on value, process, and utilitarian outcome ethics. Holzman and Gardner (1960) provide the semantics to label the previously dominating and now ever-more challenged view[5]. The authors refer to a sharpener thinking style if one aspires to distinguish concepts further, break them down to building blocks, and eventually arrive at rather granular levels. The leveler approach attempts to accomplish precisely the opposite. Instead of zooming in, the idea is to zoom out and arrive at the bigger picture, to find a North Star that guides, even if not all the details are perfectly known or understood ex ante. Dyllick and Hockerts (2002), for example, follow a sharpener approach when they develop their finer distinction of what sustainability means[6]. Moving beyond the triple bottom line within a business case for sustainability, they distinguish six sub-dimensions. These are not wrong per se, yet they render the discussion on what companies ought to do rather complex.

Pursuing or chasing six outcomes can be challenging. Muff et al. (2017) revisit the sustainability development goals and work towards holistic frameworks to capture and monitor progress[7]. With 17 Sustainable Development Goals and 169 targets, there is a risk of confusing C-level executives and rendering the goal systems even more complex. It is, therefore, no surprise that the UN Report on the SDGs in 2023 admitted that only 15% of these 169 targets are on track in light of the 2030 deadline (UN, 2023)[8].

Humanistic management calls for a different and leveler approach when reshaping corporate goal systems, updating corporate values frameworks, and guiding managerial action. Zooming out, it conveys a simple but not simplistic message. As a guiding North Star, organizations and their decision-makers should pursue human dignity as an outcome of their actions, uncompromisingly and through sound dialogues on what it means in given contexts, involving key stakeholders. Amann et al. (2011) illustrate what repercussions this has for better and different versions of business schools and management education.

In turn, and within the still-emerging body of knowledge on humanistic management, humanistic strategizing emerges as a construct that partly perpetuates past elements, partly innovates from a teleological perspective. Five aspects shape humanistic strategizing.

First, it continues and never compromises on the fact that it is about the winning recipe of an organization. It is not merely about competitive advantage, although it continues to integrate the five Ps in terms of pattern, position, ploy, perspective, and plan – if together they explain actual winning. It is not merely about having a strategic direction but about having true and cutting-edge winning recipes that allow an organization not only to survive but also to thrive in an increasingly competitive work environment and an ever-more complex business landscape.

Second, it calls for a more realistic approach to strategizing in complex times. As Schuh, Krumm, and Amann (2013) suggest, navigation serves as a superior analogy for describing the responsibilities of boards, C-level executives, and entire organizations in complex times. As the authors clarify, most strategies fail or are not implemented as planned. Thus, several semantics and insights from navigation, e.g., steering a ship as a captain, can inspire what needs to be done as a strategist and strategic leader. Examples include:

- Without regular adjustments, we risk crashing. We need to be steering.

- We depend on what others do. We can't direct the wind, but we can adjust the sails. Calm waters never made a skilled sailor.
- A ship in the harbor is safe, but that's not what ships are for.
- One cannot discover new lands without consenting to lose sight of the shore, or Saint-Exupéry's insight on motivation clarifying that "if you want to build a ship, don't drum up the men to gather wood, divide the work, and give orders. Instead, teach them to yearn for the vast and endless sea".

If strategies are communicated as something that cannot fail, they would not have to be adapted over time. Alternatively, if they are communicated as being built on certainty in assumptions, they create a false sense of certainty. Yet, some 80% of strategies are not implemented as planned. Better strategies require more and smarter efforts from current or future competitors and, thus, contribute to volatility by nature. Humanistic strategies are built on the analogy of navigation.

Third, when navigating, boards, executives, and all involved in the execution ought to understand and embrace that both the journey as well as the final destination are strongly linked to human dignity. In this context, human dignity is not a means to an end, such as more shareholder value. It shapes a more aspirational outcome and insists on the application of the right means. All of them pass the critical evaluation of fostering dignity in the broader context. Navigating as an integrative analogy also helps converge on a single approach to strategizing. The aforementioned ten schools have their place, yet what humanistic strategists need is convergence on one effective and integrative approach to strategizing.

Fourth, humanistic strategizing also acknowledges that individuals differ, and so do strategists. While many approaches focus on the right process of strategizing, i.e., how it is done, what it produces, i.e., the 'what,' and the industries and markets in which it should deploy its impact, i.e., the 'where,' humanistic management is sensitive to the talent and individuals involved. Not everyone is a great strategic thinker, and as Rath and

Conchie (2008) clarify, even within the domain of strengths devoted to strategic thinking, its eight themes may not be present in a strategist. The top five strengths usually characterize 80% of main thought processes, and the likelihood that two individuals share the exact same top five strengths is 1 in 33 million. Humanistic strategizing acknowledges differences and attempts to leverage strengths throughout the strategizing process – and when building organizational and eco-system strategies.

Fifth, and continuing the emphasis on navigation as a superior analogy, the dignity orientation, and acknowledgement of our individuality, humanistic strategizing then breaks down the navigation process into distinct steps. If it is not clear yet or has not been done so hitherto, the first step is to clarify governance. Who decides on strategy, which is linked to the overall approach to strategizing. Would owners decide, bankers demand, governments impose, ecosystem players and shapers drive, boards steer, or merely audit progress with KPIs? CEOs determine the course, entire C-suites converge, Chief Strategy Officers take the lead, or can even more peripheral parts of an organization contribute as part of an open strategy philosophy? Humanistic strategizing clarifies as a priority who strategizes.

However, the roles can and have to be adjusted over time based on what is at stake and how effectively the system operates. The second step then foresees a review of the latest maps. Integrating the most recent insights, strategists review both external environments and internal situations. Step three sees strategists orienting their compass, positioning themselves towards their North Star and sought-after destination. Step four requires anticipating potential pitfalls and identifying risks to mitigate. Step five encourages strategists to build the right systems to achieve maximum performance, and in step six, strategists accelerate smartly before windows of opportunity close.

In sum, humanistic strategizing is a realistic approach to strategizing, which does not ignore but rather acknowledges and embraces the risk that strategies may not work out, which is usually the case. Humanistic strategizing makes it clear that it is not a value-free process or outcome that is aspired to. Great humanistic strategies foster winning recipes that augment human dignity, which also applies to the individuality of those involved in the strategizing process. The suggested steps are not to be followed blindly.

Chapter 2

First Principle of Humanistic Strategizing – Clarify Responsibilities

2.1. Introduction

The following figure visualizes and summarizes six principles for humanistic strategizing. Visually, they are represented in a way that clarifies the importance of navigation. The call for a realistic approach to strategizing emphasizes the need to move beyond rigid plans and traditional approaches. Navigation should occur to adjust the course over time and address emerging issues. The first principle of humanistic strategizing is to ensure that responsibilities are clear. This applies to three directions.

- It equally ought to be transparent and understood by all involved what a strategy should accomplish. Strategy equals the winning recipe.
- There should be no doubt about strategies not being something value-free but value-bound. They must strive to instil more dignity as a result of doing business.
- Finally, it must be crystal clear who strategizes in a humanistic manner. It is at the helm of an organization where the responsibility for a humanistic orientation must be ensured and allocated. Based on levels of effectiveness, this book presents a contingency model of how this responsibility can then be cascaded down the organization.

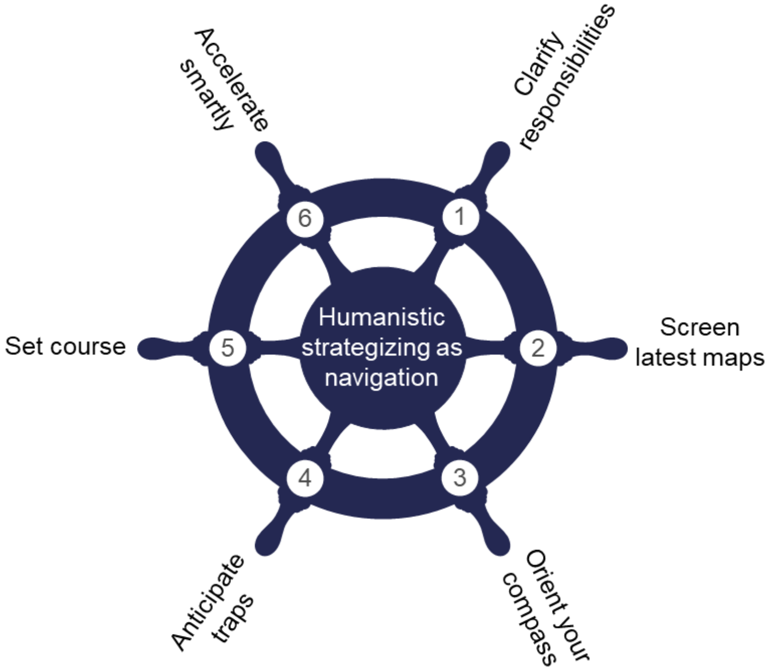

Figure 1: Six Principles of Humanistic Strategizing

2.2. The Winning Dimension of Humanistic Strategizing

Despite the proliferation of books on strategizing, strategic thinking is a relatively old concept and, even today, finds its main source of inspiration in the military. One famous example is Igor Ansoff, a Russian consultant to the US forces during WWII, who transitioned to working with companies as clients after demand for his original services declined following 1945[9]. He contributed three key frameworks that are still taught in business schools and are used in companies today. Techniques of evolutionary planning in complex systems also extend to the corporate world. Throughout history, groups and organizations of people have faced challenges that seem not only to be outside their comfort zone but also to represent an all-or-nothing situation. They, though certainly not always, often rose to the challenge and were equal to the test, providing us with some great learning opportunities. Based on the following historical example, we shall derive key insights for truly modern strategizing.

Our example of millennia-old, and thus timeless, strategic thinking patterns takes us to Greece, to the year 480 BC. The Battle of Salamis[10] was one of the most decisive assaults in the last 3,000 years. It was an engagement with the roots of Western civilization at stake, which at that time rested on the shoulders of the Greek city-states and the Persians, who aimed to conquer the world to their west, encompassing the Mediterranean Sea and Western Continental Europe. The Persian King Xerxes sought to secure and utilize the riches of the 32 Greek city-states that existed at that time for his westward expansion, but he first had to conquer them. He assembled an army of some 100,000 foot soldiers, who approached the city-states on the landmass north to the island Psyttaleia. In addition, a fleet of 1,200 large and long ships transported another 200,000 soldiers and archers, thereby also enabling the advance of all the food supplies for the foot soldiers to proceed more quickly. The Greek city-states were disunited as they competed with one another over having the best politicians, philosophers, and theatrical performances. However, their army's strength was limited. Altogether, Themistocles, in charge of leading the defence, could only count on a few hundred small ships from all of the city-states. Good strategic thinking was the only thing that could truly help the Greeks and their culture survive. One may well argue that adversity can bring out the best in a strategist.

Three main factors got Themistocles started in his strategic thinking. One of his first ploys was to send one of his compliant and loyal Persian slaves to Xerxes, pretending that he had deserted. This slave purposefully misinformed the Persians about the Greeks' weakness and disunity, suggesting that any battle would be over soon. Yet, the Greeks, knowing what was at stake and having a strategically sound plan for victory, surprised the mighty Persian fleet with their agility and determination to fight, leaving the Persians bewildered.

Second, instead of fighting the Persian fleet on the open sea, Themistocles chose to take them on in a different terrain, within the narrow strait in front of Salamis. Here, although Persian ships lined up to demonstrate their strength, they were unable to effectively deploy it. Before entering the narrow strait, the Persians rowed all night looking for the Greek fleet and arrived at the actual battle reasonably exhausted.

Third, the smaller, more agile ships of the Greeks began to attack the Persian line of ships from the north, ramming, conquering, and sinking them one by one, while other parts of the Greek fleet, such as those comprising the Spartans, continued to feign a head-on attack. The Greek warriors were better equipped for fighting at closer distances, and the windy weather prevented the archers on the rocking Persian ships from being effective. The Greeks managed to successfully attack the Persian commander's ship, leaving the entire Persian fleet in complete disarray after he was captured. At the same time, the foot soldiers on the northern land mass were shocked when they saw their fellows and food supplies drown. They did not engage and even withdrew from the battle. Themistokles made another smart move. Instead of having soldiers worried about the survival and wellbeing of their wives back home, far away from the battle, he invited the wives to join. Equipped with swords, they should form groups to attack any Persian soldier swimming to the shores after their ship got destroyed. Xerxes, safely distant from the battle, observed a significant defeat at Salamis, similar to his father's loss at Marathon two years earlier.

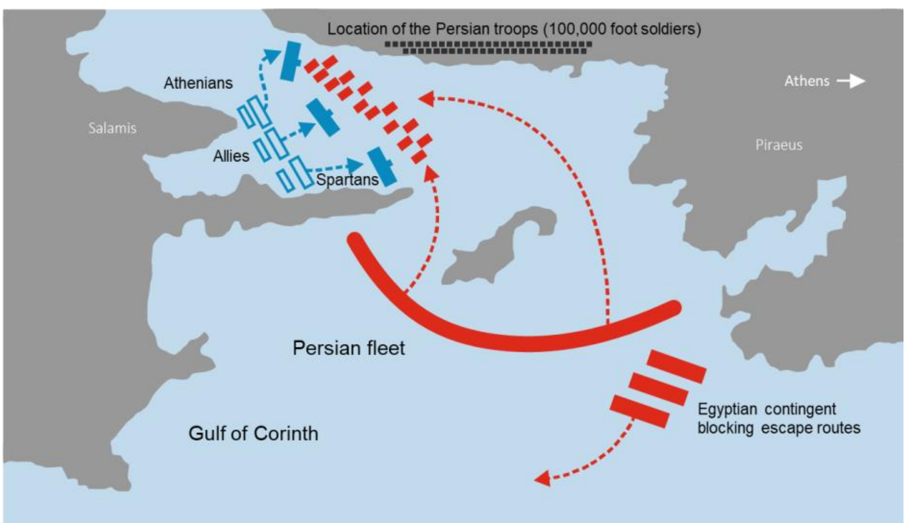

Figure 2: The Battle of Salamis

Analyzing the Greek victory, several strategic principles can be observed that were effectively employed by the Greeks. In fact, they are timeless. The acronym of ALIEN can help comprehend the battle and its lessons as outlined in Table 1 below.

- **Anthropological Insights:** Anthropology is the study of human societies and cultures, as well as their development. It is the study of what makes us human, how we as groups tick, and how we solve problems collectively. The battle described above clarifies that, too often, we rely on traditions – on solutions learnt in the past. Solutions are repeated once proven. The Greeks could predict that the Persians would first attempt to fight in open waters, where they could deploy their superiority. Past success in warfare would also render the Persians proud, if not complacent. They may have felt too big to fail, especially when competing against Greek philosophers, merchants, and artists. The same logic applies to the Spartans. There was no way to reason with them, which could be integrated into the solution as an anthropological insight. The Spartans' pugnacity could not be altered, and thus, using it to trick the Persians was an essential part of the solution.
- **Lateral Thinking:** The Greek carried out an analysis of their strengths, weaknesses, opportunities, and threats. What they did not do was conduct a SWOT analysis blindly and in a fatalistic manner. They could have merely reckoned they did not have many strengths and surrendered. However, the Greek reinterpret insights gained in the first round of analysis. They managed to turn a potential weakness and derailer into a strength. Location represents a factor revisited for the battle. Instead of fighting in open waters, the Greeks carefully chose the location. The morning winds made it harder for the Persian archers to aim properly. The narrow strait in which the battle was fought impeded the manoeuvrability of the Persian flight and their large, bulky ships. The win prevented Persian archers from being precise and hitting their targets effectively. A small group of them attacked the larger Persian ships

and sunk them until they reached the Admiral's. The wives of soldiers were included in the battle. They surprised the enemy and added further resources. They were essential in overwhelming the Persians. Lateral thinking is all about connecting insights, resources, and otherwise disparate variables. The Greeks also understood that 32 city-states acting individually would be easily overrun. Joining forces, they could gain a critical mass to defend against the Persians.

- **Imagination:** The Greeks understood that relying on past success recipes would not lead to positive outcomes. They could unlearn in due time and envision a new approach to battles. It even considered situational governance in the form of massive decentralisation. The Persians could easily have taken out Themistokles, and everyone else on the side of the Greek knew what to do. In contrast, the Persian had a rigid top-down structure. Once the Greek sank the ship of the Admiral of the Persian fleet, there was chaos. Some Persians on their ships continued to fight. Others tried to escape. Systems thinking helped the Greek. They realised that a battle is more than thinking in terms of goals. One must build a system in which its elements reinforce one another.
- **Experimentation:** Furthermore, the Greek understood that they had to make tough choices. They ignored the 100,000 Persian foot soldiers, and eventually, they were unable to make a difference. Soldiers had their food supplies and tents transported on the large ships and had to withdraw. They could not make a difference in this battle. The Persians were surprised by the transformation of wives into soldiers. Fighting against women was something they were not used to. Exhausted from swimming from their ships to the shores, they got easily overwhelmed by Greek female warriors. In addition, Themistokles played information games. He sent off his loyal slave to the Persians, creating the illusion that the Greeks were not united and that it would be easy for the Persians to win. Experimentation is key in strategizing. It takes the three Cs to make progress – competence, confidence, and courage to experiment with new solutions.

- **Navigation:** If the why is clear, the how is easier. Themistokles clarified a compelling vision and a clear purpose. He knew that thinking in terms of rigid plans would not make sense. A governance system with centralised power would not be helpful in a very unpredictable setting. Themistocles decentralized, ensuring the battle was not about him, his ego, his grandeur, or his shining as the brightest, most powerful, and smartest; instead, he humbly served the survival of Greek culture, people, and livelihoods. If the Greek had lost against the Persians, the men would have been forced to fight against other people, women treated poorly, and children either killed so they could not take revenge or groomed for future battles on behalf of the Persians. In stark contrast, what motivated the soldiers on the Persian side was less motivating. If the previously subordinated Egyptians had not died in this battle, there would have been more waiting – and for what? For the pride and empire of others.

The table below summarizes key insights from Salamis. It equally links ALIEN insights to today's business world. The Greek had a winning recipe. The Persians did not. Without a clear winning strategy, organizations lack direction. Corresponding winning recipes have to be ALIEN. This requires strategies to comply with the principles outlined above but also become alien in itself – different and new. Even 2,500 years later, these insights still apply.

- Gillette, as an organization, created a global multi-billion-dollar empire by applying anthropological insights. Gillette (mis)used the insight that women pay for care products more than men and leveraged pricing policies. Gillette understood the insight that once individuals have a shaver at home, exchanging the blades would occur more easily. Gillette studied how trends are made in societies. Featuring men with shaved chests and armpits on the cover of GQ magazines, to name one example, created a trend towards a new beauty ideal for men. Over time, Gillette could sell razors not only for removing facial hair but also for hair from larger bodily surfaces.

Initially, early adopters had to be convinced. Then, further segments of men followed. More and more men started to shave more body parts. Of course, they relied heavily on high-quality razors, which meant substantially more business on an ongoing basis for Gillette.

- Amazon can count as a typical example of lateral thinking. Margins in online retailing were thin, averaging less than 3%. Amazon leaders understood, however, that managing global online retail stores for large quantities and high-quality products allowed them to build a capability that was useful for more than just this business. The capability to manage large volumes of data could also be offered to others. This is how cloud computing was born, allowing Amazon to not only grow further in a – at that time – new business but also in one that generated 30% margins. Lateral thinking means connecting variables across contexts.

- Nespresso represents an all-time classic in strategizing. When exploring how to strategize for the future, leaders realized that coffee, even when branded, has the risk of commoditization. Additionally, leaders have noticed that larger organizations do not necessarily provide a good launchpad for innovations. Imagining how to generate new profits, leaders reasoned that they would need to rely on a separate entity for innovation. Nespresso was established in a location outside of established premises. It should be staffed with more agile candidates and work with a faster organizational culture. If Nespresso had been launched in existing structures, there would have been resistance to change, possibly in the form of sales colleagues being afraid of cannibalizing their own bonus by simultaneously launching Nespresso. Choosing a separate setup and integrated system for rapid scaling allowed Nespresso to prevent coffee from further commoditization and multiply the price they charge for a single cup of coffee. Of course, it required building an integrated system with newly designed coffee machines, marketing campaigns, sales outlets, and hundreds of patents protecting the capsules from being copied too quickly.

- Google has shown brilliant strategic moves over time. It can count as a best practice company when it comes to experimentation. It has opened and experimented with thousands of innovations, and as quickly as these experiments began, the company also shut them down if there was no market traction. Failure was defined as not even attempting to try. No one would lose face if an innovation did not work. There was sufficient psychological safety. Also, information games mattered. Google did not disclose its real strategies for the longest time in order not to inspire competitors on how to build a multi-billion-dollar empire based on selling and leveraging user data for advertising. Strategists made an interesting decision when revising the former motto to "Don't be evil." Many of their products and services were built on the creative destruction of existing competitors' offerings, and if users knew which data would be gathered and shared, they may not have agreed to the free-services model in the first place.

- Nokia is an example that has to be included in every book on strategy. It is mentioned in most strategy courses worldwide. Once a huge, dominating, and innovative company, it shied away from destroying its lucrative business model. They did not navigate strategic change well. Past success can lead to complacency and make unlearning difficult. Nokia's past CEO Stephen Elop ended his speech crying and saying "we didn't do anything wrong, but somehow, we lost"[11]. However, once the leadership team was replaced, the company could prosper once more, becoming one of the fastest-growing new entrants in the industry, at least for some years. How to navigate change matters. Strategy is not about rigid, top-down plans but about navigating execution phases effectively. This matters as 80% of strategies fail in the execution phase.

The following table summarizes these thoughts. It also encourages the reader to embark on a brief moment of reflection. How does your organization apply these principles strategically?

Table 1: The ALIEN Acronym in the Strategizing Context

	A Anthropological insights	L Lateral thinking	I Imagination	E Experimentation	N Navigation
Salamis	• Battle traditions, • Pride of Athenians • Pugnacity of Spartans • Complacency, …	• Geography (SWOT) • Inclusion of diverse warriors • Ramming boats, …	• Success recipe and its evolution • Situational governance, • Building systems, …	• Ignoring foot soldiers • Female soldiers • Trap for ships • Information games, …	• Purpose and vision • Decentralization • Empowering • Trust, …
Business examples	Gillette	amazon	NESPRESSO	Google	NOKIA
Your organization					

The sections above clarified a core expectation that exists for strategies. They must enable winning. Contrasting this insight with what is often found in organizations, the following figure illustrates what is not a strategy. Too frequently, leaders confuse strategy with mere aspirations, goals, or values. However, unless there is clarity on how these can help win in the marketplace, we are not discussing strategy. In humanistic strategizing, the expectations for strategy are even higher, as outlined in the next section.

Figure 3: Examples of Statements Diverging from Strategy

2.3. The Dignity Dimension of Humanistic Strategizing

The Battle of Salamis has lessons that remain relevant today. We see the Persians as being interested in empire building, regardless of the means or casualties incurred on either side. We equally see the Greek with a nobler cause for engaging in strategizing. The intended outcome for the Greeks was to protect their dignity and wellbeing. Fighting in future wars for a Persian ruler, seeing their way of life being destroyed and their family members being misused or killed would justify strategic thinking deploying its full potential. Humanistic strategizing requires all strategic leaders to deploy the rich toolkit available for strategizing processes only when there is no ambiguity about the purpose of the exercise. The situation may be filled with adversity as it was for Themistokles. Environments may be unpredictable, and the initial situation may resemble a worst-case scenario. However, as Themistokles demonstrated a long time ago, great strategic leaders can alter reality with innovative thinking and deploy sound, integrated strategies for the sake of human dignity.

2.4. The Governance Dimension of Humanistic Strategizing

Humanistic strategizing is also more explicit about the question of who should be involved in strategizing. This is not necessarily an easy question, though it is often a neglected or at least an ambiguity-filled one. The model builds on the value school of governance[12].

The following figure presents an essential framework – one that has been implemented in numerous organizations and counts as best practice in organizational governance. It optimizes motivation, quality of decision-making, situational adaptation, and a focus on competencies as well as effectiveness. It ensures that boards and top management do not sit back and merely expect the rest of the organization to perform. Instead, it establishes clear structures of accountability, responsibility, and transparency at the helm of an organization and defines the roles of both boards and management. Embracing this model means that the top of the organization also wants to professionalize. It wants to walk the talk of constant and never-ending improvements (CANI). It confirms that reality and actual performance are analyzed properly, and consequences are decided upon contingent upon actual results. The model also aims to add value for and with each other, bringing key stakeholders to the table and into the reflections.

Two essential questions matter when fixing the role of boards versus management. Once this level of governance is clarified, the model can be applied to any of the levels below. The key questions are:

1. **What is At Stake?** Shown below in the quadrant in the following figure, this question investigates whether stakes are high for an organization or not. Are there any crises that threaten the organization's survival? Including not only negative occurrences but also positive ones, are noteworthy opportunities at stake which could catapult an organization into an even brighter future? Raising this question will then impact the dominant role boards ought to take in the governance and strategizing process, as well as the answer to the next question.

2. **Is Management Effective?** Shown on the left side of the quadrant in the following figure, the next crucial question inquires if the C-level is highly effective or not. Within humanistic strategizing, this first and foremost means if an organization augments levels of human dignity with its conduct and offerings. Are customers dealt with responsibly? Do stakeholders see the organization as a role model? Are strategic leaders and the organization overall a force for good? This explicitly involves ensuring that an organization does not decline over time, has a robust economic foundation to operate on, and effectively ensures its future-readiness. A sub-question related to these considerations is whether an organization would be truly missed if it did not exist (anymore)?

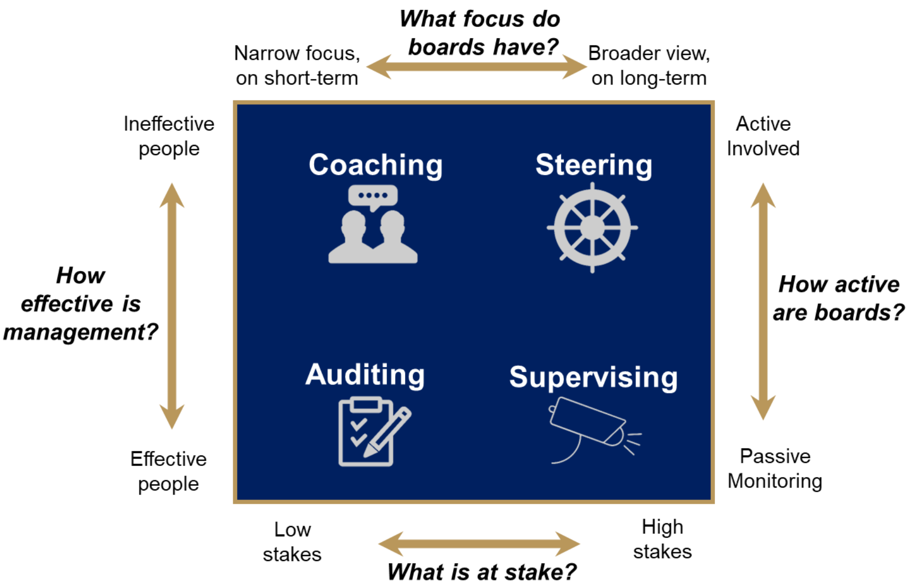

Figure 4: Key Questions to Fix the Dominant Role of Boards

Based on the answers to these two crucial questions, there are four dominant roles a board must play flexibly, with changes expected over time. This also means that board and management roles are contingent upon the situation and are reasonably dynamic. There is no single way to add value in strategizing processes.

1. **Auditing:** If no major crises exist or opportunities are missed, and if the C-level is very effective in protecting and enhancing human dignity alongside other deliverables, boards should not micromanage. They should resist the temptation to be overly involved in scrutinizing every single move of top management. Instead, merely auding KPI suffices absolutely.

2. **Supervision:** The situation changes if more is at stake. If environments become more turbulent, challenges multiply, and windows of opportunity close quickly, the board ought to consider shifting roles. Beyond a mere auditing of a few KPI, supervision needs to take place. It reviews broader sets of performance indicators. They also relate more to the drivers of future

performance and future-readiness than accounting past and thus more past-oriented indices. It is often a judgment call for entire boards and individual board members when to shift the focus. An overly early shift can cause unnecessary hecticness, uncertainty, and the downsides of micromanagement, such as a perceived lack of trust. A shift of roles too late can lead to missed opportunities and neglected duties.

3. **Coaching:** While the supervision scenario still assumes the C-level works effectively, the situation changes in the case of the top left corner in the figure above There are moments in which the C-level, most notably the CEO or one of the other CXOs, slipped and appear not to have a good grip on the situation. Boards should shift their dominant role and offer coaching, which, by nature, is a distinct core task in addition to monitoring KPIs. This requires the proactive development of other skills and the readiness to launch or apply them. There needs to be a realistic assessment and growth of such coaching skills for this dominant role to be deployed effectively, and an openness amongst the C-level to embrace such invaluable coaching opportunities. This also necessitates psychological safety in exchanges between the board and top management, as admitting vulnerabilities is a necessary precondition for future success, and for the board and top management to serve as impressive and authentic role models.

4. **Steering:** This final scenario, positioned at the top right corner of the quadrant, suggests that when a lot is at stake and top management exhibits objective signs of insufficiencies, boards should step up. They ought to steer strategy both from a content and a process point of view. Obviously, this is not a sustainable set-up for the mid-term or long-term as there are fully employed and handsomely paid C-level executives in place. Thus, the steering role of boards can only be temporary until crises are overcome, major opportunities are secured, and a highly effective top management is put back in place.

King Khalid Foundation as a Case in Point

Since 2001, KKF has emerged as a leading philanthropic organization in the Kingdom of Saudi Arabia. Over time, its stakeholders felt more innovation and impact were needed. Natasha Matic was recruited to inject innovation. She served as Chief Strategy Officer and Deputy Chief Executive Officer. The emerging idea was then to transition from grant-making to high-impact strategic philanthropy and from corporate social responsibility (CSR) to cutting-edge venture philanthropy. This required a re-education of companies on corporate giving, in light of the due respect for charitable donations and the guidance suggested by the Quran: "If you disclose your Sadaqaat, it is well, but if you hide it and give to the poor, that is better." Making such a bold strategic move required KKF to reinvent itself and develop new capabilities. It needed to operate in a traditional external environment where most giving is informal, professionalization is limited, skills in the non-profit sector are limited compared to those in for-profit companies, poverty alleviation is overemphasized, and data availability is rather poor. KKF aspires to help grow a powerful ecosystem of actors working collaboratively to solve Saudi's most complex challenges. Natasha was neither on the board nor a member of the Royal family. She was not the CEO. However, she was highly effective in her endeavours. She reported regularly on 1) winning partnerships, 2) a strengthened brand, and 3) securing government endorsements. She could continue her role with empowerment in light of her effectiveness. Broader KPIs were monitored in line with the model outlined above. Sound governance, a clear locus of decision-making, and situational roles based on key questions help determine who should be responsible for strategy. This also applies to different regions and types of organizations, such as KKF.

2.5. A Note on AI in the Governance Debate

Inarguably, AI has made major progress over the last years. Recent Chinese innovations especially illustrated that major progress can also be achieved without the astronomical investments that US players deemed necessary. Simultaneously, AI, with its diverse categories of applications, is unduly overlooked. Many organizations have become disillusioned as the speed of technological change is overwhelming. Adoption readiness and data quality turned out to be limited, and deployment costs were exorbitant in too many organizations. Within the governance debate, however, there are initial use cases that are worth mentioning.

After outlining conceptually what constitutes humanistic strategizing, the following section presents and discusses a case study. With the help of ABB as a case, the idea is to apply the aforementioned insights and to clarify what complexity drivers could emerge. In the context of corporate strategizing, STRATBOT emerges as a promising spearhead of what is likely to materialize further. It is a strategic application that builds on OpenAI, protecting the confidentiality of information by not sharing it with a central system, which could potentially leak to other organizations. STRATBOT will enable future strategy committee debates, which helps overcome the limitation of only one system arguing its case. Through dialoguing, it can help improve and balance decisions.

Additionally, AI can support the four main roles outlined above. For example, in our executive education seminars at HEC Paris, we run an exercise in which groups receive profiles of CEO candidates and a company description. Groups at times need hours to work their way through at times complex expectations when practicing how to select the next CEO. AI hardly needs seconds to produce clear recommendations that are substantiated with a page of rationales. This may substantially accelerate debates on who should be CEO in companies and can help neutralize personal biases and politics. When attempting to steer, AI can support prioritization.

When supervising, AI can, in turn, catalyze analysis by distilling industry trends and their impact. In the auditing phase, AI can teach board members how to better understand key performance indicators (KPIs) and outline ways to manage them, including the risks associated with misusing specific KPIs. When coaching, AI can suggest strategies to prepare conversations. In sum, there are great opportunities available for willing board members who are open to stepping up and embracing humanism and the latest technologies.

2.6. Discussion of ABB as an Integrative Case Study

Introduction

Zurich, June 3, 2024, 1:15 pm: ABB's 65-year-old CEO, Bjoern Rosengreen, just returned from lunch with fellow members of the executive committee. He had less than two months left in his role and clarified to his colleagues that he would not know how his announced successor would manage the organization. From August 1 on, Morten Wierod would take over the reins. Rosengreen agreed to mentor him for six months, but that did not mean that styles would remain the same.

Rosengreen was a big fan of ABB. Several stories showcase his utter devotion to ABB overall. One of these anecdotes concerns his early morning, 29-minute commute to ABB's headquarters in Oerlikon, a part of Zurich, Switzerland's largest city. Rosengreen regularly became vexed when boarding a train with the Siemens logo engraved on the doorsteps. Supposedly, he then decided, time after time, to wait for another train from a different supplier. Many years had passed since ABB counted among the world's largest locomotive manufacturers. By the mid-1990s, the division had merged with Daimler's train business. The newly combined business unit was later acquired by Bombardier, which subsequently merged with Alstom in early 2020.

In contrast, Munich-based Siemens continued to build trains and operated differently from its smaller Swiss rival. Recently, new CEOs were appointed at the two firms. Rosengreen started at ABB in March 2020, and Roland Busch (59) assumed office at Siemens in February 2021. While Busch's predecessor, Joe Kaeser, spun off entities, Siemens started to further integrate what was left, even the train business. Busch felt stakeholder pressure not to destroy a national icon similar to what GE was in the US.

Stock markets favoured what Rosengreen did. J. P. Morgan analyst and industry expert Andreas Willi clarified that Rosengreen at ABB "delivers operationally and accomplished what 8 CEOs in 25 years failed to do." Already in the summer of 2021, Rosengreen achieved an operating margin of 15%—a goal originally set for 2023. The margin had not been at that level since 2008. As of March 31, 2024, ABB's current operating profit margin was 11.27% (see the figure below for comparison with Siemens).

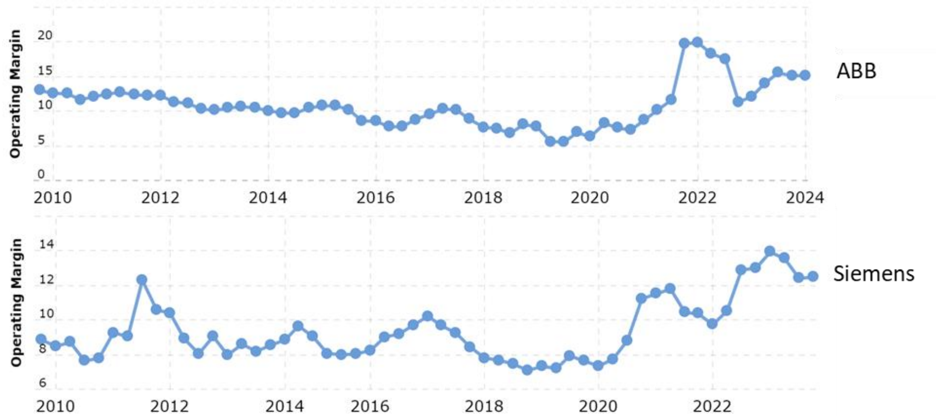

Figure 5: ABB's and Siemens' Operating Margin Over Time
Source: www.macrotrends.net

Selling units allowed Rosengreen to access treasures otherwise too deeply hidden in the organization. For example, the newly formed division for electric car charging stations generated sales of only €220 million from the outset. Yet, announcing an initial public offering (IPO) within two years sparked fantasies with investors. An initial sale of 8% in 2021 generated €200 million alone. After all, the rapid market penetration of electric cars, along with ambitious visions from original equipment manufacturers (OEMs) and governments worldwide, has generated unique opportunities. There was no doubt that shareholders and investors perceived conglomerates as outdated, inefficient, and undervalued.

Rosengreen pursued a rigorous divestiture strategy, turning ABB and himself into more of a shareholders' darling than Siemens (see the figure below for a comparison). But how far could he push it? Should Rosengreen begin to develop growth strategies for the remaining entity?

Or should he continue to sell further units as, for example, one of his predecessors, Ulrich Spiesshofer, had done? Spiesshofer had started to spin off the huge power grid unit to Hitachi from Japan—a process to be completed within three years. In 2020, power grids accounted for a substantial $10.4 billion (28%) of ABB's sales. Power grids have been an integral part of ABB's identity for a long time.

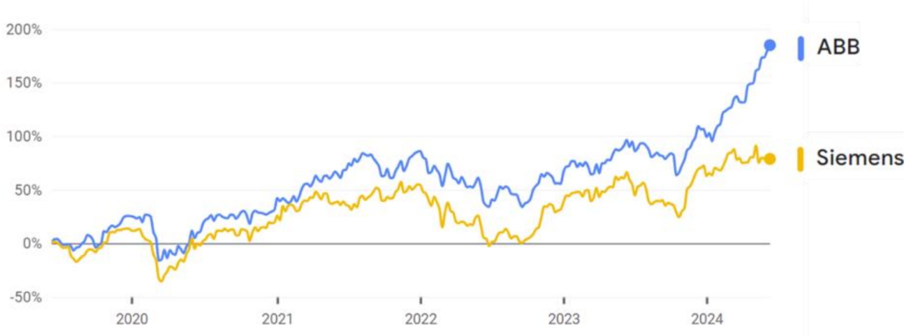

Figure 6: Comparison of the Share Price Development of ABB Versus Siemens
Source: Google Finance

Background of ABB

ABB originated from the merger between Switzerland's ailing Brown, Boveri & Cie, and Sweden's Asea back in 1988. ABB began as a leader in various industries. Organizational complexity was high, and the matrix structure implemented for the emerging entity proved difficult to manage. Strategies appeared to be exchanged as fast as the CEOs.

ABB's first CEO went on a shopping spree. This lasted until an asbestos lawsuit, the burst of the growth bubble in Asia in the late 1990s, and several strategic diversification moves, as well as e-business initiatives, failed. By that time, 95% of the shareholder value had evaporated, and the company risked becoming illiquid. The subsequent CEO, Juergen Dormann, simplified the organization and ensured liquidity by selling substantial parts of the rather significant oil and gas-related technologies. Peter Voser remained as Dormann's CFO and subsequently became chairman of the board, a position he still held in 2023.

Dormann's successor, Joe Hogan, preferred further acquisitions, which was not continued by the next CEO, Spiesshofer. Consultants from McKinsey and BCG earned substantially under each of them. In 2015, the Swedish activist investor Cevian Capital entered the scene and acquired a 5% stake in ABB. Three years later, since the share price still had not recovered even after several restructuring and share buy-back programs, the Wallenberg family, as owner of 10% of ABB, aligned itself with Cevian. Spiesshofer decided to sell the power grid unit. Although he promised to pass the entire $8 billion from this spin-off on to shareholders, the share price did not react, and Spiesshofer had to leave. In 2019, Lars Foersberg was tasked as interim CEO to scale down the matrix organization and search for a new CEO who would be the opposite of Spiesshofer: one with a less strong ego, who would micromanage less and delegate more to strategic business unit leaders.

As of 2023, ABB consisted of four business areas (cf. the figure below for the split of sales, profits, and employees across them). Often, competitors differed in each of the business areas, which, in the past, had made it challenging for board members to follow them. First, ABB offered a rich portfolio of products and services for safe, smart, and sustainable electrification. Globally, electricity demand grew two times faster than other energy sources. Digitalization accelerated demand for intelligent, ever smarter solutions, and urbanization as well as population growth suggested interesting potentials for the future. Only 35% of sales came from Europe, as, in the past, ABB triggered efforts to venture into other regions to secure further growth. ABB generated 31% of its sales in Europe, 28% of its sales in the U.S., 10% in the rest of the Americas, 15% in China, and 16% in the rest of Asia, Middle East and Africa (AMEA). Divisions included distribution solutions, smart power, smart buildings, installation products, power conversion, and e-mobility with its electric chargers and connected services.

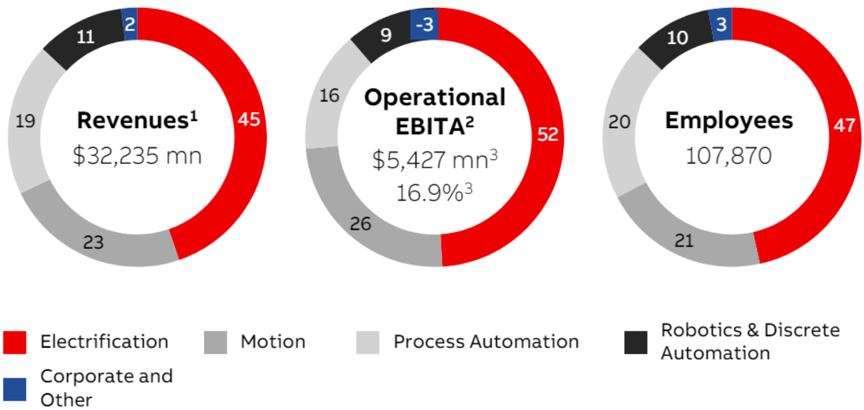

Figure 7: Overview of the Split of Revenues, EBITA, and Staff Across
Source: ABB

ABB's Four Business Units

Motion, as the second key business area, included drive products, system drives, services, traction, low-voltage motors, large motors and generators, NEMA motors, and mechanical power transmission. The third business area ABB served was process automation. Forty-one percent of sales were generated in Europe, which was not surprising given the company's strong European roots.

The process automation business area included the following divisions: Energy industries, process industries, marine and ports, turbocharging, and measurement and analytics. Lastly, the fourth business area addressed robotics and discrete automation. Divisions included robotics and machine automation. ABB functioned as a one-stop shop for any kind of industrial automation intended for more focused or all factory automation, including motion control and integrated safety technology. As much as 50% of the sales originated from Europe. Yet, the area was in second place globally, with the number one position in robotics in the important, high-growth Chinese market. ABB aimed to support further growth with a $150 million investment in a robotics factory in Shanghai.

Vocal Owners

The preference of owners appeared to be clear: Split up ABB into three businesses: one for electrification and drives, one for industrial robotics and production automation, and one for process automation. Fellow leaders from within ABB felt frustrated, as no real growth strategy was visible. The situation did not yet resemble a fire sale, where everything must be sold. However, questioning the entire scope of the organization was overwhelming for many leaders and the more regular staff members. No cohesive battle plan for the long-term future of ABB was communicated from the C-level. "Rosengreen merely implements what he was recruited for," they complained. For many, ABB had been Europe's answer to General Electric. ABB has been a true powerhouse, leading in many fields involving electrical engineering. In their eyes, the CEO's hyperactive portfolio management approach risked considerably weakening what was left. They criticized the owners, among them primarily Jacob Wallenberg (67). He represented the Wallenbergs, an industrial clan from Sweden, as a significant shareholder and served as vice chairman of the board (cf. Exhibit 4 for an overview of ABB's board of directors and Exhibit 5 for the members of the executive committee).

ABB's CEO Rosengreen and the New ABB Way that Followed

Rosengreen appeared to fit the vocal owners' expectations perfectly. He built a reputation for a more decentralized leadership model. In his previous CEO role at Sandvik, also belonging to the Wallenberg family, he increased the share price by 70% in five years. He planned to execute in a friendly manner: "I am an old man and happy to be here … as normally in Sweden it is over for CEOs at my age … I am enjoying every day." Rosengreen accelerated Voser's decentralization. He installed a rather numbers-oriented, rigid leadership model for the organization, called the ABB Way. ABB's operational units were no longer the four main business areas, but rather the 21 divisions at the next level.

They were in charge of their strategy and were fully responsible for their results. They were tasked with securing the number 1 or 2 position in the market, as this was crucial for profitability. Two years before, ABB's headquarters still had 18,000 staff members. By late 2021, only 900 were left. The rest was distributed to the divisions or left. Henceforth, ABB's profit would stem from the sum of the divisions' profits minus €300 million of central cost. Transparency regarding the numbers ought to be maximized. The four main business areas would not lead the divisions operationally.

These 21 divisions were categorized into three groups: those that were in the stabilization phase, the profitability phase, or the growth phase. Investments could only take place if the businesses achieved stability and high profitability. All annual budgeting was abolished and replaced by a new scorecard system. Fifteen key performance indicators (KPIs) and an outlook for the subsequent five quarters were key to the planning and reporting process. Key figures included the orders-to-sales ratio, the margins, and the return on capital employed (ROCE). Together, they formed the basis for Rosengreen's decision-making. If the actual businesses deviated from the forecasts, this triggered a need for action. "Trends don't lie," he reasoned.

Overall, Rosengreen endeavoured to score with simple messages. Board members often felt confused by Spiesshofer's complicated PowerPoint presentations. "Rosengreen sells himself better … his slides show first and second positions, and that ABB covers all megatrends," said Vera Diehl, a fund manager from Union Investment. Initial sales of businesses were promising. For example, selling the roller-bearing business to RBC as a competitor yielded $2.9 billion - 22 times its operating profit for an entity that generated $600 million in sales—half a billion dollars more than analysts expected.

More spin-offs have already been announced. They included high-margin businesses, such as turbochargers, which generated $800 million in sales. Rosengreen argued that the overarching logic is to focus on fields that electrify the globe, bring the physical and digital worlds together, and help customers become more sustainable. According to him, certain products and services did not align with ABB's purpose. Rosengreen continued to announce more ambitious business targets and intensified share buy-back programs in several steps. It was part of the company's commitment to allow shareholders to benefit directly from the divestment of Power Grids, worth $7.8 billion. For example, in 2021, ABB completed buying back 5.93% of its issued share capital for $3.5 billion, followed by buying back another 4.15% for $3.1 billion in 2022, and an additional buy-back of 3.29% of shares for $2 billion later until April 2023, moving even beyond the divesture sum. Right after completion, ABB announced another share buyback program for $1 billion, which was launched on April 1, 2024. Since July 2020, ABB has repurchased approximately 308 million shares for capital reduction purposes, totalling approximately $9.4 billion.

However, was it enough to push the share price through aggressive share buy-back programs, decentralization, and splitting off units? What benefits stemming from being part of the ABB group were at risk? Which advantages were to be gained from these moves? What is the board's role in the first place to fix this strategy, and how should the board work with the CEO?

How should Morten Wierod, the 52-year-old Norwegian, function as designated successor? Wierod had been appointed by the Board following a thorough selection process. He joined ABB in 1998 and has been serving as a member of ABB's Executive Committee since 2019.

As of June, he was President of the Electrification Business Area and previously served as President of the Motion Business Area. Morten Wierod held a master's degree in electrical engineering from the Norwegian University of Science and Technology. Thus, he brought along the engineering and ABB insights to be accepted – but how should he interact with the board and business unit leaders? Finally, would ABB be a good role model for Siemens?

Discussion of the ABB Case Study from a Humanistic Strategy View

The ABB case study illustrates how strategy is implemented in reality, but it misses several opportunities. This section critically reviews this ABB case and clarifies how truly humanistic strategizing should look. The following pointers emerge as the most relevant:

1. **ABB Lacks a Strategy:** ABB, its board, and its C-level executives fail to understand the essence of strategizing in general and humanistic strategizing in particular. There seems to be a conspiracy in place that harms the long-term survival of the organization and the interests of key stakeholders. If ABB forms strong players in attractive industries and then spins them off via IPOs or sales to competitors, the question arises: What will be left ten to twenty years down the road? It acts as an incubator with the obvious risk of emptying the corporate core over time.

2. **Ignored Stakeholders:** ABB over-serves its shareholders with voluminous share buyback programs in the short term. It under-serves other stakeholder groups. Staff members wonder what the long-term strategy is. They lost trust in top management and the board and rightly raised crucial questions about their job security. Once sold to competitors, consolidation processes are likely to lead to 'rightsizing' attempts to consolidate staff numbers. At the same time, ABB will look globally for the most attractive offers for the units they aim to spin off. This will lead to technologies, jobs, tax income, and local spending leaving Switzerland. There is no consideration of what is important and good for staff and the vicinities in which ABB operates at the moment. Human dignity depends on such interests being acknowledged, heard, considered, and, to a critical extent, tailored in one way or another. Effective dialogues on how good solutions can be developed should take place. Yet, as it seems, several stakeholder groups are completely excluded from both the discussions and the set of beneficiaries in strategizing.

3. **A Corrupted CEO:** Bjoern Rosengreen had not much to lose at the end of his career. He had effectively implemented the same strategies ABB now deploys in his previous assignments. Dominant shareholders and members of the ABB board brought him to one

last assignment. While Bjoern Rosengreen was effective in ensuring that narrow KPIs were achieved, he failed to deliver a long-term strategy that would benefit more stakeholders. Human dignity did not matter in his goal system. ABB's competitor, Siemens, in contrast, protects its operating core and is thus likely not to please shareholders in the short term; however, in the midterm, it would actually have a company left to run.

2.7. Summary of Key Insights

This chapter introduced the first principle of humanistic strategizing. Humanistically oriented strategists must clarify responsibilities. This relates to three essential to-dos when embracing this philosophy of strategizing. The first deliverable is a truly winning strategy. If the recipe emerging from the strategizing process does not all an organization to win, it is not a truly winning recipe. It is not a strategy.

The second deliverable is a strategy that enhances and does not compromise human dignity within the system in which it operates. Humanistic strategizing inspires role modelling behaviour. It leads to organizations that are missed if they no longer exist in the marketplace. It is the element of augmenting human dignity that enables an organization to deserve winning. The inverse applies as well. Organizations that deploy strategies and human resources as a mere means to an end, such as a one-dimensional focus on shareholder value, would not have the same level of legitimacy and would not deserve to win and thrive to the same extent. Therefore, humanistic strategies are motivated and driven by human dignity and capably deliver on the expectations that they are a force for good. While the concept of the triple-bottom line has been established, it also risks causing confusion. Human dignity, as a Guiding Principle, can more aptly simplify discussions, enable local debates on how to achieve it, and thus provide the room to manoeuvre, ensuring progress towards greater human dignity over time.

The third element of clarifying responsibilities is to shed light on and optimize the locus of decision-making. This chapter clarifies that the role of the board is and cannot be to rubber-stamp C-level decisions, monitor KPI, or bring VIP individuals together. There must be a clear value added. The dominant board role is highly contingent upon what the organization needs. Two questions help shape the situationally dominant role to play. What is at stake, and is management effective when it comes to dealing with challenges and opportunities? In humanistic strategizing, the notion of human dignity is deeply integrated into answers to these questions. Is an organization risking dignity? Is it missing major opportunities to enhance human dignity? Is an organization really effective in making good progress over time, not only when it comes to building a sound economic engine but also in contributing to human dignity amongst its stakeholders? Based on the answers to these questions, boards ought to function differently. Within humanistic strategizing, all elements of an organization, particularly its leadership, must add value. As the board is the place for there the strategic direction of an organization is ensured, dignity-oriented discussions must take place. This was not the case at ABB. Dignity discussions, however, require broader skills of board members beyond technical business acumen. The level of expectation is higher in humanistically run organizations and for humanistic strategists.

Chapter 3

Second Principle of Humanistic Strategizing – Screen Latest Maps

3.1. Introduction – Thinking Styles Matter

Once overall responsibilities have been clarified, humanistic strategists can proceed in their efforts towards winning recipes by screening the latest maps. Like a ship's captain ought to prepare for the journey ahead, they must conduct an analysis of their external and internal environment. In this context, it is crucial to differentiate among three main styles of analysis, and the following table helps summarize them.

1. The CSI approach, or corporate scene investigator style, has major strengths. It focuses on rational thinking and deductive analysis based on tangible and objective facts. IQ and following a clear process matter. The approach soon hits limitations, however, if an organization operates in a highly complex environment. Here, the interdependencies of a diverse range of factors, haunted by ambiguity and in a state of flux, render a conclusive analysis difficult.

2. The Grand style, in turn, focuses on bigger patterns, ideas, and social dynamics. Subjectivity is not ignored but embraced. Empathy, the way the analysis is conducted and the results communicated, matters more than all the overwhelming data and pseudo-rational attempts to think.

3. Meta-detailing as a third approach combines both of the above. It integrates IQ and EQ. It captures both larger patterns, which are only visible when zooming out, and finer details, which are only visible when zooming in.

Based on the question of whether an environment can be analyzed rationally or has already become too complex, the humanistic strategist must pick the right approach. There must also be an awareness of one's preferences for how to investigate trends in industries. Both the CSI and the grand style have flaws, while meta-detailing requires more skills as it integrates starkly divergent thinking, research, and communication styles.

Table 2: Approaches to Information Management in Strategizing

CSI Style	**Grand Style**	**Meta-Detailing**
		
• The world and business challenges can be identified, analyzed, dissected, and tackled in detail • Only logic and sober rational analysis counts in a deductive approach • There must be proof for ideas • The facts matter • Psychological and sociological patterns are often excluded • We think inside of the	• Patterns, big ideas and creativity count • There is room for intuition, hunches, subjectivity, and feelings • An inductive analytical process prevails • Motivation and symbolism are prioritized • Details, measuring, and evidencing do not matter in this reductionist approach • Analysis is not required	• Combines strengths of both previous approaches • Backs up big ideas with facts and figures • Smartly combines content with process • IQ and EQ • In the world of art, pointillism best depicts this style as it combines views on how people think and perceive with a big picture view as well as a perfectly

box, which is clearly defined • Success depends on reliable implementation of a detailed master plan • Content, not audience, gets priority • IQ matters • When compared to art, realism, with its attempt to depict reality as perfectly as possible, gets closest to this approach.[1]	if the big idea is understood • Analysis in a complex time may well be too time-consuming and useless as key factors change • Successful implementation depends on created longing for a future state • We must remind colleagues that there is a box • Audience and strategist's communication are as important as content • EQ matters • When compared to art, expressionism, with its conveyance of an idea, an emotion, and a view of the world, depicts most closely what this approach is all about.[2]	applied technique[3]

[1] The image above, titled Young Hare, was painted by Albrecht Dürer in 1502. Dürer, a master of the German Renaissance, created this iconic piece with meticulous detail, showcasing his exceptional talent in realism. Using watercolours and gouache, he depicted the hare with lifelike textures, shades, and a remarkable sense of depth. The painting is celebrated for its ability to almost bring the subject to life.

[2] This vibrant painting features a scene from the world of performance and celebration, echoing themes often explored by Edgar Degas. Known for his fascination with dancers and stage life, Degas frequently captured such lively moments with his unique style of impressionism. The energetic composition, intricate costumes, and expressive figures depicted in the painting align with his masterful approach to movement and colour.

[3] This pointillist painting style was popularized by Georges Seurat and Paul Signac, key figures in the art world of the late 19th century. This artwork, called Parade de cirque, focuses on a meticulous dot-based technique that these artists pioneered, where tiny dots of colour combine visually from a distance to create stunning images.

3.2. Understanding External Environments of Organizations and their Business Units with the Help of the Strategy Pallet

Building on the analysis of business environments, the concept of the strategy palette has proven to be particularly helpful in discerning and categorizing environments. Proposed by experienced BCG consultants, the framework offers key questions and corresponding semantics to analyze and categorize external business environments. The reader is invited to briefly review the five short descriptions in the following figure and explore how these settings and organizations differ.

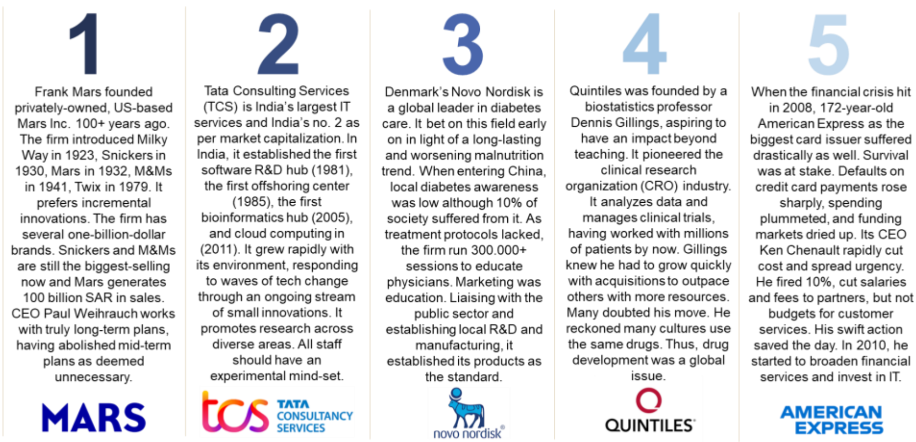

Figure 8: Caselettes Depicting Different Environments

Inarguably, they are all located in different industries. Regions vary as well. Yet, where the framework really adds value is in the three questions it stipulates. They include the following three:

- Can you form your environment?
- Can you predict it?
- Can you survive it?

The following figure differentiates resulting situations based on the answers to these questions. The implication is that both the analysis and the subsequent creation of the success recipe must be aligned with the environment encountered. The five possible environments include the following:

1. The classical environment in which strategists can predict but not change the environment. The core idea for strategies in this setting is to **be big**. Predictability enables a straightforward analysis for subsequent planning and effective execution. Many utility and energy companies find themselves in such an environment. This is where classic models, such as the experience curve, the BCG matrix, Porter's Five Forces, or the resource-based view, can help inspire effective strategies. If the experience curve logic suggests that operating costs can be cut by a third if output doubles, size matters. Mergers and acquisitions can help companies grow at ever faster speeds. For Mars, the core business of selling chocolate bars has not changed in decades

2. The adaptive environment in which the strategist can neither predict what is happening nor change it. **Being fast** is the strategic implication, being in when it comes to variations of products and services, or when scaling up. Many organizations in the semiconductor and textile businesses follow this logic as competition is time-based. This also implies that dynamic capabilities become more relevant. In contrast to other capabilities, they merely focus on the speed with which an organization can find and implement new solutions. An organization's adaptability quotient (AQ) is the one thing to optimize. TCS as a company adapts to changes in the marketplace. It experiments with new hubs and centres. If they fly, they can scale up based on strong decentralization. If the trends prove unsustainable, such new ventures can be shut down just as quickly as they emerged.

3. The visionary environment in which predictability is possible and there are ways to help shape practices. Here, **be first**. As environments can be predicted and formed, there are tremendous first-mover advantages. Strategists can heavily rely on blue ocean

thinking as a strategic approach. Quintiles can build a solid expansion strategy based on the crystal-clear need worldwide to conduct increasingly efficient research while relying on outsourcing.

4. The shaping environment, which is one that lacks predictability yet has the power to shape the future. Such a situation requires capabilities to **be the orchestrator** in the field. Players should engage with stakeholders, bring them together, and influence their behaviour, as is done with various software applications, as well as in the case of Novo Nordisk. The company influenced the government policies as well as how the doctors think and act.

5. The renewable scenario, in which resources are so severely constrained that survival in the short term becomes the first priority. **Being viable** is what this setting calls for. Organizations in such an environment must react quickly and decisively to cope with a truly harsh environment. The financial crisis in 2008/9 as well as COVID-times represent times where more companies were exposed to these realities though they can occur for individual organizations at any time. American Express halted investments yet not customer service budgets until better times come back.

In addition to placing these organizations in their respective settings, it is also crucial to note that the same exercise can and should be applied to the various markets in which an organization operates. Even within the same country, business units of the same organization may find themselves in different settings, requiring different approaches to strategy.

3.3. Understanding Internal Environments with the Concepts of Organizational Culture and Adaptability Quotients

This section presents and discusses two tools available to humanistic strategists when exploring internal environments. Both share a fundamental caring about people in the system. One could easily work with a formula suggesting that:

Structures + Processes + Culture = 100% of the organization

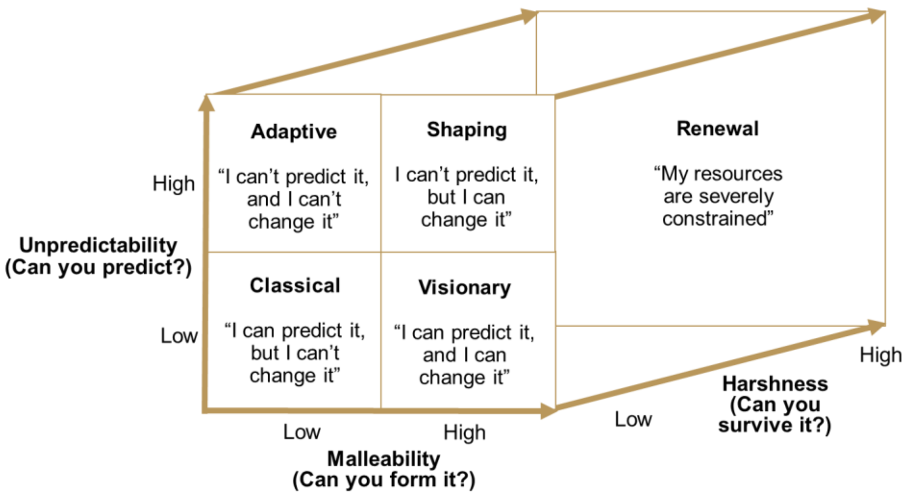

Figure 9: Key Questions to Differentiate Environments and Resulting Categories

This would imply that culture and the people dimension overall would merely represent one of three crucial elements to investigate. Yet, it is the cultural dimension that clarifies to what extent and with what speed structures and processes can evolve. Thus, culture is important not only from a human perspective with its focus on the people dimension but also from a cause-and-effect viewpoint. Cultural issues are often the cause for ineffective structures and processes. Therefore, 'the way things are done around here' or the 'software of the mind'[13] must be understood.

This also necessitates that humanistic strategists familiarize themselves with the most professional tools to understand and measure organizational culture. The most prominent one is Denison's culture circumplex[14], which is explained and visualized in the following.

The model has not only been linked to explain performance, but numerous application cases along with a measurement tool have been published. For example, highly functional cultures have been linked to a nearly three times higher Return on Assets, a three times higher sales growth, and a 60% higher market-to-book ratio.[15]

The model builds on four main areas of an organization's culture along with related key questions:

- **Mission:** Do we know where we are going?
- **Consistency:** Does our system create leverage?
- **Involvement:** Are our people aligned and engaged?
- **Adaptability:** Are we listening to the marketplace?

The more the rings of the model are filled out, indicating higher culture functionality scores, the higher an organization's performance. The model suggests, in its upper half, that being clear about the mission and having the ability to effectively listen to the marketplace will ultimately yield innovation, impressive sales growth figures, and market share.

Scoring well on involvement and adaptability on the right side of the model is conducive to creativity and customer satisfaction. In the bottom half of the model, the Denison model suggests that higher degrees of involvement, as well as consistency, foster quality and employee satisfaction. Finally, combining mission clarity with consistency would ultimately drive profitability, as all organizational variables are aligned and develop momentum.

Administering a culture survey is not a lengthy task. Denison offers benchmarking across industries, although merely taking stock of organizational cultures can be quite revealing. In this sense, organizational culture scores are also indicative of leadership effectiveness, reflecting how functional the organizations are that they have created or perpetuated.

Such culture scores also provide an opportunity to learn about priorities for leaders and organizational change initiatives. There is a reason why 70% of change initiatives fail, especially when adaptability as such is ignored or unknown. For example, in B2C markets with numerous choices available to customers, a too-narrow customer focus would be detrimental to a company. In turn, if the mission, vision, and strategy are unclear, then leaders ought to communicate more effectively. Involvement has also been linked to future success. Before mergers or when exploring alliances and acquisitions, proactively measuring cultural compatibility can make all the difference, given that, as of today, 75% of mergers and acquisitions fail.

Source: Denison.com

Therefore, without insights on organizational culture, top management and humanistic strategists may well fly blind. At the end of this section, the readers are invited to briefly reflect on their own organizational culture with the help of the following template. Are there areas already known to cause issues even before measuring culture with the help of the survey?

While organizational culture assessments have been around for many years, a new tool is emerging and rapidly gaining establishment in the context of organizational analysis. The following figure aims to illustrate why adaptability is so crucial. Over time, technological progress has outpaced our ability to cope with change.

Adaptability and adaptability quotients (AQ) matter also in business terms as several key organizations have spotted in parallel:

- Employees with high adaptability have a 2.5x higher performance (McKinsey).[16]

- Change-ready companies had 5.7 times more return for shareholders (Korn Ferry).[17]
- Adaptable staff decrease their time-to-market by 20% (Accenture).[18]
- Adaptable employees show 25% higher productivity (Korn Ferry).[19]
- Adaptable employees can save organizations up to $12,000 p.a. (Corporate Executive Board).[20]

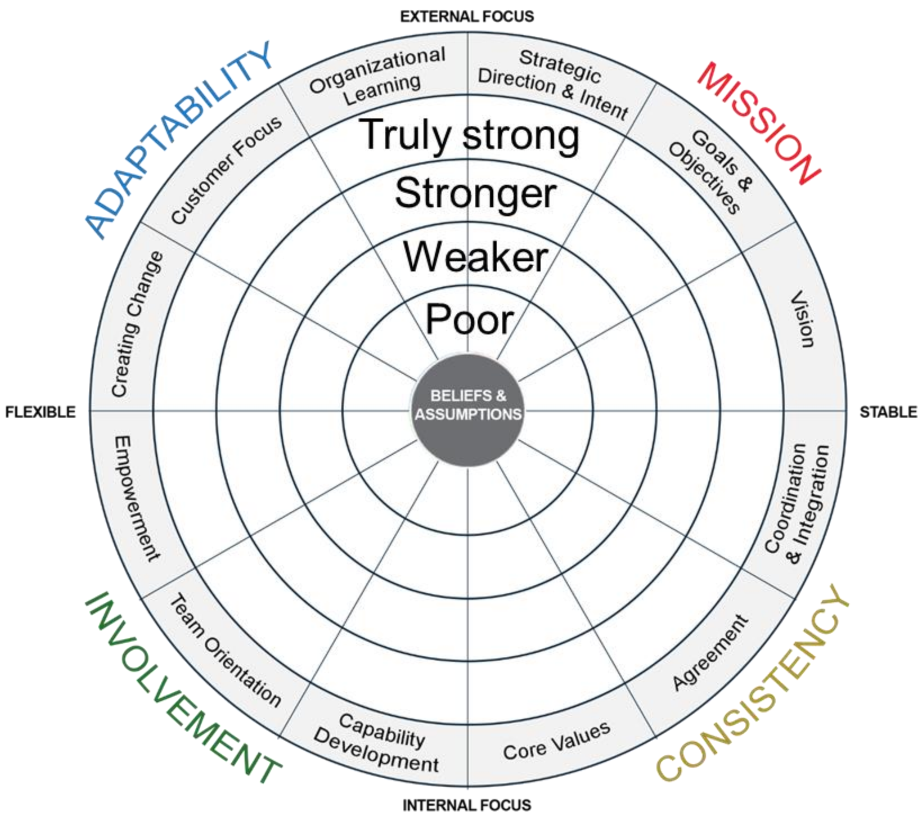

Figure 10: Template for Culture Mapping
Source: Based on Denison.com

Adaptability is the "capacity to adjust one's thoughts and behaviours to respond to uncertainty, new information or changed circumstances effectively. As a disposition and skill, adaptability is essential to an individual's psychological health, social success, and academic and workplace achievement" (Martin et al., 2013, p. 728)[21]. The AQai model, as portrayed in the following, identifies 15 factors of importance, split into three areas: ability, character, and environment, leading to the acronym A.C.E. for the model.[22]

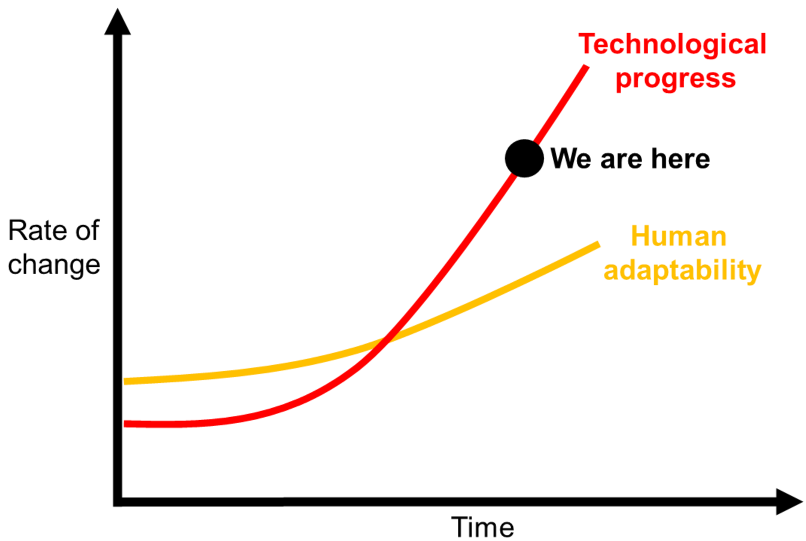

Figure 11: Comparison of Technological Progress and Human Adaptability Over Time
Source: AQai.io

Within ability, the following five factors matter. **Grit** is the ability to "stay the course". It enables individuals, teams, and organizations to achieve their objectives with the support of consistent interest and sustained effort. In turn, **mental flexibility** describes the ability to observe what is happening and handle, at times, competing demands without becoming overwhelmed. **Mindsets** as a variable depict our perception of the future. To what extent can we see it as something positive? **Resilience** is best described as our capacity to recover quickly from difficulties. Yet it is more than merely bouncing back. It is about bouncing beyond after having learnt and improved. Finally, **unlearning** measures a leader's, a team's, a business unit's, or an entire organization's ability to shed past convictions, behaviours, and solutions in general.

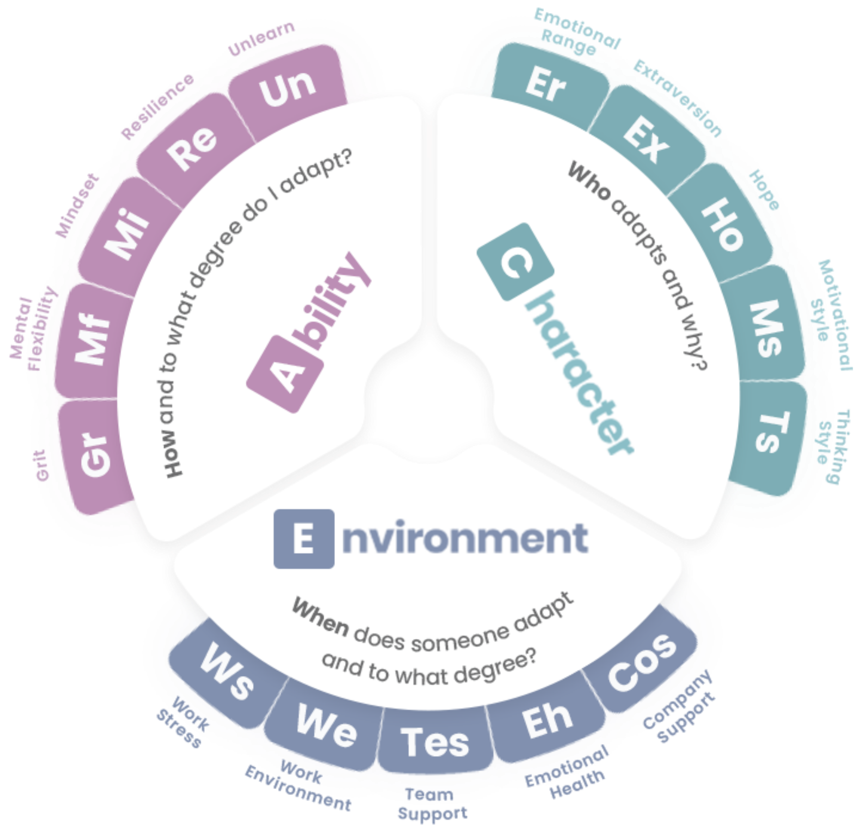

Figure 12: The AQai Adaptability Model
Source: AQai.io

The figure below shares a sample team assessment of the ability dimension of adaptability. This team's AQ Ability is currently below average, indicating potential challenges in adapting to significant changes in processes or strategies. While this suggests a struggle with systemic shifts, this ability dimension is best understood as a muscle; it can be developed and strengthened. Targeted coaching and skill-building exercises can enhance your team's AQ ability skills, fostering resilience and flexibility to navigate future changes and disruptions better.

As shown in the following figure, the second part of the AQai A.C.E. model relates to character dimensions. Deciphering it for teams reveals collective traits affecting adaptability to change. This scientific analysis reveals how individual predispositions impact team dynamics, highlighting the 'who' and 'why' behind their adaptability. Understanding these dynamics enhances collaboration, aligns communication across diverse styles, and fosters synergy. This approach minimizes friction, enhances adaptability, and fosters growth, which is essential for success in dynamic work environments. In team settings, the emotional range assesses collective psychological stress tendencies related to neuroticism. It's vital for understanding team reactions to workplace challenges and uncertainties. High neuroticism may signal a predisposition to stress, anxiety, and strong responses to uncertainty but also highlights opportunities for building resilience and adaptability. The emotional range spans from 'reactive' to 'collected', emphasizing the spectrum of responses rather than a binary distinction between good and bad. Recognizing and managing this range is crucial for navigating effective change, enhancing emotional intelligence, teamwork, and adaptability in evolving work environments.

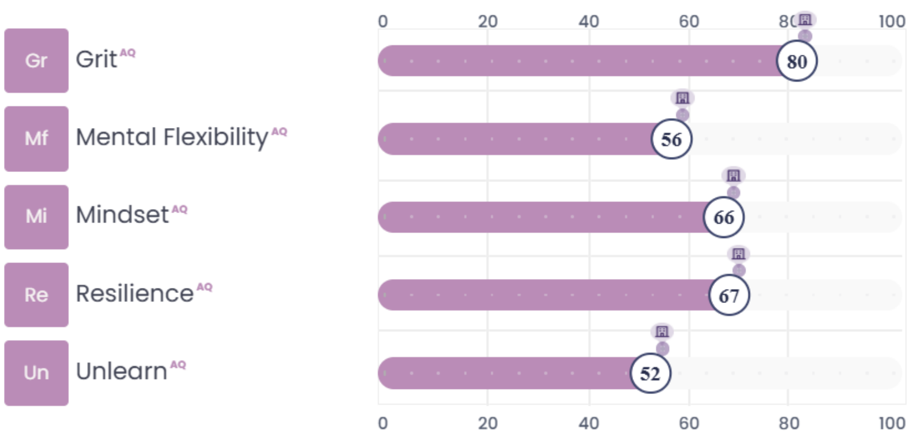

Figure 13: A Sample Overview of Ability as Part of the AQai A.C.E. Model

Extraversion measures individuals' social energy and preference for interaction during periods of change. Individuals with higher extraversion levels are naturally energized by group dynamics and collaborative efforts, which contributes to vibrant team interactions. Conversely, less extraverted members often excel in reflection and deep thinking, providing insightful perspectives in quieter settings. Recognizing and valuing these diverse tendencies is crucial for optimizing team performance and adaptability. Effective management of extraversion ensures a balanced approach to decision-making, understanding the needs of both extroverts and introverts to create a dynamic and inclusive team environment.

Hope embodies the collective drive and innovative problem-solving necessary to achieve shared goals, especially under challenging circumstances. It combines goal-oriented determination (agency) with the creative envisioning of multiple pathways to success. This dimension transcends optimism by actively fostering strategies to navigate and overcome obstacles. Hope significantly influences team resilience, effective collaboration, and reduced burnout risks, making it a cornerstone for adaptive, forward-thinking team environments. Fostering a positive outlook enhances team morale and is positively associated with several variables, such as self-esteem, positive affect, and self-efficacy.

Motivation style seeks to identify the triggers of change in order to achieve goals. It's rooted in regulatory focus theory, which distinguishes between a 'promotion' focus (maximizing gains) and a 'prevention' focus (minimizing losses). Assessing whether teams are inclined to 'play to protect' (prioritizing security and duty) or 'play to win' (aiming for potential gains). Understanding this dynamic helps tailor support and strategies to align with the team's motivational spectrum, fostering effective adaptation and goal attainment. Key in navigating changes and challenges in a way that harnesses both caution and ambition.

As for **thinking styles**, understanding how information is processed, problems are solved, and goals are approached is crucial. It encompasses a spectrum from big-picture thinking. Understanding each team or staff member's thinking style is vital for effective collaboration and decision-making. Cultivating strategies to ensure engagement and flow, not friction, when change is required within teams. Comprehending character scores can help tailor messages. For example, extroverted colleagues with a preference for more comprehensive information would likely benefit more from town hall meetings. In contrast, introvert and detail-oriented colleagues would need time to think about what needs to change. If they had opportunities to process information in quiet moments, they may embrace change more readily.

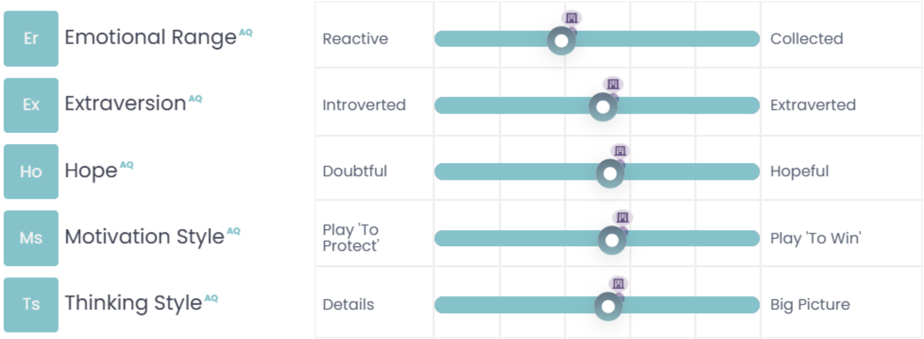

Figure 14: A Sample Overview of The Character Dimensions as Part of the AQai A.C.E. Model

Moving on to the third dimension of the A.C.E. model, once more, five aspects matter. AQ Environment evaluates the context that influences a team's adaptability at work. This encompasses Emotional Health, Team and Company Support, Work Stress, and the Work Environment. These distinct but interconnected sub-dimensions influence the team's ability to navigate change effectively. Scientific studies emphasize the importance of a supportive environment in enhancing team adaptability, mental well-being, and fostering positive attitudes towards change. By understanding and enhancing these environmental factors, teams can create a conducive space that fosters adaptability and drives better organizational outcomes in engagement, performance, and overall team health. In a team context, a lower AQ environment score indicates potential challenges in support and adaptability. Team members may feel constrained by restrictive systems and a lack of psychological safety, hindering innovation and adaptability. This could result in missed opportunities and resistance to change. Emphasizing the need for a more supportive and flexible team environment that encourages risk-taking and values each member's contribution. The following details these factors further.

Company Support in a team context measures collective perceptions of organizational commitment to team members' well-being and value recognition. It's crucial for fostering a positive work environment, driving performance, satisfaction, and reducing employee turnover. High company support indicates a workforce that feels valued and cared for, promoting adaptability and goal alignment with the organization's vision. This dimension emphasizes the importance of a supportive culture where team members' contributions are recognized, and their well-being is a top priority. Effective company support not only nurtures individual growth but also strengthens organizational cohesion.

Emotional Health in the workplace is crucial for adaptability, encompassing the ability to experience positive emotions and manage negative ones. It influences work performance and the ability to handle change. Poor emotional health can lead to anxiety, affecting adaptability and contributing to high turnover, burnout, and reduced innovation. Thriving individuals, characterized by vitality and learning, are better equipped to adapt, while those with lower emotional health struggle more with change. This concept highlights the importance of cultivating a work environment that promotes emotional well-being, thereby enhancing organizational adaptability and innovation.

Team Support as an indicator highlights the significance of psychological safety, where team members feel empowered to share knowledge, face challenges, and express opinions openly. This dimension is a cornerstone in fostering a collaborative and innovative culture. The presence or absence of team support directly impacts an organization's adaptability and innovation capacity and can also serve as an early indicator of diversity and inclusion issues within the company. Regularly nurturing team support is crucial for maintaining a dynamic and adaptable organizational environment. It is a dynamic aspect of adaptability and should be reassessed regularly.

The Next Variable, Work Environment, evaluates how your organization's systems, processes, and methodologies foster or hinder agility, experimentation, and adaptability. It delves into the organization's attitude towards innovation, risk-taking, and learning from failures. The dimension considers rewards, observable acts, punishment, space, process, and forums, as well as public celebration. An ideal work environment encourages continuous learning and experimentation, creating a fertile ground for adaptability and growth.

Work Stress in the AQ model represents the team's collective experience of task overload and its impact on adaptability. Balancing work stress is key, as excessive stress can overwhelm cognitive resources, limiting adaptability, while insufficient stress may dampen the drive to innovate and change. The ideal state is a manageable level of eustress, fostering growth, adaptation, and innovation. Understanding and optimizing teamwork stress is crucial in maintaining a productive, adaptive, and resilient workforce, thereby preventing long-term negative outcomes such as poor sleep, team member turnover, burnout, and reduced well-being.

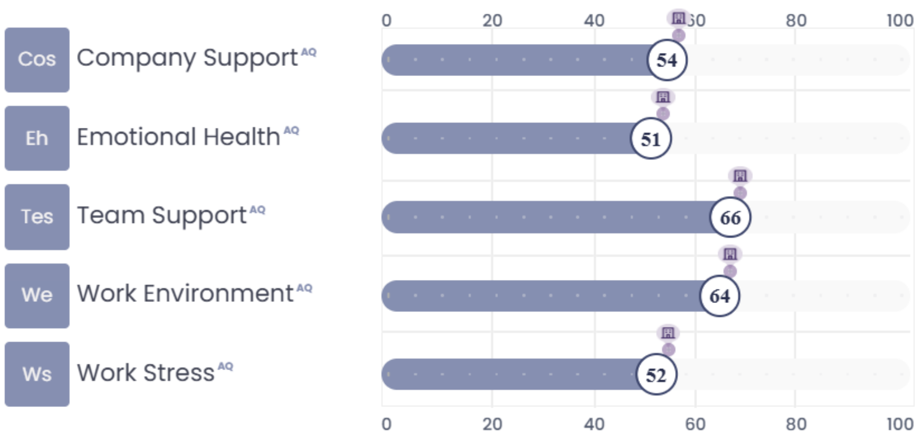

Figure 15: A Sample Overview of the Environment Dimensions as Part of the AQai A.C.E. Model

The AQai A.C.E. model offers additional opportunities to understand individuals, teams, business units, and entire organizations. The AQ Change Readiness Index™ for teams evaluates collective preparedness for navigating and embracing change within an organization. As businesses encounter structural, systemic, or strategic shifts, it's crucial for teams to adapt effectively. This index measures the team's combined adaptability skills and their approach to uncertainty, as well as the strength of their environmental support systems. A higher score reflects a team's collective readiness to lead and support transitions, ensuring the organization remains agile and responsive in dynamic work environments. The following figure visualizes a change readiness score. AQai reports equally share more on the spread across score zones. The team depicted in the figure below has a below-average change readiness. Some team members are ready to embrace change. Yet, a number are stuck in the red zone. If change is discussed in and for this team, it would be received differently across the team members. Before change initiatives can be implemented effectively, team development must be scheduled first.

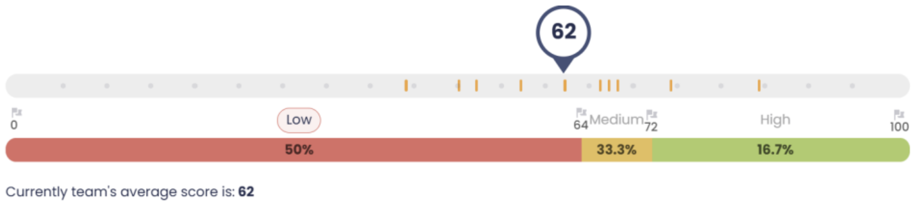

Figure 16: A Sample Change Readiness Visualization

Another indicator of strategic importance is the AQ Reskill Index™, which assesses the collective ability to learn new skills and adapt to evolving job requirements. It evaluates the team's overall capacity for mental flexibility, unlearning outdated practices, and embracing new technologies. Alongside considering to what extent they seek to protect existing skills and can manage work stress. This index is crucial in understanding how well a team can navigate and adapt to industry shifts, technological advancements, and new role requirements. The High AQ Reskill Index generally indicates a strong readiness to adapt and succeed in dynamic work environments. In the case of the team portrayed in the following figure, however, the situation is different. This team's AQ Reskill Index™ suggests a conservative approach toward adapting and learning new skills. Reskilling will likely be a challenging and slow process. This indicates a need to focus on enhancing mental flexibility and a willingness to unlearn. Cultivating these qualities can significantly improve the team's adaptability, ensuring they are better equipped to handle future challenges and transitions in the workplace.

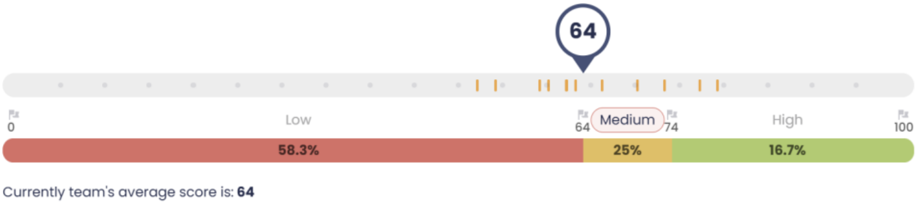

Figure 17: A Sample Visualization of a Reskilling Index

The AQai tool provides further insights. It can help prepare two types of strategies. The first one is the exploration of more innovative solutions. In the **Explore and Transform** measurement, the tool assesses a team's drive for radical innovation and transformative change. It gauges their ability to venture into new frontiers, embracing disruptive ideas and pioneering new business models. Ideal in small, cross-functional teams with high psychological safety, this dimension values resilience in the context of continual experimentation and fosters a culture of learning from failure. Key risks include stagnation and the inability to achieve product-market fit. Success is marked by rapid learning, extensive experimentation, creating new markets, and securing first-mover advantages, with the ultimate aim of bringing new value to uncharted business areas. The following figure illustrates a team that is not prepared for such significant leaps. Team members prefer to stay within established norms and processes, prioritizing the optimization of current practices. The unknown can feel overwhelming, and people find comfort in known territories. This conservative approach may provide stability and consistency but may also limit the team's potential for groundbreaking change. Their activities require limited adaptability and seldom involve learning new skills. This focus on the known leads to stability over innovation.

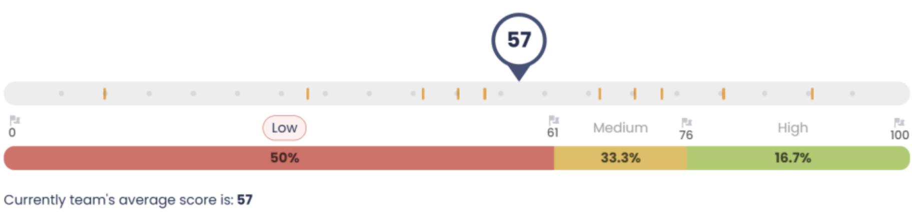

Figure 18: Visualization of a Team's Readiness to Embrace More Radical Innovation

The alternative to major innovation and transformation is a more incremental improvement of an existing business model, strategy, or solution. Also, measuring an organization's readiness for this strategic path proactively can yield interesting insights. In the **Utilize & Improve** dimension, we measure how teams effectively utilize their current strengths and expertise to enhance existing business models continually. This involves a systematic approach toward incremental improvements, focusing on customer satisfaction, quality control, and extending value from ongoing activities. Teams prioritize predictable growth and optimization, seeking to maximize returns from the captured market. They typically avoid radical experimentation, favouring a more risk-averse approach and measured trade-offs specific to their services or products. Success is gauged by consistent performance, accuracy, and the ability to exceed established targets. This portrayed group and its team members with low scores spend minimal time on activities within their expertise or routine operations. They may avoid tasks that align with existing knowledge, experience, or established customer needs. This may indicate a lack of interest in repetitive processes or servicing familiar products. Their detachment from routine and experience-based activities suggests a gap in effectively leveraging and refining existing systems for continuous improvement.

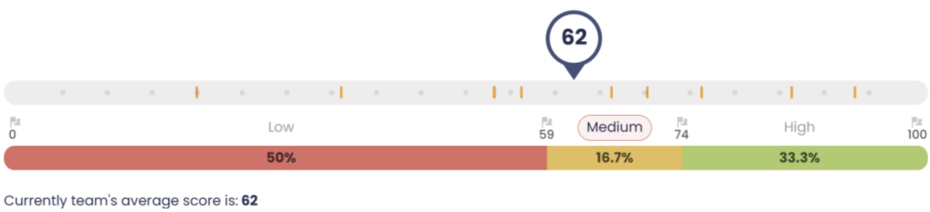

Figure 19: Visualization of a Team's Readiness to Implement Incremental Improvements

3.4. Summary of Key Insights

This chapter dealt with the importance of reviewing the latest maps before a ship's captain can proceed further. Concepts for the external and internal analysis were detailed. The concept of strategy pallet alerts to five main business environments, each of which calls for a different mandate and approach to strategizing. The subsequent switch to internal analysis encourages humanistic strategists to prepare well for future strategies. The ability to reach further and do so more quickly differs significantly across organizations. Humanistic strategists must understand that strategic shifts cannot merely be commanded and then executed flawlessly. The change readiness and reskilling possibilities can now be measured. This can be done with AQ and low cost and in an accelerated timeline. The AQai tool relies on conversations of organizational members with AIDA, which is the AI driving the analysis and producing reports. As AQai's AIDA automates the process, an organizational analysis can be done rather quickly. AIDA also probes an organization's readiness to implement a rather exploratory, innovative strategy versus one which is merely improving existing solutions incrementally. Measuring readiness for strategies has never been that precise, quick, quantitative, an inexpensive. Humanistic strategies ought to tap into these benefits.

Chapter 4

Third Principle of Humanistic Strategizing – Orient Your Compass

4.1. Introduction – Exploitation, Exploration, or Both

When orienting the organization's compass, the first task is to critically reflect upon one's current position across main organizational trajectories[23]. The following visualization captures the essence of developments over time. The figure highlights the fact that strategizing, dominant business models, primary organizational models, overall leadership styles, and approaches to governance are closely linked.

A holistic view of trajectories and an integrated trajectory management approach in strategizing places a strong emphasis on aligning humanistic strategies and leadership actions with the constantly shifting context of a business. Trajectory management challenges traditional methods of strategizing and management. It suggests that successful organizations thrive by recognizing and adapting to changes in their operating environments.

In business terms, a "trajectory" refers to the path a company is currently on in terms of performance, competitive positioning, and market dynamics. This trajectory is not fixed; it evolves as internal and external factors influence the organization's direction. Strebel emphasizes the importance of humanistic strategists and leadership colleagues actively evaluating their company's trajectory to ensure it remains aligned with their strategic objectives.

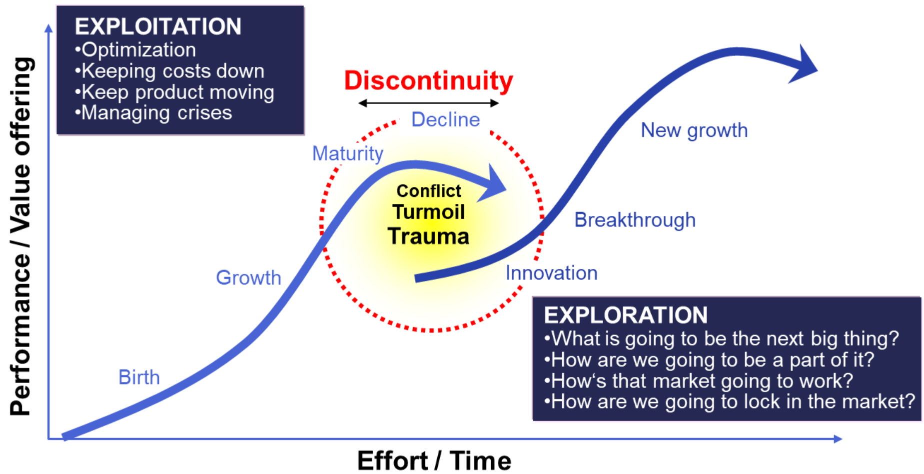

Figure 20: S-curves and trajectories over time
Source: Based on Tovstiga (2010, p.91)[24]

Trajectory management as a framework acknowledges the inevitability of change, both within the organization and in the broader market. Examples include shifting customer expectations, advancements in technology, and economic fluctuations can disrupt an established business model. Internally, examples include changes in leadership, organizational culture, or resource availability can impact operational effectiveness. Therefore, the paradigm of exploiting existing strategic solutions in place has a limited shelf life. In due time, there must be a shift to the paradigm of exploring new solutions. Of course, so-called ambidextrous companies can run both logics for different products and service lines in parallel but must manage starkly different logics in parallel. This requires skills!

Trajectory management involves continuously monitoring the changes outlined above and making adjustments to sustain or alter the organization's course. This dynamic approach ensures that the business remains relevant and competitive. Also, the framework argues against the conventional reliance on universal "best practices." While these practices may work for some organizations, they are not universally applicable. Instead, he advocates for adopting "right practices"—customized strategies that take into account the specific conditions of an organization.

This tailored approach respects the unique characteristics of each business, such as its culture, goals, and market position.

A core component of trajectory management is its diagnostic framework, which helps humanistic strategists and leaders analyze their current situation. This involves:

- Identifying the drivers behind the organization's trajectory, such as competitive advantages, operational efficiencies, or market positioning.
- Assessing the sustainability of these drivers and determining whether they need to be strengthened or replaced.
- Evaluating the organization's external environment to identify emerging opportunities or threats.

This diagnostic process provides humanistic strategists and leaders with the insights needed to make informed decisions about sustaining or switching trajectories. Based on the diagnostic analysis, humanistic strategists and leaders have two primary options:

- **Sustaining the Current Trajectory:** If the trajectory is favourable and aligns with the organization's goals, efforts should focus on reinforcing its drivers. For example, a company with a strong brand reputation might invest in marketing campaigns to further solidify its market position.
- **Switching to a New Trajectory:** If the current trajectory is no longer viable, humanistic strategists and leaders must take bold actions to change direction. This might involve rethinking the business model, entering new markets, or adopting innovative technologies.

Switching trajectories is often more challenging, as it requires overcoming resistance to change and navigating uncertainty. However, it can be a critical step for long-term success. Effective trajectory management places significant responsibility on humanistic strategists and leaders to understand and respond to the context in which their organizations operate. This requires:

- **Situational Awareness:** Humanistic strategists and leaders must be attuned to both internal and external factors that influence the organization's trajectory.
- **Flexibility and Agility:** Adapting strategies in response to changing conditions is essential for trajectory management.
- **Communication and Alignment:** Humanistic strategists and leaders must clearly communicate their vision and ensure that the organization is aligned with the chosen trajectory.

The framework and its insights are not merely academic; they offer practical guidance for navigating complex business landscapes. Some real-world applications include:

- **Navigating Market Disruptions:** When a new competitor enters the market or a technological innovation disrupts an industry, trajectory management helps organizations adapt and remain competitive. Humanistic strategists can also trigger crucial change before a market necessity arises, thereby cannibalizing their own business before competitors do. Such a move can pre-empt actions from competitors and, thus, have a deterrent effect.
- **Managing Organizational Change:** During periods of internal transformation, such as mergers, acquisitions, or leadership transitions, trajectory management provides a framework for maintaining strategic focus. This is an essential view as within humanistic strategizing, the creation of strategy is closely linked to the ability to execute, i.e., humanistic strategists must anticipate change management considerations.
- **Driving Innovation:** In industries where innovation is a key driver of success, trajectory management encourages humanistic strategists and leaders to embrace new ideas and explore uncharted territories.

In the modern era, where businesses face unprecedented levels of complexity and uncertainty, trajectory management has become more relevant than ever. The rapid pace of technological advancement, shifting consumer behaviours, and global economic volatility require organizations to remain agile and adaptable. The approach of zooming in on trajectories provides a valuable roadmap for navigating these challenges and achieving sustainable growth.

Recognizing the dynamic nature of business environments and focusing on context-specific solutions empower humanistic strategists and leaders to make informed decisions that drive long-term success. Whether by sustaining a favourable trajectory or making bold moves to change direction, trajectory management serves as a practical tool for navigating the complexities of modern business.

Application Cases and Sample Industries

There are several examples which can help illustrate trajectory management. Apple's trajectory management is a textbook example of sustaining and switching trajectories. Under Steve Jobs, Apple shifted its trajectory from being a computer company to a broader consumer electronics innovator. The launch of the iPod, iPhone, and iPad marked significant trajectory shifts, driven by a deep understanding of market trends and technological advancements. Apple's ability to sustain its trajectory of innovation and premium branding has kept it at the forefront of the tech industry.

Moving on to another example, Netflix can inspire and illustrate trajectory management within strategizing. Initially a DVD rental service, Netflix managed a critical trajectory shift by transitioning to a streaming platform. Recognizing the decline of physical media and the rise of digital consumption, Netflix invested heavily in streaming technology and original content. This strategic shift not only saved the company but also positioned it as a leader in the entertainment industry. At some point, Netflix was valued higher than Disney, which owned substantially more assets and had diversified business units and blockbuster brands. More importantly, the company did not rest on its laurels. It triggered further phases of exploration, such as the launch of AI-managed interfaces, online shops for accessories with sometimes amazingly high margins, and online streaming of games, among others. Throughout its development, Netflix managed speed well and triggered changes. In contrast, Disney first discussed streaming services in a board meeting in 2003 and took more than 15 years to solidify its plans. In the meantime, Netflix built a business with an interim valuation of USD 250 billion.

On the flip side, Kodak serves as a cautionary tale of failing to manage trajectories effectively. Despite inventing the digital camera, Kodak clung to its traditional film business for too long, missing the opportunity to lead the digital photography revolution. This highlights the importance of recognizing when to switch trajectories.

The tech industry is rife with examples of trajectory management. Companies like Microsoft and Google have continuously adapted their trajectories to stay relevant. Microsoft's shift from a software-centric model to a cloud-first approach with Azure is a prime example of trajectory management in action.

The automotive industry is undergoing significant shifts in its trajectory with the rise of electric vehicles (EVs) and autonomous driving. Tesla's trajectory as a pioneer in electric vehicles (EVs) has compelled traditional automakers like Ford and General Motors to reassess their strategies and invest in sustainable technologies.

The retail sector has undergone a dramatic trajectory shift with the advent of e-commerce. Amazon's rise as an e-commerce giant compelled traditional retailers, such as Walmart, to adapt by enhancing their online presence and integrating digital technologies into their operations.

In healthcare, trajectory management is evident in the adoption of telemedicine and digital health solutions. Companies like Teladoc Health have shifted trajectories to meet the growing demand for remote healthcare services, especially during the COVID-19 pandemic.

The public sector can also follow suit and adopt the concept of trajectory management. A case study from Bodø municipality in Norway illustrates the management of trajectories in public administration. The strategists and leaders successfully managed the trajectory of an innovative project involving the construction of a library and concert hall despite facing significant challenges and controversies. This example highlights the crucial role of leadership in navigating complex trajectories.

NASA's trajectory management in space exploration involves adapting to technological advancements and budget constraints. The shift from government-led missions to partnerships with private companies, such as SpaceX, represents a significant trajectory change in the aerospace industry.

In emerging industries, trajectory management is crucial for overcoming challenges like market entry barriers and technological bottlenecks. For instance, the renewable energy sector has seen companies like Tesla Energy and Ørsted effectively manage their trajectories to capitalize on the growing demand for sustainable solutions.

These examples and industries demonstrate the versatility and importance of trajectory management. Whether it's sustaining a successful trajectory or making bold moves to switch directions, the ability to adapt to changing conditions is a critical skill for humanistic strategists, leaders, and their organizations. Once more, strategizing should not be done without a strong awareness of what leadership can accomplish. As outlined in the figure above. If a dominant trajectory is still in place, the name of the game is exploitation. It requires an ongoing yet only incremental optimization of an existing solution. Cost ought to be optimized. Manufacturing or service deliveries must be smooth to ensure that scale and volume effects are achieved over time. Crises must be avoided or handled with speed.

In contrast, if humanistic strategists and leaders shift to new trajectories once ideas and market potentials mature, switches should occur towards exploration. This requires very different talents and philosophies. Inquiry-based leadership can pursue big new ideas and brainstorm how to build capabilities anew.

4.2. Zooming in on Strategic Moves

If companies reflect on their current situation and reason that it is time for exploration, numerous creativity-enhancing frameworks exist to gather inspiration. This section outlines potential directions for growth and modes of expansion.

		DIRECTIONS FOR GROWTH			
		Horizontal Expansion *Same business & market*	Vertical integration *Upstream or downstream*	International expansion *New geographic market*	Diversification *(Un)related different business*
MODES OF GROWTH	Organic growth				
	Mergers & acquisitions				
	Alliances				

Figure 21: Direction for Growth and Modes of Growth

Directions for Growth

Usually considered part of business strategy, horizontal expansion involves growing within the same level of the value chain, typically by increasing market share. Companies achieve this by acquiring competitors, merging with similar organizations, or broadening their product or service offerings within the existing market. Embarking on this mode of growth can lead to economies of scale, reduced competition, and a more robust market presence. Companies scrutinizing this mode of growth must be aware of potential regulatory issues, such as antitrust concerns if they become too powerful, and the risks of over-consolidation or cultural clashes during mergers. For example, the Walt Disney Company acquired Pixar, Marvel, Lucasfilm, and 21st Century Fox, expanding into various entertainment markets. Disney bolstered its dominance in film, television, and streaming. Integrating cultures had to be done carefully, and investors criticized integration issues that could lead to an excessive internal focus, neglecting customers and external trends.

In contrast, vertical expansion focuses on expanding along the supply chain, either upstream by moving closer to suppliers of raw materials or modules or downstream by moving closer to the end consumer (e.g., opening retail stores). Vertical expansion provides more control over the supply chain, reduces dependency on third parties, and can lead to cost efficiencies. At the same time, companies must be aware of challenges, such as the need for significant capital and expertise in new areas, which may divert focus from the company's core competencies. For example, Tesla's vertical expansion involves producing its own batteries (upstream) and selling them directly to customers through branded stores and online platforms (downstream). BYD, as a Chinese competitor, observed Tesla’s vertical integration and adopted and further maximized it.

Internationalization represents another avenue. Companies adopt this strategy to tap into new geographic markets. This could involve exporting goods, setting up foreign subsidiaries, forming joint ventures, or franchising or fully owned country operations, as well as establishing legal entities alongside them. Going abroad facilitates access to larger markets, revenue diversification, capital, learning, and opportunities to mitigate risks, such as reduced dependency on domestic economic conditions. Expansion abroad requires a sound understanding of local regulations, cultural differences, and potential political or financial risks. For example, Starbucks's expansion into global markets. The company tailors its offerings to local tastes, such as introducing tea-based beverages in Asia while maintaining its core brand identity.

Research conducted by HEC Paris helps better to understand the impact of internationalization on corporate performance. The following figure illustrates the two primary paths of internationalization. For simplicity reasons, the figure understands internationalization on a relative basis as either the ratio of foreign sales to total sales, the ratio of foreign offices to total offices, or the ratio of foreign assets to total assets. Equally, performance is understood as return on sales, not absolute sales. Path 1 portrays an internationalization journey that explores easier markets first. After the initial set-up cost, the benefits materialize rapidly. This is often observed in Anglo-Saxon companies, such as those from the US, when they venture into culturally related markets, including Canada, the UK, or Australia. However, they forego crucial learning due to a relative lack of challenges. When venturing further abroad into the so-called deep end of internationalization, they have not prepared for the major complexity they encounter in highly diverse markets. Performance suffers the more they internationalize.

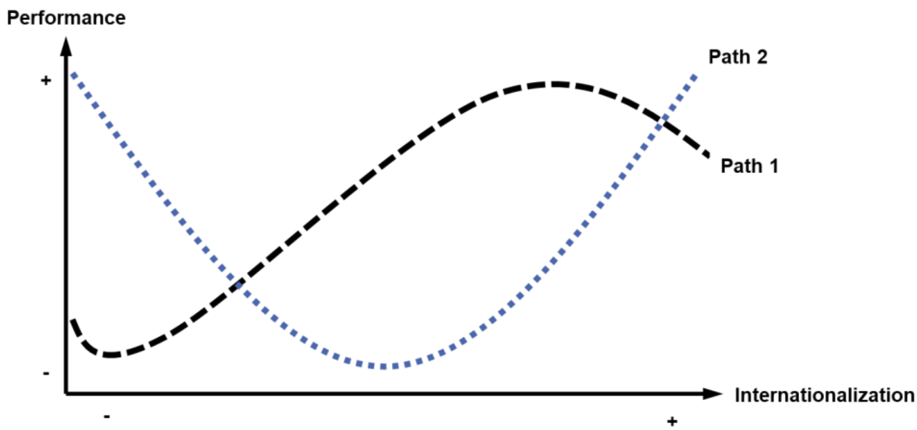

Figure 22: The Two Dominant Paths to Internationalization and their Performance Implications

In contrast, path 2 illustrates the choice to expand abroad by German, Northern European, Japanese, or South Korean companies. Due to a lack of similar, larger markets, they encounter complexity earlier in their international expansion journeys. As a response, they trigger crucial learning and adaptations, which often allow them to see their corporate performance increase in the deeper end of internationalization. According to research, 95% of companies globally that publish data on internationalization fall into one of these two categories. Therefore, humanistic strategists must be warned that, eventually and on average, performance is highly likely to suffer at some point during internationalization journeys. It is just a question of when. Additionally, unlearning and relearning will be necessary if internationalization journeys are to be as successful as desired.

Finally, companies can diversify as an additional direction for growth. This strategy entails entering entirely new industries or markets. It is often pursued to reduce dependency on a single product or market and to spread risk. Related diversifications take place when entering markets related to the existing business. Unrelated diversification, in turn, occurs when exploring completely different markets. Diversification reduces risks associated with market dependency and may open new revenue streams. At the same time, diversification requires a noteworthy resource commitment and the risk of lacking expertise in the new market. It is also worth noting that the newer the market and the newer the product a company focuses on for the future, the higher the risk of failure. Research indicates that these failure rates range from 75% to 95%. In contrast, launching new ideas that are rather similar to current offerings in markets that are the same as currently sold to show failure rates of ‘only 25-40%.[25]

A noteworthy exception with substantial success was Amazon's transition from e-commerce to cloud computing with Amazon Web Services (AWS), mentioned earlier, which necessitated investments in learning and developing new markets. This unrelated diversification has turned AWS into one of Amazon's most profitable segments.

These strategies all have their unique benefits and challenges. The choice of strategy often depends on the organization's goals, resources, and the competitive landscape. For example, a tech startup might prioritize internationalization for rapid market entry, while a manufacturing giant might focus on vertical integration to control its supply chain.

Modes of Growth

The figure above also summarizes the modes of growth. Each mode has distinct characteristics, advantages, and challenges. Organic growth refers to the expansion of a business through internal efforts rather than external collaborations or acquisitions. It is typically achieved by increasing revenue, enhancing operational efficiency, or developing new products or expanding into new markets. Key characteristics include three main aspects. First, the emphasis is not on external value potentials but on international development in the sense of growth being driven by leveraging existing resources, capabilities, and infrastructure. Companies invest in their strengths, such as product innovation, market penetration, or customer experience. Organic growth tends to be slower than other modes, but it is often more sustainable. This mode of growth maintains control over operations and decision-making, builds on the company's existing strengths, fosters a cohesive organizational culture, and reduces risks associated with external partnerships or acquisitions. However, there are often issues with limited speed and scope, particularly in competitive or rapidly changing industries. This mode of growth necessitates substantial investment in internal capabilities, including research and development. Amazon is an excellent example of organic growth. It expanded from an online bookstore to a global e-commerce powerhouse through continuous investment in technology, logistics, and customer experience.

Alternatively, companies can explore mergers and acquisitions. They involve the integration of two or more companies to achieve growth objectives. A merger occurs when two companies combine to form a single entity, while an acquisition involves one company purchasing another. This mode of growth accelerates expansion. M&A can quickly increase market share, diversify product offerings, or enter new markets. Companies aim to benefit from combined resources, capabilities, and cost efficiencies. However, M&A often require integration of operations, systems, and cultures – an art that is not often truly mastered. The failure rate of M&A has remained around 75% for many decades, despite numerous additional professors teaching related courses, books being published on the topic, and consulting companies specializing in the area proliferating internationally. Integration risks, such as cultural clashes or operational inefficiencies; high acquisition costs, including legal, regulatory, and financial complexities; and the risk of overvaluation, also known as the winner's curse, or failure to achieve projected synergies.

Disney's acquisition of Pixar in 2006 is a notable example of a successful merger and acquisition (M&A) deal. The deal allowed Disney to rejuvenate its animation division while leveraging Pixar's creative expertise and technological innovations. Best practices from Pixar, such as rapid iteration of prototypes rather than rigid top-down planning or question storms to trigger better questions rather than dogmatic answers, were also adopted in other parts of Disney.

As a third option, strategic alliances may offer the best of both worlds, yet they require distinct capabilities and experience. They involve partnerships between two or more companies to achieve mutual growth objectives while maintaining their independence. These alliances can take various forms, such as joint ventures, partnerships, or contractual agreements. Alliances make a clear commitment for partners, which involve decisions against others when preparing collaborative efforts. Companies pool resources, expertise, or networks to create value together. Partners benefit from shared costs, knowledge, and risks. Alliances allow companies to experiment with growth strategies without full integration.

As mentioned, alliances should be managed effectively, as they can have significant repercussions, including dependency on the partner's performance and commitment, the risk of conflicts over decision-making or resource allocation, and limited control over the partner's actions or long-term strategy. For example, Starbucks and PepsiCo formed a strategic alliance to distribute ready-to-drink coffee beverages worldwide. Starbucks provided the brand and product expertise, while PepsiCo contributed its extensive distribution network.

Choosing the right mode of growth depends on factors such as the company's goals, resources, industry dynamics, and risk tolerance. For example, a tech startup may prioritize organic growth to refine its product and establish its niche before pursuing alliances or acquisitions. A large corporation may opt for mergers and acquisitions to quickly scale operations or eliminate competitors. Companies in fragmented industries, such as healthcare or renewable energy, might rely on alliances to pool resources and address complex challenges. Each mode has its place in a company's strategy toolbox, and combining them can be particularly effective for sustained growth. Humanistic strategists are encouraged always to match new tasks with new capabilities. Inexperience with one mode, paired with ambitious plans, cannot produce above-average results.

4.3. Allowing for Creativity and Intuition in the Process

Chapter 3 has already rendered us sensitive to the importance of different thinking styles, which yield starkly different results. There is a risk of overemphasizing logic and a rigid process when devising a strategy. Consultants are trained to deploy their toolkits, facts, and figures. In reality, one single divergent thinker can outwit, outsmart, and outperform even a well-trained team of traditional strategists or conventional strategy consultants. Therefore, working with shadow boards filled with 'colourful birds', i.e., divergent thinkers, could help enrich the set of ideas, reframe problems, and change perspectives on solutions.

A case in point is a British furniture company that has been a family business for generations. More than 150 years ago, a large number of furniture companies existed, and they flourished for many years. However, many German, Eastern European, and Chinese competitors emerged. Industry consolidation occurred among British furniture companies, and only a handful remains in operation today. Prospects were bleak for this one player described as an example. It still had old, yet decayed facilities in the middle of a British town. With each generation, the family grew bigger, and there were more mouths to feed. Yet, with each generation, the business deteriorated more and more. The current CEO was often depressed, close to tears, as it seemed that under his reign, the company would have to close, ending a long family legacy in the furniture business.

That CEO happened to meet an unconventional strategy consultant who knew that a mere change of perspective and reinterpretation of value potentials could make all of the difference. Within five minutes of starting a plant tour, the CEO's body language still indicated sadness and frustration, while the unconventional strategy consultant had an "aha" moment and started to smile. The solution became clear instantaneously. It consisted of two pillars:

- **Pillar 1:** Establish an additional cash-generating business. The decayed facilities downtown were turned into high-end lofts and co-working spaces. The furniture company and family in the furniture business diversified into real estate. It turned a distressed asset and liability into a resource for future strategic success. As the local authorities sought to enhance their town, permits were readily obtained.

- **Pillar 2:** Rebuild a competitive furniture business with a truly winning success recipe. Although not an industry expert in the furniture industry, the unconventional strategy consultant realized that there is one thing that international competitors cannot copy easily – it was a maximized Britishness in the furniture lines. The company 'hunted down' sunken British battleships from the long-gone heydays of the British empire to build furniture with it. For example, they created a Churchill chair with a secret cigar compartment. Another idea was to offer better-off British families the opportunity to start a new tradition – high-end dining table chairs with the names of family members engraved on them. Whenever someone new was born, a new chair with the name was added. These products sold for thousands of British Pounds and kept competitors away even as of today.

By strategizing smartly with the help of an unconventional, colourful-bird style consultant, the family in the furniture business not only diversified but built two solid pillars for future success. Pride, revenue, and hope were gained back. Such a strategic solution would require ALIEN thinking, not classic, logical industry analysis. Therefore, humanistic strategists must pay attention to thinking styles, at times add intuition, and possibly also add more logic so as to achieve what has been described in Chapter 3 as a meta-detailing thinking style.

4.4 Experimenting with AI in the Boardroom or Strategizing Process

While human ingenuity can continue to matter for longer, consultants like those described in the example above may not be available when needed. Certain individuals may also be hesitant to display vulnerability. Some boards are rather closed groups in which no one wants to rock the boat or offend.

We are now seeing an increasing number of use cases and insights on how to integrate AI in boardrooms and strategic planning, for example, at Giesswein, an Austrian company[26]. Generative models, such as ChatGPT, can be considered when strategizing. They can be integrated into boardroom discussions to enhance decision-making processes and identify both the benefits and challenges of incorporating AI in executive settings. Experiments revealed the following five main observations:

1. **AI is an Augmentation Tool, not a Replacement:** AI has proven effective in guiding and enriching discussions, but only when actively supervised by skilled human managers. Unsupervised AI outputs often lacked specificity and value for decision-making. The combination of human oversight and AI inputs created a synergistic effect.

2. **AI can Help Break Cognitive Patterns:** AI introduced moments of clumsiness in discussions, which disrupted the natural flow of meetings. This was paradoxically beneficial as it encouraged the board members to slow down, reassess, and consider overlooked perspectives. AI was especially valuable in emotionally charged decisions, such as those involving longstanding facilities or community impact.

3. **There is a Risk of Over-Reliance on AI:** While AI broadened the scope of discussions, it occasionally created a false sense of completeness. Executives might overlook critical aspects, such as legal considerations, trusting that AI had covered all bases. This

highlighted the need for ongoing human critical thinking. Also, some questions are worthy of longer consideration, possibly spanning weeks and months. AI answering within seconds creates the illusion that complex, wicked problems can actually have an easy, quick answer.

4. **Efficiency and Cost Savings Materialize:** AI accelerated processes by providing rapid estimations, generating press releases, and offering strategic recommendations. This reduced dependency on external agencies or time-intensive human research, enabling faster action on pressing issues.

5. **Human-AI Collaboration is Essential and Must Be Learnt:** The experiment emphasized that the greatest value of AI lies in its interaction with human thinkers. A critical yet curious operator—a person with strategic expertise but not necessarily subject-matter knowledge—was key to unlocking AI's potential.

In conclusion, AI can make meaningful contributions to boardroom and strategy discussions when its role is clearly defined as a collaborator rather than a decision-maker. This integration enhances creativity, speeds up processes, and challenges traditional thinking, but it also requires careful oversight to avoid over-reliance or blind trust in AI's outputs. Simultaneously, the more value AI creates or is created in tandem, individual strategists should reflect upon their unique value added to the process and outcome – and invest in their own learning. Humanistic strategists don't rest on their laurels, slow down their efforts, or reject key responsibilities to adapt themselves. On an ongoing basis, they reflect upon the role they want to play. Their contributions must be distinctive and additive:

- **Distinctive:** Nobody else in the board or strategy team does it.
- **Additive:** Their involvement makes the process, the decision, and the outcome of strategizing better and/or prevents the company from being exposed to unacceptable risks.

4.5. Deciding on Strategic Moves

Strategic choice is not a new field. Therefore, there are numerous tools and frameworks available to evaluate and select strategic options. What is key within humanistic strategizing is that dignity orientations, along with a discussion of what dignity is, are deeply integrated into the process. The following figure illustrates an example of an established tool, the VRIO framework, which can be easily adapted to incorporate humanistic strategies, forming the VRIOH framework.

The original VRIO framework is a valuable tool in strategic analysis, helping organizations evaluate their internal resources and capabilities to determine their potential for achieving a sustainable competitive advantage. VRIO stands for Value, Rarity, Imitability, and Organization, providing a structured approach to assess whether an organization's resources and capabilities align with its strategic objectives. Below, I'll explain each component of the framework and its application in depth:

Developed by Jay Barney as part of the Resource-Based View (RBV) of strategic management, the VRIO framework is a critical method for analyzing an organization's internal factors. While external analysis tools like PESTEL or SWOT focus on industry dynamics or environmental factors, VRIO emphasizes understanding what makes an organization uniquely positioned to succeed. The framework assesses whether the organization's resources and capabilities meet four criteria that lead to a sustainable competitive advantage. The individual parts of the VRIO framework are outlined in the following:

1. **Value:** The first step in the VRIO analysis is to assess whether a resource or capability is valuable. Resources are considered valuable if they enable the organization to capitalize on opportunities or mitigate threats. Value often lies in creating products or services that meet customer needs, reducing costs, or improving efficiency. Key questions are the following: Does the resource help the organization increase revenues or decrease expenses? Does it enable the organization to respond effectively to external changes or

challenges? Consider technological innovation as a resource. For example, a company like Tesla has developed cutting-edge electric vehicle technology that taps into the growing demand for sustainable transportation. This innovation is valuable as it addresses environmental concerns while positioning Tesla ahead of traditional automobile manufacturers.

2. **Rarity:** The next criterion evaluates whether the resource is rare. A resource is rare if only a few competing firms possess it. The rarity of a resource or capability often determines its potential to provide a temporary competitive advantage. Key questions: Is the resource or capability unique or difficult to find in the industry? Are competitors unable to replicate it easily? Apple's branding and design capabilities can be considered rare resources. While other companies produce smartphones, Apple's seamless integration of design, technology, and branding sets it apart from competitors and establishes customer loyalty.

3. **Imitability:** Even if a resource is valuable and rare, it might not lead to a sustainable competitive advantage if competitors can easily imitate it. This criterion assesses whether the resource or capability is costly or challenging to replicate. The difficulty of imitation can stem from factors like unique historical conditions, cultural factors, or proprietary knowledge. Key questions: Can competitors replicate or substitute the resource or capability? What barriers exist to prevent imitation? Consider Coca-Cola's secret recipe and global marketing capabilities. These resources are highly valuable and rare, but they are also difficult to imitate. Competitors may develop similar beverages, but replicating Coca-Cola's iconic brand identity and consumer loyalty requires significant investment and a considerable amount of time.

4. **Organization:** The next component of the VRIO framework examines whether the organization is properly structured and equipped to leverage its resources and capabilities. Even if a resource meets the criteria of value, rarity, and imitability, it won't

contribute to competitive advantage unless the organization effectively organizes itself to utilize it. Key questions include: Does the organization have the systems, processes, and culture to support the resource or capability? Are the necessary leadership and strategic alignment in place? Amazon's logistical systems and supply chain capabilities are not only valuable, rare, and hard to imitate but are also supported by a well-organized infrastructure. Amazon’s focus on operational efficiency, technology integration, and customer experience ensures that these capabilities drive its sustained competitive advantage.

5. **Humanistic Use:** Finally, and extending humanistic thinking, the VRIOH framework should ask whether a resource or value has the potential to serve good purposes. Key questions are whether an organization has the right values, talent, capabilities, and ownership structures in place to bundle value packages to protect and advance human dignity within the organization as well as for its customers and stakeholders. When the tobacco companies ventured into the food business, they perpetuated goals of increasing addiction by making cookies less healthy but as sought after as this was the case with cigarettes. In contrast, the idea in humanistic strategizing is to focus those resources and considerations that amplify human dignity.

Applying the VRIO framework with these questions helps categorize strategic options. Humanistic strategists should begin by listing all tangible and intangible resources available to the organization. Then, they should assess each resource individually based on the four dimensions (Value, Rarity, Imitability, Organization, and Humanism potential). Subsequently, determine which resources provide a true winning recipe, mere competitive advantage, temporary advantage, or no advantage at all. Finally, use the insights to invest in, protect, or develop resources that align with strategic and humanistic corporate objectives.

There are, of course, some limitations. While the VRIOH framework is powerful, it also has some limitations. It tends to have an internal focus.

VRIOH emphasizes internal analysis and may overlook equally crucial external environmental factors.

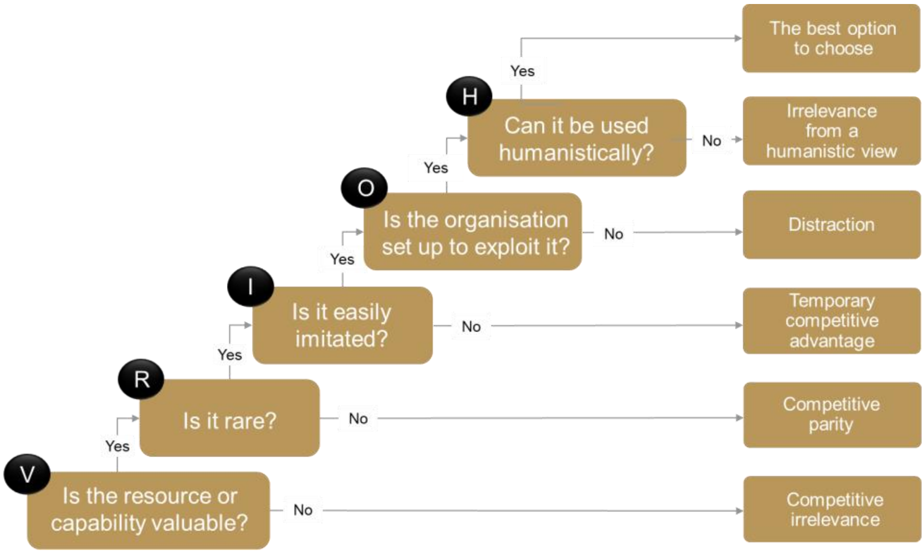

Figure 23: Extending the VRIO Framework to VRIOH in Humanistic Strategizing

This is not a fatalistic situation as resources in other organizations or a combination of internal and external value potentials in alliances, mergers, or acquisitions can help make strategic progress. Humanistic strategists should also consider the highly dynamic nature of winning recipes and competitive advantages. In rapidly changing industries, resources that meet VRIOH criteria today may lose relevance over time. Moreover, one should be aware of subjectivity in the analysis. The framework relies heavily on judgment and interpretation, which can vary among analysts.

In conclusion, the VRIOH framework can be an essential tool for organizations seeking to understand the strategic potential of their resources and capabilities. By systematically assessing Value, Rarity, Imitability, Organization, and Humanism potential, responsible businesses can identify resources that provide a sustained competitive advantage. However, it is important to complement VRIOH with other analytical tools to ensure a holistic understanding of the business environment. Humanistic strategists must have familiarized themselves with more tools for strategic analysis, option creation, and strategic choice available to them. Organizations that master the art of leveraging their unique resources through VRIOH analysis are better equipped to stay ahead in competitive markets and achieve long-term success.

Emphasizing the Social Process of Converging on the Best Strategy

The VRIOH model above represents a values-driven checklist. Even individuals can reflect on individual questions, working their way to the best options. As outlined, there is subjectivity involved, which may influence the perception of the approach. Humanistic strategists must navigate both the social setting and the content of the strategy. This is where an alternative model, as described in the following, could be useful. It allows for group discussions on the degree of fulfilment of various options in light of qualitative and quantitative aspirations. It equally allows for in-depth discussions of the weights to be assigned to criteria. The following figure outlines the five key steps for evaluating strategic options. The first three are qualitative criteria, and the remaining two are quantitative. For example, strategy teams can deliberate and converge on the sales and Economic Value-Added implications, making the process of strategic choice more inclusive and transparent.

The next figure illustrates how a scoring system might appear. It is an approach that many consulting companies propagate. The illustrated one builds on work by Arthur D. Little. Imagine there are two strategic choices in the closer selection – options A and B. First, a weighting system should be discussed. Groups can decide to assign equal weight to all criteria, i.e., assign a 20% weight to all the five criteria outlined above. This is where humanistic strategists must be fully aware of the social dynamics, personalities, and backgrounds of the people who have a seat at the table. If the Chief Finance Officer or Chief Technology Officer participates in these discussions, they may well influence the type of criteria, their weight, and the scoring based on their viewpoints. It will be challenging to eliminate any form of subjectivity and the typical group dynamics and biases, such as groupthink.

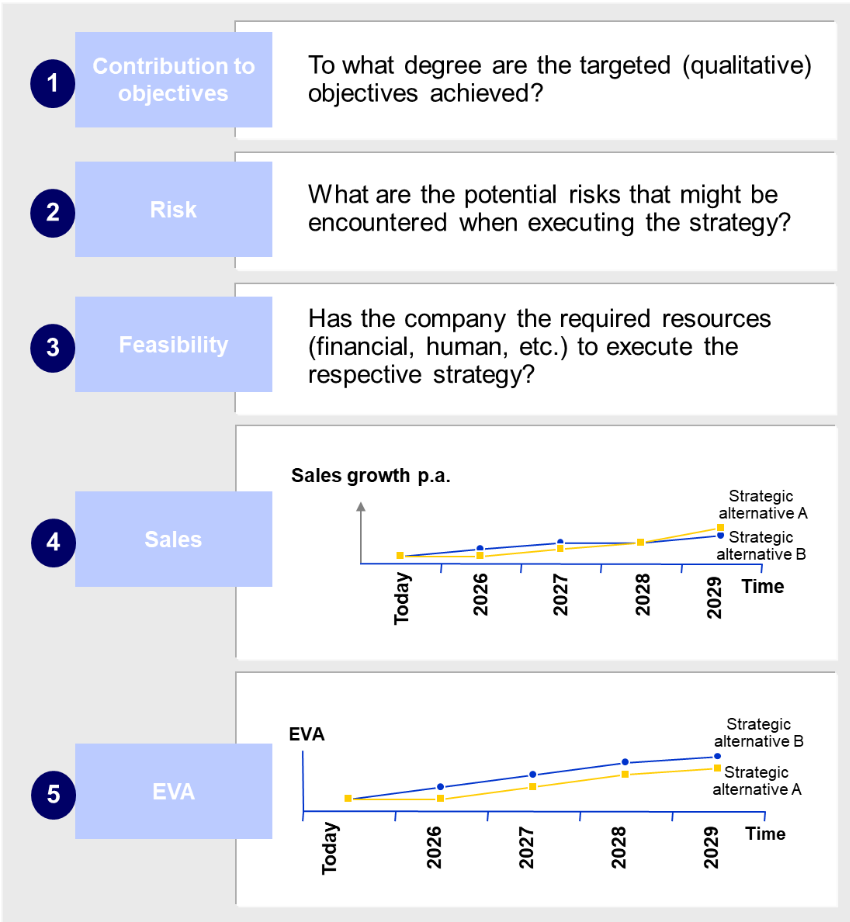

Figure 24: Evaluation of Strategic Options with Qualitative and Quantitative Criteria

Subsequently, scoring occurs once the weights have been determined. It is essential to be inclusive, as this fosters the acceptance of decisions and engagement later on. In the illustration in the figure, ranking scores are assigned, with 1 representing an optimal fulfilment of the criterion. Then, averages are calculated.

There may be a final hesitation, which is why it could make sense to trigger an additional step – an additional desirability and feasibility check, as visualized in the following figure. The emerging preferred option must pass three gates: an overall fit with the strategic perspective, a risk assessment, and a financial feasibility consideration. If all lights remain on green, the social process of evaluating and converging on a winning option is concluded. It is a reasonably humanistic approach as it fosters involvement and transparency. In addition, the approach allows for various intensity levels and local or situational interpretations of human dignity, for example, when establishing the qualitative criteria and then revisiting the option from a strategic perspective in the final stage.

Ranking Results

Criteria / Alternative	Qualitatively			Quantitatively		TOTAL
	Contri-bution to objec-tives	Risk	Feasi-bility	Sales	EVA	Average
Weighting	20%	20%	20%	20%	20%	
A	2,5	2,2	1,3	3	3	2,4
B	1,6	1,9	1,7	2	1	1,6

Ranking of alternatives from 1 (optimally fulfilled) to 3 (lacking at aspects)

Figure 25: Selection of Best Options Based on a Systematic Evaluation

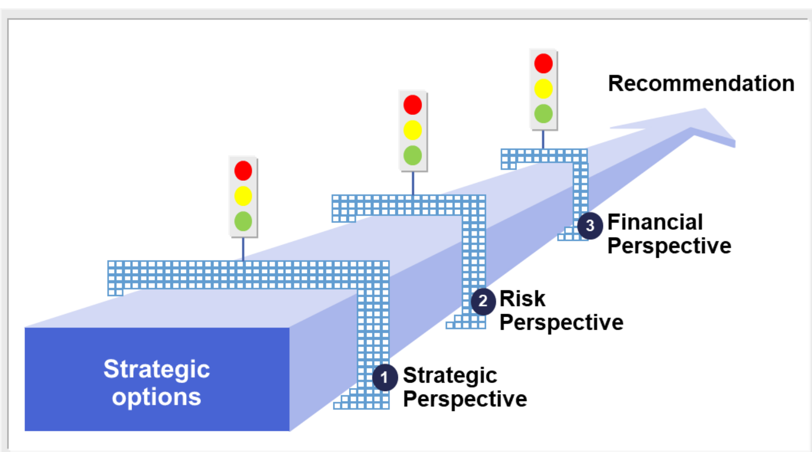

Figure 26: Augmentation of the Strategic Choice by Considering the Most Relevant Corporate Objectives

4.6. Summary of Key Insights

This chapter is designed to support the strategic choice of an organization's overall direction. Humanistic strategists must first understand how long they can sustain existing solutions before either complementing or replacing them with new ideas. Humanistic strategists must build up the skills to analyze and manage trajectories over time, fully acknowledging that exploitation and exploration only work with corresponding integrated systems, matching talents, and other resources.

A framework for directions for growth and modes of growth could stimulate thoughts on areas for exploration. Next, VRIOH considerations must be applied when reviewing and evaluating emerging options. The examples outlined in this chapter should clarify that ideas for the next steps can come from anywhere within the organization as well as from outside. Even a decaying facility, which would typically be identified as a liability or weakness in a SWOT analysis, can be a powerful source of future strategy.

Chapter 5

Fourth Principle of Humanistic Strategizing – Anticipate Traps

5.1. Introduction

This book started by arguing that strategy is broken. Beyond falsely assuming it is a value-free process to strategize, success statistics indicate that current practices fail to deliver. More often than not, what is communicated and sold as strategy is nothing more than a wish list, a plan, a slide deck sourced from consultants at a high price, or a missed opportunity.

Then, there is another scenario in which a very promising strategy, even with great humanistic potential, is conceived, yet a crucial step is overlooked. When success statistics indicate that top managers are, by and large, not good at strategizing and executing agreed-upon battle plans, an anticipation of what could go wrong and how to mitigate key derailers must take place. Therefore, effective humanistic strategizing must anticipate potential pitfalls. The alternative is to devote substantial resources without taking care of risks. Consequences of not conducting an acid test for the strategies include job losses, unnecessary stress to rectify mistakes later on, or even losing the company's or the business unit's independence.

This chapter explores various methods for anticipating potential traps. Embarking on a discussion of how to do it effectively does not mean admitting insufficiencies or incompetence but should be understood as embracing realities. Complexity, with its interdependencies, diverse factors, ambiguities, and flux over time, characterizes our times. Therefore, great humanistic strategists voluntarily and fully embrace the duty of identifying potential weaknesses in both the strategizing process and its outcomes.

5.2. Options

The following figure summarizes approaches and phenomena to consider when seeking to enhance the quality of strategy and its execution. These additional considerations complement what has been presented in Chapter 2 in terms of applying the right approach to strategizing in light of a given environment, having scrutinized internal factors such as the functionality of organizational culture and adaptability quotients.

Figure 27: Ways to Anticipate Traps in Strategizing

A first tool to assess the robustness of a strategy is to conduct a **pre-mortem**. In contrast to a post-mortem, which analyzes failure after it has occurred, a pre-mortem[27] is conducted before finalizing the decision on the strategy and embarking on its implementation. Inquiry-based leadership can be highly beneficial in this context. Raised questions do not have to be difficult. The following questions for a pre-mortem can illustrate this effectively. It can be given either to a diverse internal team, a group of consultants, or a mix of internal and external candidates. Once again, the key factor is to foster a diversity of viewpoints. The questions for this group and a two-to-three-hour discussion would merely be:

Imagine we implement this decision and discover in four years that it has failed horribly. What could be the factors that caused this failure? What would have to be true? How might we counter the derailers?

After an initial discussion and the identification of what would have to be true and how to counter the derailers, further homework and analysis must be conducted. At times, such pre-mortems are undertaken as part of a red-teaming process. Originally used in the military and later in software development, organizations can benefit from working with two types of teams. The blue team develops a strategy. Then, a red team is let loose to find weaknesses so they can be fixed. Bear in mind that red teaming is not about challenging leaders, substituting sound planning, or serving as an excuse for inaction, fortune-telling, or being cynical; it is not just for leaders and is not a panacea. It is a mere way to acid-test a strategy and anticipate risks before it is too late[28].

A case in point is David Wild, the former CEO of Walmart[29]. He burnt billions in Germany and South Korea before exiting these country organizations. Walmart attempted to implement American HR practices without due diligence and rushed products into the market. For example, Germans had their own standard pillow sizes and preferred them over US sizes. A mere session with MBA students in an international management class in Germany could have yielded crucial insights. However, top management and procurement experts based in the US, who sourced products from China, did not take this essential step of anticipating potential traps.

The following figure summarizes key approaches to red teaming. The 1-2-4-All method pays special attention to social biases and neutralizes the repercussions of overly dominant personalities or VIPs in the room. The second method also aims to overcome social biases, yet it adds the creative task of working out the details of a nightmare competitor. Once more, this relies on inquiry-based leadership. The key question is:

What would a nightmare competitor look like? What would its value proposition, value architecture, and profit equation be? How to anticipate the entrance of such a competitor?

The third method, as illustrated in the following figure, is TRIZ, which stands for Teoriya Resheniya Izobretatelskikh Zadach, or the theory of inventive problem solving. Once again, the idea is to be proactive, anticipate risks, and bring creative energy to the debate. The approach can be quite energizing and add new perspectives. Two to three teams are sent off to separate rooms to discuss:

Imagine a team or selected leaders are sent by competitors to sabotage the organization and its strategy. How would they behave? What would they do? How can we detect such behaviour early and counter it?

Finally, another way to carry out a red teaming exercise is by organizing a fishbowl exercise. One person sits in the middle of a circle, and a question storm is triggered. The idea is to observe how well the person in the middle can defend against incoming questions. There is a second ring of people observing both those who raise the questions and the one colleague in the middle. After some time, roles change to add a variety of viewpoints. Subsequently, experts discuss flaws in the strategy to fix them proactively.

Needless to say, these four methods, as well as embracing a scenario in which strategies could go awry, require openness, divergent thinking, and even a degree of playfulness. Not all cultures are open. However, even if it feels somewhat awkward, the upsides of anticipating risks far outweigh the damage caused by failing strategies. A case in point is Toyota's moment of truth a long time back. The board decided to become the world's number one car company. At that time, decades ago, this meant being strong in the US. Board members studied US cars carefully by visiting parking lots of football games on weekends. The board then decided to commission bigger US-style cars. At the end of the strategy discussion at the board level, one brave board member stood up, bowed, and apologized for interrupting. He then asked:

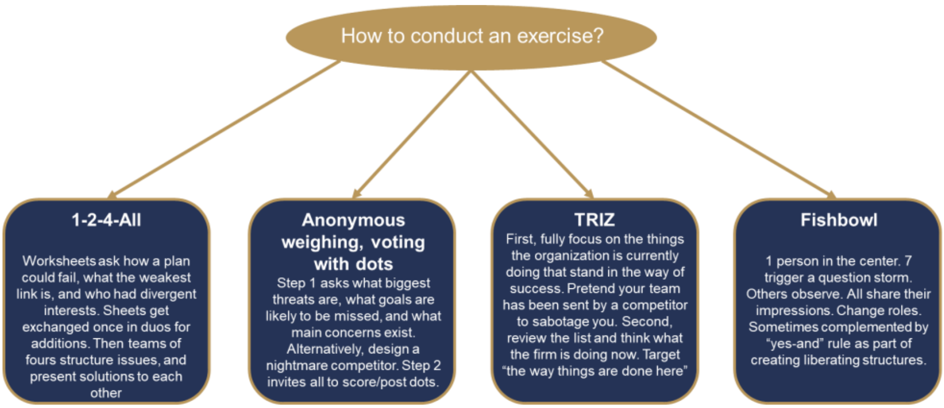

Figure 28: Overview of Approaches

What if we are Wrong?

The chairman had two choices then. He could either ignore his fellow board member in a culture that usually does not foster dissent and divergent viewpoints, or he could give the floor to his fellow board member. The chairman granted him the floor for an explanation, and he replied that he had no data and that even if he had data, it would be very hard to predict. He merely alerted his fellow board members to the environmental uncertainty and suggested that being prepared for the scenario in which Plan A fails is a good idea. The board listened and discussed the most likely alternative scenario. It was one in which sustainability as a trend became stronger. This was when Toyota's board decided to launch the Prius – the ideal product for a plan B. It would ultimately generate billions for Toyota, enhance its sustainability image, and enable a dominant market share in this segment for many years.

Toyota was open enough to allow dissent and was rewarded beyond the board's imagination.

If there are no budgets or if an organization shies away from involving more individuals, even external consultants, for confidentiality reasons, there are numerous checklists to reflect on strategies critically. The following figure summarizes ten questions suggested by McKinsey consultants.

Figure 29: Checklist to Review Strategies

Source: Based on Bradley et al. (2011)[30]

For positive outcomes, strategists must identify if others are driven by self-interest or are overly attached to past solutions. Equally, strategists must be careful to avoid incorrect analogies. Speaking of "we create the Uber of…", "we will be the Amazon of…", or "we will be the Mercedes of…" can be rather tempting. Relying on analogies may help convince others, but it could distract from the details and capabilities necessary to achieve the aspirations.

Sound data but also the general approach of relying on data represent themes that warrant scrutiny. A case in point is the global satellite phone company Iridium. Before launching, and to convince investors and the board, 300,000 individuals were surveyed, 23,000 interviews were conducted in 42 countries, and 3,000 companies were screened. The only problem with it all was that posed questions were suggestive. The market research company aimed to confirm that there is a market potential in general, which is what Iridium, as a client, wanted to hear. Market research did not investigate whether customers would definitely sign up for the services or which factors would deter them from doing so. An expensive case was constructed to generate misleading data. Its optimism bias was not detected early enough. Nobody wanted to spoil the hype. Eventually, Iridium launched, and actual demand lagged behind expectations. The company was acquired for a fraction of what its assets were worth. Therefore, similar to pre-mortems and red teaming, an analysis of worst-case scenarios should be conducted to ensure that sufficient resources are in place to ensure survival.

The Iridium example also alerts us of another crucial question. Do involved individuals and strategy teams have real strengths in this area? This may be an almost blasphemous question in the perception of those involved. Why would a Chief Strategy Officer, a Chief Executive Officer, or any board member who made it that far not have strengths in strategizing?

Most of us spend more than 60.000 hours or more at work. The strengths-based view of leadership and strategizing builds on the assumption that workplaces, by and large, are not well-designed. Global research by Gallup clarifies that only 23% of staff members are engaged, 59% are emotionally detached, and 18% are actively disengaged and miserable[31]. Stress is up, too, and now at an all-time high. 66% report their boss is the worst part of their life. 75% would take a pay cut if they could change their boss. 21% say their performance is managed in a way that motivates them to do outstanding work[32].

The strengths-based view is essential in positive leadership, positive psychology, and humanistic management. It focuses on what is right with people rather than fixating on what is wrong with them. The talents and strengths of individuals are fully acknowledged. People and human resources are not viewed as a mere means to an end or as interchangeable. Who we are matters, creating better conditions to achieve peak performance and human dignity. Gallup research also revealed that such a perspective yields tangible outcomes. If we focus on what is right with us, we are three times as likely to report having an excellent quality of life and six times as likely to be engaged in our jobs. Organizations with a highly engaged workforce portray in average[33]:

- 41% lower absenteeism.
- 10% higher customer ratings.
- 17% higher productivity.
- 20% higher sales.
- 21% higher profitability.
- 24% less turnover in high-turnover industries.
- 59% less turnover in low-turnover industries.
- 28% less inventory shrinkage.
- 70% fewer safety incidents.
- 40% fewer quality defects.

Gallup research on more than 1 million work teams identifies four categories and 34 key levers that can have a significant impact. The following figures summarize them. Before delving into details, it is essential to note the following. Themes are neutral – neither good nor bad. How productively we apply them determines success. Themes are not labels. They help us understand complexity when trying to create value together. At all times, we should lead with positive intent – ideally developing and empowering with strengths in mind. We should not utilize insights gained about talents and strengths for political games and gains, as this would run counter to a humanistic worldview. Differences in talents and strengths are advantages, not a problem to be solved. Finally, people need one another. Strengths can only be deployed if the context needs and allows them to flourish.

The Relationship Domain of Strengths

This domain focuses on strengths when building and nurturing relationships. In contrast to the influencing skills discussed later, these relationship skills focus on the present moment, thus emphasizing presence. They include nine areas, as portrayed in the following figure. None of them should be deemed more valuable than others without linking discussions to the required tasks that enable excellence. Individuals can shine in organizations when it comes to their adaptability, identifying connections between things, developing talents, fostering empathy or harmony within their teams, including others, personalizing communication and leadership, spreading positivity, and relating well to others. Especially when fostering human dignity in workplaces, such relationship domain themes matter. Thus, strengths in this domain have their place in organizations.

The Influencing Domain of Strengths

Strengths in this domain focus on the question of how to influence others. It is about moving people into a brighter future and shaping their future behaviour. Thus, this time dimension is the crucial difference when compared to relationship domain themes. More precisely, individuals can activate others to start new initiatives. In change processes, they can take charge and, with their strong presence, ensure projects move ahead. They can communicate effectively or introduce a bit of competitiveness, allowing better solutions to emerge over time. As maximizers, they can take a product or service and take it to higher levels. They can spread confidence or use their own self-assurance to take charge when needed. If they want to feel significant, they foster improvements and quality by seeking recognition. They can also be essential to strengthen the social glue, bringing people together or winning them over for themselves and the solutions they stand for.

Figure 30: Relationship Management as Strengths

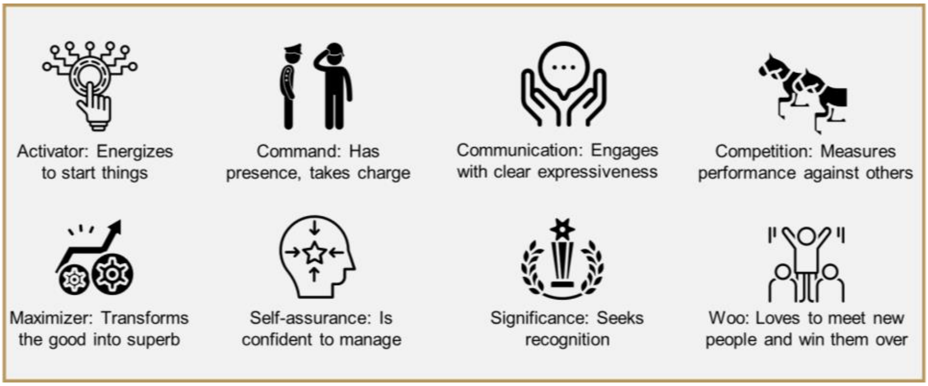

Figure 31: Influencing Skills as Strengths

The Strategic Domain of Strengths

Strategic thinking skills are as relevant for strategizing as it gets. Individuals with strengths in this domain can excel at working with data, understanding context, such as different countries, markets, or customer segments, analyzing causes and effect patterns, anticipating the future of industries with impressive thoughts, producing good, numerous and diverse ideas, learning and unlearning quickly, enjoying intellectually stimulating discussions about good, better, and best strategies, and finally thinking and acting strategically when it comes to creating, evaluating and selection strategic options. Within the Gallup view on strengths, it is essential to note that:

- Our top five strengths are the most intense and can easily dominate our way of thinking and acting when we operate in our peak performance zone.
- The likelihood that two colleagues share the same top five strengths in the same order is 1 in 33.

This means that no strategist is likely to excel at all of these strategic thinking themes. Moreover, it boils down to mapping who in a strategy team can add which strength to the strategizing process. Each one of the strengths within this domain contributes unique value. Strategy teams need to identify and compensate for missing themes. The aforementioned example of Walmart indicates a lack of context acumen. Iridium appears to have overutilized input, as a significant amount of irrelevant data was gathered and misused. Many board members at Toyota, with the exception of one, may well have suffered from a lack of 'futuristic' as a theme. Knowing which strengths a team can leverage or not is essential for the success of strategies but also for individuals to flourish the best they can possibly offer.

The Execution Domain of Strengths

Relationship and influencing strengths focus on people. Strategic thinking and execution strengths, in turn, relate to tasks. As 80% of strategies fail in the execution phase, execution skills are of no less importance. They include relevant strengths for implementing strategies in the now while strategic thinking themes focus on the future – on what is yet to come. Execution strengths include being an achiever, thriving when checking off items on to-do lists, and meeting deadlines. An arranger is organized while maintaining flexibility. A colleague with a strong belief system brings core values to strategy implementation. Someone with consistency ensures quality, reliability, and fairness in the process. Being deliberative refers to the ability to decide carefully how to best bring a solution and strategy to life. Discipline helps, as it can take longer to score. Focus helps in the process, and relying on someone with a strong sense of responsibility ensures that principles are not compromised. Finally, someone with restorative strengths excels at problem-solving once a derailment takes place.

Mapping and Leveraging Strengths in Humanistic Strategizing

All four domains of strengths are important when ensuring that humanistic strategies emerge and are implemented. The individual or the team in charge of strategizing must be aware of what they can deploy or have to compensate for. It is an illusion to believe that a mere promotion due to stellar past performance automatically means strategic thinking skills are in place. If a team maps its strengths, for example, with the help of the Gallup StrengthsFinder survey, previously hidden sports become visible, and energizing roles based on strengths can be allocated wisely. Ignoring the question of what strengths are present is likely to lead to a disaster.

5.3. Summary of Key Insights

This chapter alerts all humanistic strategists to integrate an acid test for emerging strategies. It describes several exercises and themes to review as part of a robust strategizing exercise. Thinking like the enemy and using a shorter checklist can help confirm that an organization’s strategic planning efforts are on track.

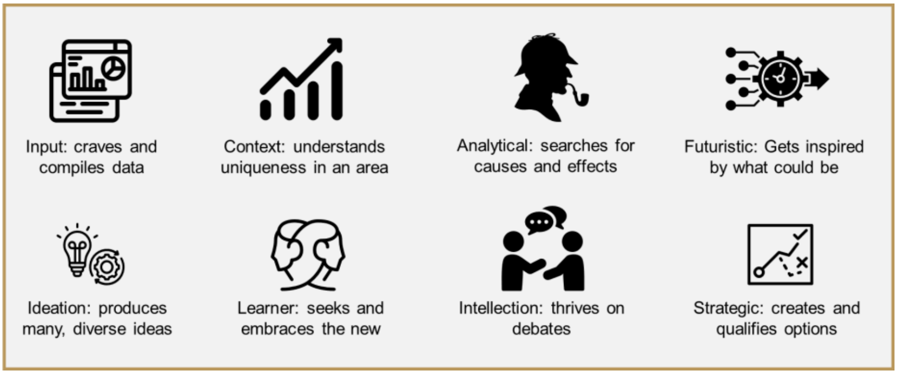

Figure 32: Strategic Thinking Skills as Strengths

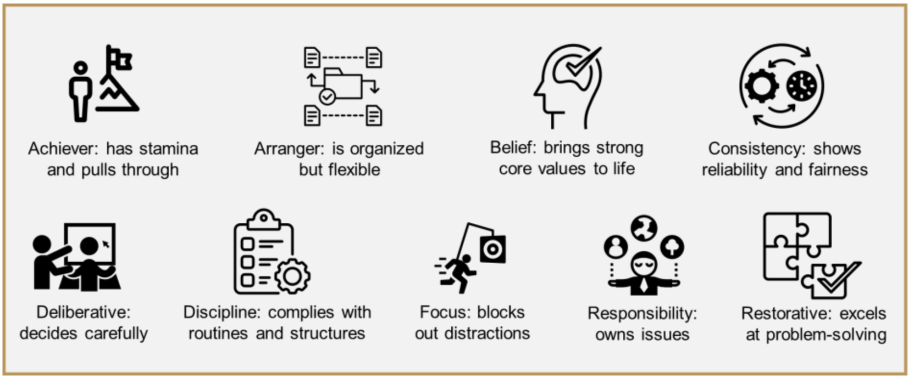

Figure 33: Execution Skills as Strengths

The second half of this chapter invites the reader to critically reflect on the strengths available for ensuring a sound strategic direction within an organization. Of course, the advice is to enable transparency about strategic thinking skills, yet the responsibilities do not stop there. Humanistic strategists don't stop their efforts once a strategy is secured on slides. They map strengths. This explicitly includes execution skills, as a brilliant strategy must also benefit from colleagues who can implement it. At the same time, it is crucial to balance task and people orientations. It may be tempting yet overly simplistic to view strategy as something that moves resources and restructures. People matter, and so do the abilities and strengths to mobilize and redirect them. If this is done while acknowledging their strengths, engagement scores are higher, and workplaces become more humanistic. Then, organizations deserve to win more than would be the case otherwise.

This chapter shall close with a final warning. There are many "cookbooks" for successful leadership, strategy, or management out there. They seemingly suggest ways to move from good to great, enlighten how to foster organizations that are built to last, and can truly help in a search for excellence. Wrapped in compelling storytelling, they manipulate us into believing that their inspiring examples can show the way to a sustainable competitive advantage. These guides and books have several sections or chapters. First, merely a few years later, the best practice examples are no longer performing well or are no longer in existence at all. Their research is messy. Second, the research is sloppy. Next to Peters and Waterman admitting, "for what it is worth, we faked the data," only 16% of the firms are stars later, beating the market by 5%. The number of underperformers is doubled![34] Humanistic strategists deploy critical thinking and do not shy away from the major efforts to work out their own success recipes. Tomorrow's strategies will not be found in books based on poor research and fabricated data. Just as the Battle of Salamis was won, each strategy has a limited shelf life. Using the same pattern over time will not be possible as competitors copy, customer demands evolve, and new success potential emerges that ought to be utilized.

Chapter 6

Fifth Principle of Humanistic Strategizing – Set Direction

6.1. Introduction

After clarifying who strategizes and what humanistic strategies are, reviewing the latest maps for external and internal environments, orienting the compass, and anticipating traps, the next step in humanistic strategizing is all about setting direction. This means building a system similar to the one initially depicted in the Battle of Salamis example. The Greeks did not just have a goal. They made a system in which each part reinforces the larger connection of them all.

In business, goals often take the form of revenue targets, market share ambitions, or product launch timelines. They provide clarity and a sense of purpose, but they can also fall short in dynamic industries where circumstances shift rapidly. Systems, on the other hand, revolve around the underlying processes that enable organizations to achieve their goals and adapt to challenges consistently. Think of goals as milestones on a roadmap, while systems are the well-built vehicle that ensures you can travel the journey—no matter how the terrain changes.

Several factors contribute to the superiority of systems in the corporate world. First, they ensure more sustainability and scalability. Systems provide a structure for continuous improvement, enabling companies to scale while maintaining efficiency. Consider a retail company that sets a goal of increasing quarterly sales by 20%. Instead of solely fixating on this number, the company implements a system to enhance customer experience. This system includes employee training, data-driven personalization, and seamless omnichannel integration. Even if the goal isn't immediately met, the system ensures consistent growth and customer loyalty. A strategic direction for the entire system has been established, and there is a unified thrust with all its system elements aligning.

Second, adaptability to market changes matters. The corporate landscape is constantly evolving, and rigid goals can become outdated. Systems allow companies to pivot quickly without losing momentum. Emerging trends, such as wearable devices or virtual reality, may disrupt a technology firm aiming to dominate the smartphone market. A system of continuous innovation – through R&D, partnerships, and agility – ensures the company stays relevant and competitive even as the market shifts.

Third, a system must focus on a long-term vision. Goals often emphasize short-term wins, which can lead to burnout or poor decision-making. Systems align efforts with a broader vision and purpose. Patagonia, the outdoor apparel company, is guided by a system centered on sustainability and environmental stewardship. This system influences product design, marketing, and supply chain practices, creating long-term value for both the brand and the planet.

Numerous examples can be cited regarding companies that build systems. For example, when it comes to customer-centricity, building systems that prioritize customer needs leads to lasting loyalty and competitive advantage. Amazon's success isn't solely due to its goal of being the largest online retailer. Its system of customer obsession – offering fast delivery, competitive pricing, and seamless user experience – ensures consistent growth, even in new ventures like cloud computing and streaming. Apple's system of design thinking and customer experience drives its success as well. Every product is developed with meticulous attention to both usability and aesthetics, creating an ecosystem that fosters customer loyalty. At the same time, the ecosystem of products also fosters this loyalty as exit barriers are built.

As for innovation systems, companies that adopt systems for continuous innovation remain at the forefront of their industries. Google's "20% time" policy encourages employees to dedicate a portion of their time to personal projects and initiatives. This system fosters creativity and has resulted in groundbreaking products like Gmail and Google Maps.

Beyond customer centricity and innovation, companies can also pursue operational excellence. Efficiency and productivity are achieved through systems that streamline processes and eliminate waste. Toyota's lean manufacturing system, known as the Toyota Production System (TPS), focuses on minimizing waste and maximizing efficiency. This system has revolutionized the automotive industry and has been adopted by countless other companies. As for further corporate examples, Southwest Airlines and its European counterpart, EasyJet, have built a system for operational efficiency and employee engagement. Its focus on low-cost operations and a culture of service excellence enables it to consistently outperform competitors in terms of profitability and customer satisfaction.

Additionally, companies can prioritize talent and develop corresponding talent management systems. Investing in employees through systems of mentorship, training, and career progression creates a skilled and motivated workforce. Accenture's comprehensive employee development programs encompass customized learning paths, leadership training, and ongoing performance feedback. This system ensures that employees are equipped to meet the evolving needs of clients. There is clarity on how to win with talents. Another example is the engagement of many car companies in Formula 1 racing. While there are branding and PR advantages, it can be argued that top global brands, such as Mercedes, may not need Formula 1 for their branding. However, what often primarily drives the strategic choice of car manufacturers to participate in Formula 1 events, along with spending hundreds of millions, is the talent development benefit they gain. Formula 1 offers tremendous advantages when honing technical problem-solving skills. If there is any issue with the race cars during qualifying on a Saturday, the teams must fix them within 24 hours. Relocating such talents to other operations can help accelerate the resolution of issues elsewhere.

6.2. Practical Tips for Building Systems

There are several practical tips humanistic strategists can bear in mind. First, it is essential to define key processes. They have to identify the workflows and routines that drive success and optimize them for efficiency and scalability. A marketing team might establish a system for content creation that includes research, drafting, editing, and analytics. This ensures quality and consistency in every campaign.

Second, humanistic strategists must embrace data and feedback. Using analytics and customer insights can help refine systems over time. An e-commerce company might track customer behaviour to improve its recommendation engine, creating a system that drives sales and enhances user experience.

Third, humanistic strategists should explore value potentials in technologies and invest accordingly. Often, there are substantial opportunities when leveraging tools and platforms to automate repetitive tasks and streamline operations. A manufacturing company might implement IoT sensors to monitor equipment performance, reducing downtime and maintenance costs.

Fourth, humanistic strategists should always foster a culture of continuous improvement and build the skill to do so. Good can always be done better. Humanistic strategists ought to encourage employees to identify and implement improvements within their systems. The frontline often knows best. As a rule of thumb, the iceberg of ignorance concept posits that approximately 94% of problems are unknown to top management. But they are known further down the organizational hierarchies. Thus, a certain degree of empowerment, likely resulting in higher engagement scores, as well as elements of a self-organizing and self-improving system, should be explored. For example, a software development team might adopt agile methodologies, creating a system for iterative development that enables rapid adaptation to user needs. Pixar, as a digital movie maker, routinely had thousands of micro-improvements before finalizing a film. It operated a culture in which feedback was actively solicited and rapidly integrated without anyone in the system fearing they would lose face.

Fifth, within humanistic strategizing, aligning the system with values and with the value of human dignity is especially important. Ensuring that systems align with the company's mission and purpose is crucial. If the system has too many areas violating the human dignity principle, it ought to be revamped more quickly and fundamentally. A nonprofit organization can create a system for donor engagement that prioritizes transparency and impact reporting, thereby building trust and fostering long-term support. Equally, it must have anticorruption solutions in place, such as whistleblowing or AI-based control mechanisms.

Sixth, humanistic strategists must manage complexity. Within strategizing, it would be most fantastic to be what has become known as a value chimera. In Greek mythology, a chimera is a monstrous creature that has parts from different animals. It's often depicted as having the body of a lion, the head of a goat rising from its back, and a snake for a tail. The chimera was a symbol of chaos and was said to breathe fire. It was slain by the hero Bellerophon, riding the winged horse Pegasus. In the business world, many companies overestimate what they can accomplish and decide to pursue often conflicting strategies simultaneously:

1. Customer intimacy, achieved by being close to customers and aligning all system variables to better please them than competitors. Products and services are often customized, and the user experience is highly tailored.

2. Great product or service quality, letting the quality speak for itself. If a firm offers the best, customers will come and come back.

3. Operational efficiency, optimizing each step in operations, as McDonald's did when designing the ideal kitchen floor plan and determining optimal times for hand movements.

Very few organizations exist that can become true value chimeras. For example, Toyota manages to sell both high-end Land Cruisers and breadand-butter Camry cars. Amazon is efficient, close to customers, and offers a broader selection of choices than brick-and-mortar bookstores on street corners. The fallacy lies in strategists' believing this can be done easily.

Seventh, an additional recommendation for building a system is the principle of multiplying value potentials. Once a solution has been found, humanistic strategists need to explore how to replicate and multiply value potentials. The following figure illustrates how Honda understood the value potential of engine technology. The overall story of how Honda was founded provides a deeper understanding. Soichiro Honda, the visionary behind Honda Motor Co., Ltd., had a remarkable journey. Born in 1906 in a small Japanese village, he grew up helping his father, a blacksmith, repair bicycles. This early exposure to mechanics sparked his fascination with machinery. At 15, Soichiro left home to apprentice at a garage in Tokyo, where he honed his skills as a car mechanic. His entrepreneurial spirit led him to establish his own auto repair business in 1928. Later, he founded Tōkai Seiki, a company producing piston rings, but setbacks during World War II forced him to sell the business. To help rebuild Japan after the devastating destruction of cities and transportation infrastructure, Soichiro founded the Honda Technical Research Institute in 1946, which later evolved into Honda Motor Co., Ltd. in 1948. Essentially, adding engines to bicycles, which he was familiar with, marked the humble beginning of Honda. Starting with these motorized bicycles, the company evolved into a global leader in automobiles, motorcycles, and other industries that relied on engines in their core products. Soichiro's innovative mindset, intention to help society, and resilience turned his humble beginnings into an inspiring legacy. Diversification occurred in many other industries, as illustrated here. Expansion was rather rapid, as Soichiro knew that windows of opportunity were closing, and he had to multiply the value potentials linked to engine technology quickly.

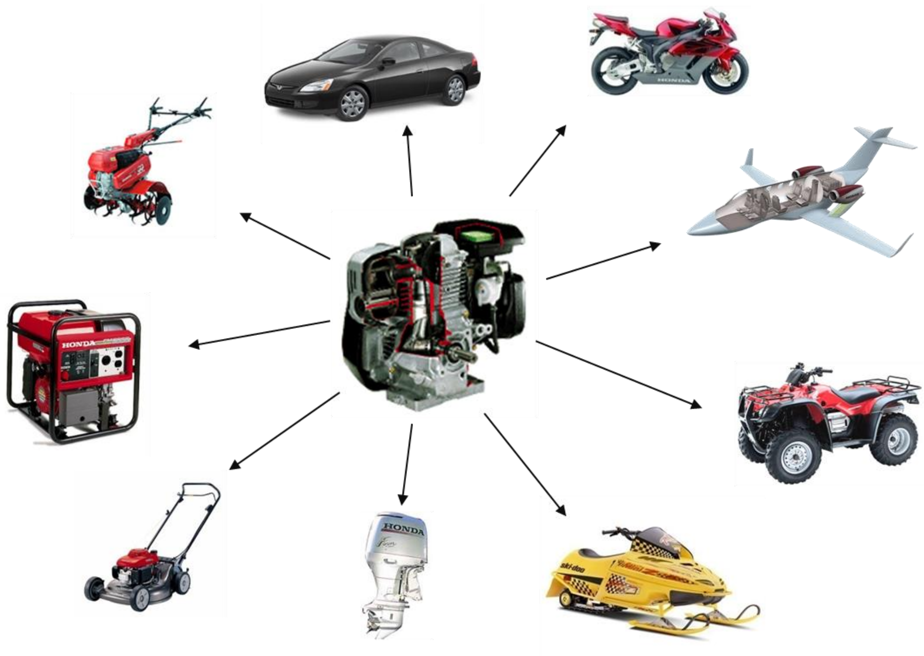

Figure 34: Illustration of Honda's Multiplication of Value Potentials

Eighth, always match new tasks with learning and new capabilities. Soichiro's example also clarifies the strategic importance of his expertise. Numerous strategists fail to recognize blind spots, skill gaps, and areas where they need to learn, unlearn, or relearn. The following figures illustrate the famous Dunning-Kruger[35] effect. In particular, inexperienced strategists overestimate their capabilities, underestimate their reskilling needs, and build complex systems with self-reinforcing mechanisms that require upgrades over time, necessitating humility and openness to learning. Humanistic strategists must prevent this cognitive bias from occurring in them as well as in their teams. Too easily, people with low ability in a task overestimate their ability to perform that well, leading to poor behaviour and decisions. Knowledge gaps prevent individuals or companies from recognizing their own mistakes.

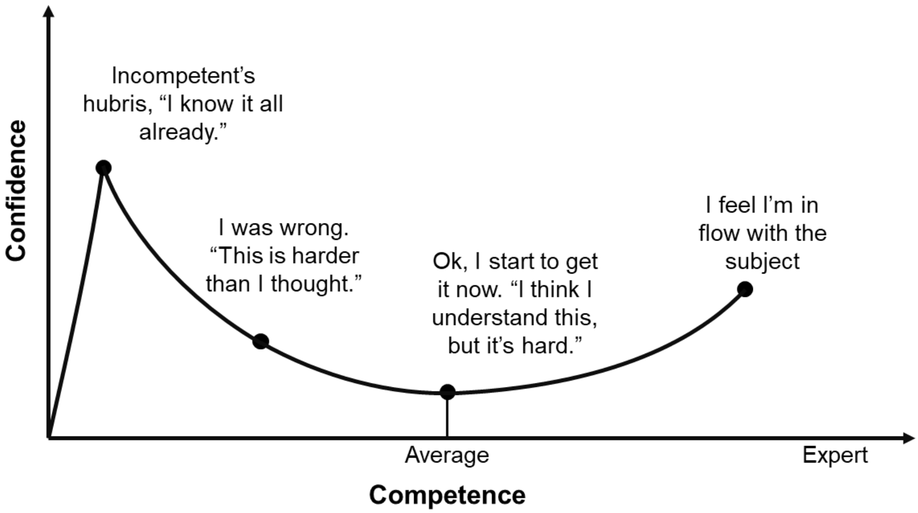

Figure 35: Visualization of the Dunning-Kruger Effect

Ninth, a final recommendation for setting direction is to enable synergies. Granted, the notion of synergies is often misused to sell a strategy. Synergies are promised and, in reality, materialize less often than this is desirable. Therefore, it takes practical wisdom when planning and eventually operating a system for fruitful synergies. The following overview differentiates four main types of synergies[36].

- **Combination:** The idea is to pool and share similar resources, such as combining procurement volume and purchasing power when merging with another company. For example, when Daimler bought other commercial vehicle manufacturers, they built a globally integrated procurement organization to combine the purchasing power of the larger organization.
- **Consolidation:** This focuses on eliminating redundancies and integrating operations to streamline costs and resources. The consolidation of banks like JP Morgan Chase, which formed through mergers of smaller banks can be a good example. By combining operations, they reduced overlapping processes and improved efficiency in financial services.

- **Connection:** This type of synergy emphasizes linking entities to create a network effect or complementary value. Apple's ecosystem is a strong demonstration of connection synergy. By linking its devices (iPhone, iPad, MacBook) and services (iCloud, App Store), Apple ensures seamless connectivity, encouraging customers to remain within their ecosystem.
- **Customization:** This involves tailoring products or services through collaboration to meet specific needs or demands. The partnership between Nike and Apple for the Nike+ initiative can illustrate this well. They created customized fitness products (like running sensors and apps) that catered to a niche audience of fitness enthusiasts, combining Nike's athletic expertise with Apple's tech innovation.

Degree of needed resources modification	Involves similar resources	Involves dissimilar resources
High modification of resources required	Consolidation	Customization
Low modification of resources required	Combination	Connection

Figure 36: Four Key Types of Synergies

6.4. IKEA as an In-Depth Case Study

One of the truly best practice case studies on systems is IKEA. IKEA's strategy is a masterclass in integrating systems to create a cohesive, sustainable, and customer-centric business model. At the heart of IKEA's strategy is the IKEA Concept, which centers on providing affordable, functional, and stylish home furnishings products to the masses. This concept is not just a marketing tagline; it permeates every aspect of the business, from product design to supply chain management. The key pillars of this strategy include:

- **Cost efficiency:** IKEA achieves low prices through economies of scale, flat-pack furniture design, and efficient logistics. By minimizing production and transportation costs, IKEA ensures affordability without compromising quality. IKEA's supply chain is a testament to its efficiency. The company uses a global network of suppliers and distribution centers to minimize costs and ensure timely delivery. IKEA's flat-pack furniture design reduces transportation costs and storage space, enabling the company to offer lower prices.

- **Sustainability:** IKEA is committed to environmental and social sustainability. Its sustainability strategy focuses on healthy living, circularity, and equality. For example, IKEA uses renewable materials, promotes energy efficiency, and aims to achieve net-zero emissions by 2050. IKEA's sustainability system is integrated into every aspect of the business. From sourcing renewable materials to promoting circularity, IKEA is dedicated to minimizing its environmental footprint. IKEA's "Buy Back" program allows customers to return used furniture for resale or recycling, promoting a circular economy. IKEA's commitment to sustainability is evident in its use of renewable materials and its adoption of energy-efficient practices. For example, the company has achieved 100% renewable electricity in its factories.

- **Customer Experience:** IKEA's stores are designed to offer a unique shopping experience, with immersive showrooms, self-service models, and in-store restaurants. This approach not only drives sales but also builds brand loyalty. IKEA's retail system is designed to maximize customer engagement and convenience. Stores are strategically located, and the layout encourages exploration and impulse purchases. The "IKEA maze" layout guides customers through a curated journey, showcasing products in real-life settings and inspiring ideas for home improvement. IKEA is embracing digital transformation to enhance customer experience and operational efficiency. Online shopping, augmented reality tools, and data analytics are key components of this system. The

IKEA Place app utilizes augmented reality to enable customers to visualize furniture in their homes before making a purchase.

IKEA's success lies in its ability to integrate various systems into a cohesive whole. The IKEA system features several notable advantages. Strategists at IKEA have understood how to apply ALIEN thinking, especially key anthropological insights to start with. They have understood that human beings tend to remember the beginnings and ends of a customer journey but often not the middle part. This is why the first experience IKEA customers have when visiting a store must be flawless. May it be parking, the cleanness of the entrance hall, or the greeter at the door, the first touchpoints matter. Customers will forget the long maze the company has them walk through. Customers will also tolerate, if not forget, how smartly IKEA fosters impulse shopping. Many customers leave the IKEA stores with more items than they planned to purchase. However, IKEA decided to add food to sweeten the deal and end the customer journey on an emotional high. Customers have the opportunity to enjoy a low-cost treat, such as a hot dog, cinnamon roll, or coffee, at remarkably low prices. By now, IKEA generates more than USD 2 billion in sales from its food items. Yet, it's all about ending the customer journey on an emotional high. Had IKEA not introduced this crucial element to its corporate strategy, i.e., being in the food business as well, customers would likely remember IKEA negatively, as the ending of the customer journey would not be positive.

IKEA's international market expansion strategy involves adapting its systems to local markets. For instance, city-centre stores and online shopping platforms cater to urban customers. Expanding to India represents another best-practice example. One may easily reckon that building a large global organization would cause rigidity of the entire system. However, in order to prepare for market entry in India, the company took its time. For six years, the company studied the market and habits, visiting more than 1000 homes. Numerous changes were triggered, such as offering more support for delivery and build-up of bought furniture and other installations, different and more local food in the IKEA restaurant, a bigger restaurant in general as furniture shopping was a social event with more family members and friends tagging along, more options for chairs as Indian households often host more guests, etc.

Anthropological insights can only be gained through careful studies and subsequent adaptations of the systems. IKEA demonstrated such readiness to learn and experiment, even at its advanced size and corporate age. Another initiative is its collaboration with companies like Apple and LEGO, which explores new technologies and customer insights. These partnerships enhance its systems and drive innovation.

IKEA's strategy is a testament to the power of systems thinking. By integrating design, supply chain, retail, sustainability, digital transformation systems, and anthropological insights, IKEA creates a cohesive and adaptable business model. This approach not only drives profitability but also aligns with the company's mission to enhance the everyday lives of many people. This focus on affordability emphasizes the humanistic nature of IKEA, even if it is not the perfect set-up, as anthropological insights are at times used to grow sales unduly.

6.4. Summary of Key Insights

In the corporate world, building systems is the cornerstone of strategic success. While mere goals provide direction, systems ensure sustainability, adaptability, and continuous growth. By fostering customer-centric processes, innovation, operational excellence, and talent development, companies can thrive in an increasingly complex and dynamic landscape. Simultaneously, humanistic strategists must understand their own limitations. Systems can become rigid if not managed effectively. Complexity, resulting from a diversity of interdependent factors, paired with ambiguity about how they evolve over time and flux, can easily overwhelm. It requires skills to manage the design, build, operation, and renewal phase for each system. Humanistic strategists cannot merely focus on designing the winning recipe while losing sight of what can be built and operated. Aspects of strategy execution must be anticipated early on to prevent issues later. As this chapter outlined, humanistic strategists should mitigate the risks associated with the Dunning-Kruger effect.

Chapter 7

Sixth Principle of Humanistic Strategizing – Accelerate Smartly

7.1. Introduction – Windows of Opportunity Close Sooner

This final principle for humanistic strategizing stems from the insight visualized in the following figure. Curve 1 depicts the development of opportunities in the marketplace. Over time, windows of opportunity are closing. Markets get crowded as profits attract competitors and disruptors. Customer demands are also changing, as are technologies. Product and service features can delight for a while, but then they can become commoditized. Customers will not remain thrilled for too long if they become accustomed to them, and more and more players in the market offer them interchangeably. Hence, curve 1 depicts that the potential of an opportunity in the marketplace decreases – first rather slowly and then at a precipitating speed.

In turn, curve 2 represents a firm's existing competitive position and its development over time. Dynamics are the inverse of what we have seen in curve 1. It took a considerable amount of time to build up a strong competition. Technologies needed to be perfected. Staff trained for tasks. Brands had to establish themselves as being known for certain qualities. This is where strategists must face a moment of truth. It is not only about creating winning recipes once but also pondering how the organization or the entire ecosystem they operate in can deliver more quickly. As curve 3 in this visualization suggests, a firm's newer competitive position fostered by acceleration can meet the opportunity curve earlier, creating advantages sooner and, in the ideal case scenario, deterring potential competitors from following suit. As outlined in the next section, dynamic capabilities and learning are crucial for this final step in strategizing.

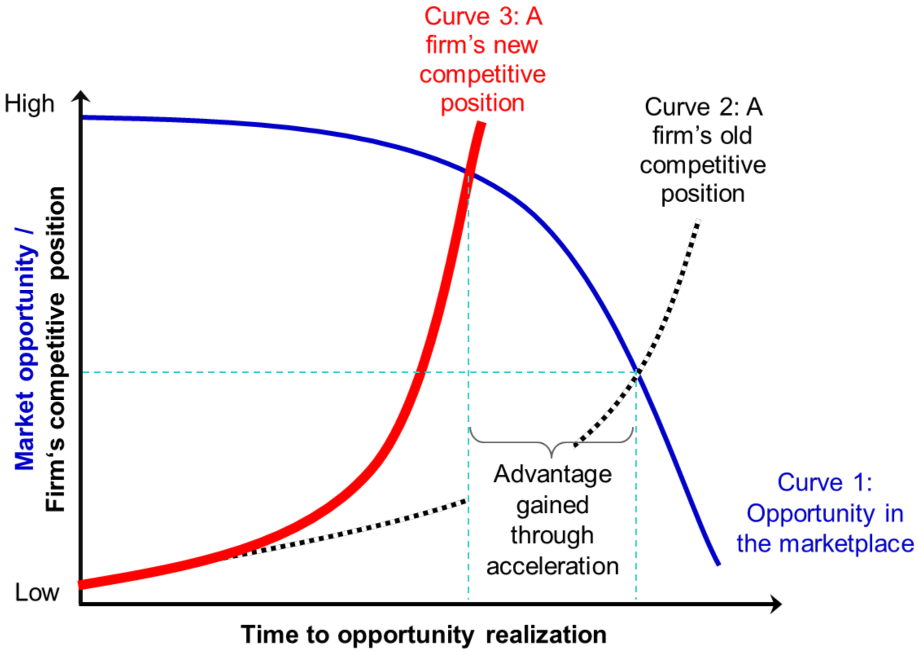

Figure 37: Ensuring More Competitive Advantages Through Acceleration

7.2. Dynamic Capabilities and Levels of Learning

Dynamic capabilities refer to an organization's ability to adapt, innovate, and reconfigure its resources in response to changing environments, thereby achieving a competitive advantage. Unlike static capabilities, which emphasize efficiency and routine, dynamic capabilities focus on flexibility, learning, and the ongoing renewal of strategies and operations. Dynamic capabilities encompass three main components:

- **Sensing Opportunities and Threats:** Identifying changes in the market or emerging trends, technologies, and customer needs.
- **Seizing Opportunities:** Taking action to capitalize on opportunities, such as developing new products or entering new markets.
- **Transforming Operations:** Reconfiguring business processes, structures, and resources to align with new strategies.

Examples abound in today's business world. For example, Apple is known for its ability to sense emerging technologies and consumer preferences. Apple consistently leverages dynamic capabilities to innovate its product lines (e.g., transitioning from iPods to iPhones). It also transforms operations to adapt to new ecosystems, such as integrating software and hardware through iOS.

Although Tesla's CEO, through his political activities, impacted the brand starting in the spring of 2025, the company demonstrates dynamic capabilities by sensing opportunities in the electric vehicle (EV) market, seizing them through innovative designs and battery technologies, and continuously transforming its production processes with breakthroughs like gigafactories and software-driven improvements.

Originally a DVD rental company, Netflix sensed the rise of streaming as a major trend and seized the opportunity by transitioning to digital content distribution. It further transformed its operations by producing original content, creating a new competitive edge.

Amazon exhibits exceptional dynamic capabilities by sensing shifts in consumer behaviour, such as the increasing preference for online shopping. It seized opportunities by creating innovative services, such as Prime and AWS (Amazon Web Services). It transformed its operations with groundbreaking delivery logistics, including same-day shipping and drone delivery experiments.

Samsung's ability to sense opportunities in technology trends, such as foldable displays, has enabled it to seize a competitive edge in the smartphone market. The company continuously transforms its manufacturing processes and marketing strategies to stay ahead of competitors.

The Chinese e-commerce giant Alibaba sensed the growing importance of data-driven services and cloud computing. Alibaba seized the opportunity by launching Alibaba Cloud and transforming its business model to incorporate fintech services, such as Alipay, thereby creating an integrated ecosystem for both consumers and businesses.

Initially known for selling packaged software, Adobe sensed the shift toward subscription-based models. It seized the opportunity by transitioning to Creative Cloud and transforming its operations to provide continuous updates and improvements to users.

Pfizer's dynamic capabilities were evident during the COVID-19 pandemic. It recognized the urgent need for vaccines, seized the opportunity by collaborating with BioNTech to develop a groundbreaking mRNA vaccine, and rapidly transformed its production and distribution processes to meet global demand.

These examples demonstrate how companies utilize dynamic capabilities to adapt, innovate, and thrive in rapidly evolving environments. Dynamic capabilities are crucial for companies operating in volatile and uncertain environments.

There are also cases in which such dynamic capabilities have been initially overlooked and then deployed too late. A few years ago, Volkswagen introduced a concept as far-reaching as possible as part of its global strategy. Products, platforms, production, and robots, as well as the factory layouts, infrastructure, and a significant portion of the back-office services, were standardized. It had organized to achieve unique scaling effects, improving its cost structures and margins, as outlined in the following figure. The cost per product could be reduced by 20%, a notable accomplishment. Quality benefitted from this move as well as vehicles, brands, and locations that could draw from tested and proven solutions.

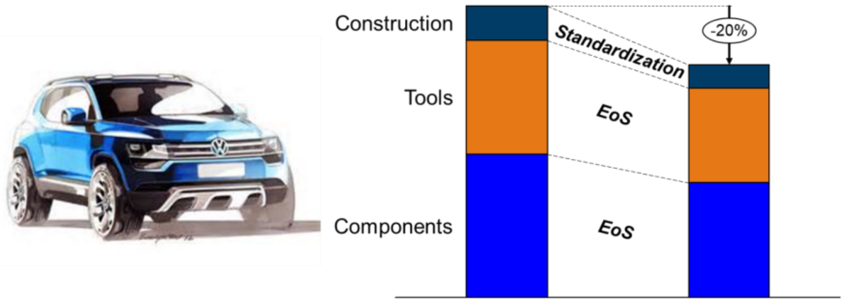

Figure 38: Impact of Volkswagen's Platform Strategy on Cost

What is probably worse was that the idea behind the strategy worked, and cost savings materialized. It had a detrimental effect, cementing a belief in the system. The strategy became untouchable. What top management and the strategists overlooked was that introducing this system was right for stable times and a predictable world. The system created deep scaling opportunities while at the same time it caused massive, deep inertia in the system.

One fundamental flaw of the system was that it could get 'infected' quickly. If one system element got corrupted, the problem was a global one. If one system element were to change, it would also have to change in more than 50 manufacturing locations. It also turned out that the automobile industry is a rather innovative one. Electric vehicles are changing the entire architecture of the car, new players are emerging, and demand is shifting, as well as doing so at different speeds across segments and countries, causing the synergy-oriented strategy to turn from a significant advantage into a disadvantage. Mindsets and talents were focused on perfecting it. The company made a concerted effort to accelerate its growth by recruiting senior leaders from the motorsports industry. They were used to finding solutions fast. Yet, their working style clashed with an established culture of deliberate and slower decision-making. Additionally, top engineers attempted to replicate and apply the synergy-oriented platform strategy they had observed in the passenger car industry to commercial vehicles. However, Volkswagen's complex ownership strategies and the national interests of its subsidiaries hindered a straightforward approach. The following figure visualizes the resulting learning needs and differentiates three types of learning

Volkswagen faced a dilemma, as international competition was becoming increasingly aggressive, while shareholders expected better margins and dividends. The resulting initiative, in the form of synergies and platforms, yielded the intended consequences, including reduced costs and an unusually high number of shared parts and other factors across models and manufacturing sites. Copying and pasting took place globally – and this was also intended for the commercial vehicles.

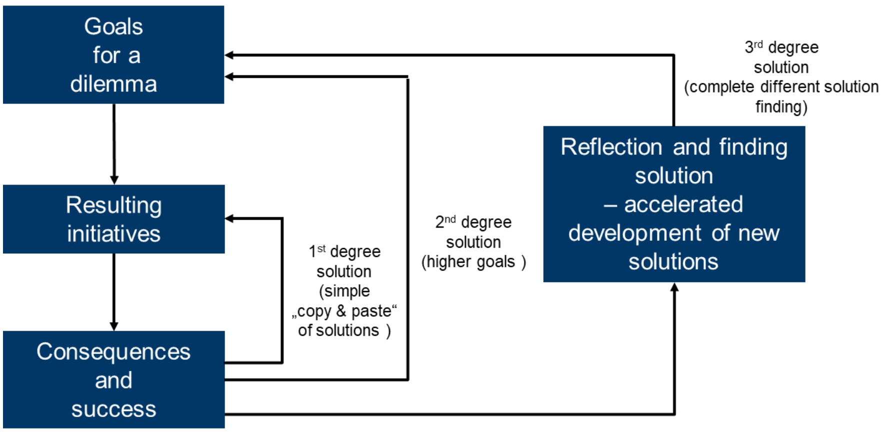

Figure 39: Three Degrees of Solutions and Learning

However, Volkswagen had previously acquired stakes in other companies but did not consistently own 100% of the acquired commercial vehicle brands. This rendered ripping out existing manufacturing setups in different countries almost impossible as local partners insisted on having a say. Volkswagen had to develop 2nd degree solutions. It had to create new solutions that satisfied higher goals. Whatever Volkswagen would invent for the commercial vehicles, it had to allow for synergies and cope with the complicated governance and ownership structure. It took the company more than three years to do so.

The highest form of solutions, of a third-degree nature, focuses not on any technical, governance, or ownership element of the solution but on the speed with which a company can come up with answers. Volkswagen needed to shift attention from technical and operations-oriented capabilities to dynamic capabilities. This was something outside the original core area of strength for Volkswagen engineers. Strategists had to identify the barriers to remove in order to arrive at solutions more quickly. The answer required broad skills as often softer people issues stood in the way and many blind spots existed. However, not embracing dynamic capabilities to accelerate smartly was not an option for Volkswagen. Competitors would outpace the company left and right. The board would not keep top management in place, nor should it do so if there is no noteworthy acceleration.

7.3. Ongoing Measurement as Part of Smart Acceleration

As suggested with the overall analogy of strategizing as navigation, humanistic strategists ought to steer, at times, through stormier waters. This necessitates collecting data on an ongoing basis. Especially when it comes to accelerating smartly, there is an additional tool they can use to their advantage and to ensure strategic success with the help of their winning strategies.

The acceleration trap[37] describes a state where organizations push themselves to operate at an unsustainable pace, leading to burnout, reduced performance, and organizational inefficiency. The acceleration trap occurs when companies continuously increase the speed and volume of their activities without allowing time for recovery or reflection. This relentless pace can lead to exhaustion among employees and a decline in the organization's overall health.

There are different types of acceleration traps. First, over-acceleration can occur due to overloading. Organizations take on more tasks than their capacity allows, stretching resources thin. Second, multiloading warns of companies pursuing too many initiatives simultaneously, leading to a lack of focus and unclear priorities. Third, perpetual loading foresees a problematic situation in which a constant state of high pressure persists without breaks or regeneration phases, leading to long-term fatigue.

Consequences are detrimental. They come in various forms, starting with employee burnout. High levels of stress and emotional exhaustion among employees. In addition, consequences can show in a reduced performance. Decline in productivity, innovation, and financial outcomes. Moreover, acceleration can lead to a loss of focus. Scattered efforts dilute the organization's strategic direction and confuse stakeholders.

Beyond these intuitive ideas, Heike Bruch and colleagues conducted research and quantitatively revealed the negative consequences. Companies stuck in an acceleration trap experience a 200% higher turnover intention among their staff, a workplace suffering from twice as much aggression and corrosive energy, 70% higher emotional exhaustion levels, and 50% higher resignation rates.

At the same time, top management pushing for more performance and acceleration without doing so smartly actually destroys performance in average and across organizations. Company identification is down by 27%, ROI and efficiency are down by 24%, total output is down by 17%, product identification and employee productivity are down by 12%, and growth has also suffered, down by 10% in the studied organizations.

What can humanist strategists do? Several solutions have been implemented, yielding positive outcomes. They include focusing on fewer high-impact initiatives, allowing periods of rest and reflection to recharge, and ensuring alignment on goals and priorities across the organization.

7.4. Goldman Sachs and JP Morgan as Illustrative Cases

This section presents two caselettes to illustrate acceleration modes. Therefore, the idea is to facilitate studies and inspiration. In hindsight, the causes of failures often seem to be more obvious when compared to planning for the future or being in action. Nonetheless, valuable insights are emerging from these two examples in light of the preceding acceleration advice outlined above.

Goldman Sachs' Marcus Initiative as a Case in Point

Marcus by Goldman Sachs was launched in 2016 as a digital consumer banking platform offering personal loans, savings accounts, and other financial services to retail customers. Named after Marcus Goldman, the founder of Goldman Sachs, the platform aimed to leverage the firm's financial expertise and technology to address consumer pain points, including hidden fees and inflexible products. Marcus quickly gained traction, attracting billions in deposits and expanding internationally, including launching in the UK.

However, Marcus faced challenges over time. Several external hires joined and needed to be integrated quickly. It was decided to rely on in-house technology, which was slower to be developed and implemented. A brand needed to be created – some Silicon Valley vibe should be added. Barriers to loans were lowered to accelerate growth, yet with it, defection risks and costs also grew. The two acquisitions made were expensive and required integration, with IT system integration being especially challenging. Additionally, Goldman Sachs focused on achieving best-in-class customer-centricity – in competition with others who have been doing it for years.

Despite its initial success, the platform struggled to maintain profitability and align with Goldman Sachs' broader strategy. Efforts to accelerate evaporated as the drivers of complexity were not truly tackled. Leadership disagreements, too ambitious expansion plans, and the high costs of developing new products contributed to its difficulties. In 2023, Goldman Sachs admitted to shareholders that it had no competitive advantage in consumer finance, and further scaling up the unit was hardly possible. Admitting entry into this sector may have been a mistake that needed correction. On the same day, Goldman Sachs' share price dropped 3% after this announcement – a $3 billion drop.

In recent years, Goldman Sachs has scaled back its consumer banking ambitions, reorganizing Marcus and discontinuing some of its offerings, such as personal loans. Marcus remains operational but has shifted focus, emphasizing savings accounts and other core services. The platform's journey highlights the complexities of integrating consumer banking into a traditional investment banking model. Let me know if you'd like to explore specific aspects of Marcus or its impact further!

JP Morgan's Engage Initiative as a Case in Point

JP Morgan's International Private Bank (IPB) primarily serves ultra-high-net-worth (UHNW) clients by offering wealth management and advisory services. However, the private banking industry has been undergoing significant changes driven by regulatory shifts, technological advancements, and evolving client demands. Historically, JP Morgan relied on a transaction-based revenue model; however, competitors such as multi-family offices (MFOs), fintechs, and robo-advisory platforms have been offering alternative fee structures and disrupting the market.

To stay competitive, JP Morgan launched the "Engage" project in 2022. This initiative aimed to modernize its advisory services by introducing a fee-based model that focuses on aligning fees with advisory value, rather than transaction volumes. The overarching goal was to combat threats from competitors, address regulatory requirements, and create a client-centric, technologically driven advisory offering.

Core features of Project Engage included a three-tier service model:

- **Entrust:** Full portfolio management by JP Morgan.
- **Engage:** Access to a dedicated advisory team for tailored financial advice.
- **Execute:** Transaction-based services with limited advisory support.

Engage, as the centrepiece of the new model, offered clients access to dedicated advisory teams, personalized investment strategies, and cutting-edge analytics. A critical component of the project was integrating technology to enhance advisory processes. Engage aimed to enable advisors to act as "mini-CIOs" for clients by using advanced analytics and risk assessment tools to provide faster, more precise investment advice. Engage represented a cultural shift for JP Morgan. It moved away from traditional practices and introduced a transparent, fee-based model designed to align the bank's interests with those of its clients. By introducing clear advisory fees, J.P. Morgan aimed to foster trust with clients, especially in light of global trends toward transparency and regulatory requirements, such as MiFID II in Europe. The development and implementation of Engage were not without hurdles:

- **Internal resistance:** Convincing stakeholders within JP Morgan to adopt the new model was challenging, as the existing transaction-based model was profitable and deeply ingrained in the organization's culture.
- **Technological complexities:** The project required significant IT investments and partnerships with external fintechs to develop and

integrate the necessary platform. Initial delays and budget overruns added pressure to the timeline.

- **Client demand uncertainty:** There was limited evidence that existing clients demanded such a service, making it a calculated risk to invest heavily in the new model.

To address these challenges, the Engage team conducted thorough market research, involved internal stakeholders early in the process, and collaborated closely with advisors to design a model that met the needs of both clients and advisors. Despite the initial struggles, Engage launched successfully in October 2022. Key outcomes included the following. The new model resonated well with both existing and new clients, enhancing client retention and attracting assets from competitors. Advisors appreciated the improved tools and analytics, which enabled them to provide higher-quality advice efficiently. Engage positioned JP Morgan as a leader in private banking, with a forward-looking model that aligned with industry trends and regulatory expectations.

Engage's success demonstrated the importance of balancing technological innovation, client-centric design, and internal cultural shifts. It also underscored the value of strategic partnerships, as seen in JP Morgan's eventual collaboration with Edgelab, a fintech company that provided the analytics platform for Engage. However, that relationship ought to be managed carefully as the initial quotes from external vendors were too high. More navigation options were needed (accept, cancel project, choose another vendor, or develop internally).

The project leader stepped back. He slowed down to then accelerate. He realized he needed to get more internal support and teamed up with the strategy team, agreeing on a tailor-made solution provided by an external party. This helped with approvals of the higher cost. In contrast to other vendors interested in maximizing their prices and profits, Edgelab viewed JPM as a learning opportunity, which resulted in lower costs. Updates came for free and JPM can shape the future of the system. JP Morgan's project leader for Engage eventually joined Edgelab's board creating even more stability.

Differences Across the Case Studies

Goldman Sachs did not strategize correctly. It took on competitors in their core field. Uniqueness would not be achieved. The locus of decision-making was also somewhat blurred. There was trust among colleagues, but nobody checked if the Omer Ismail as COO of Marcus actually had the right strengths for the role. Merely having been successful as an investment banker does not mean one can be a great strategist and lead such a crucial innovation. In contrast, Adam Tejpaul and Gabrielle Zaninetti, leading Engage at JP Morgan, had the right skills to navigate through complications and, thus, deserved to win more. Navigation skills, including the ability to accelerate smartly, make all the difference.

7.4. Summary of Key Insights

This chapter addressed the key steps to take when strategizing humanistically. Accelerating smartly not only increases the chances of success, but it also reduces the adversity for involved individuals. Successful organizations have more means to provide for their staff members. This helps advance human dignity. The alternative could see organizations getting stuck in acceleration traps, which follows the pattern with these steps:

- A lack of performance is noted.
- Top management reacts by exerting performance pressure.
- There may well be short-term success as staff members care or are afraid of losing their jobs.
- Top management may well misinterpret the situation, believing that more performance pressure is needed to achieve better outcomes.
- The hectic and furious pace becomes the new normal.
- Focus is lost.

- The overload impacts motivation and engagement.
- There is busyness without necessarily doing more or better business.
- Top management may once more misinterpret the situation and add more performance pressure instead of managing the acceleration trap smartly.

In a nutshell, at times, the fastest way to go slow is to go fast. It takes insight and skills to optimize acceleration. If not handled carefully, the leadership outcomes and organizational performance indicators outlined above deteriorate until acceleration is addressed differently.

Chapter 8

Conclusion

8.1. Introduction – Reviewing the Purpose of the Book

Having worked in the field of strategizing for almost three decades, I noticed a lack of clarity. Straightforward approaches to strategizing that did justice to environmental complexity, values, and the idiosyncrasies of contexts and involved personalities did not exist. As the detailed review of the ten main schools of strategizing in chapter 1.2 revealed, approaches diverge.

A board member, C-suite executive, consultant, and executive education provider requires clarity on what strategy entails and how to proceed. This book was put together to outline a holistic, modern approach. Navigation and proceeding with humanistic values represent a promising alternative and addition to the previously suggested approach.

If strategists critically reflect on the six steps of humanistic strategizing, they can update often less comprehensive approaches. They can remain more alert to the possibility of failure and the need to adjust their course. They can create and leverage more engaged organizations. They can manage change in more impactful ways as organizational culture and adaptability-related considerations were integrated into the analysis. They adopt a strategic approach instead of blindly following outdated methods. They anticipate traps and focus on systems. They accelerate smartly, knowing that windows of opportunity will close sooner than they had wished for this to happen. Most importantly, they check if they have strategic thinking skills in place, which ones they can utilize effectively, and which ones to avoid overusing or compensating for.

8.2. Becoming and Remaining a Force for Good

The United Nations Global Compact initiative was established to encourage organizations to drive positive change. The SDGs should provide clarity but probably cannot do so as effectively as one true North Star in the form of human dignity can. It is in line with this train of thought that organizations should have a positive impact but also walk the talk as role models; this book revisits strategizing. It should not be a values-free tool for anyone to use. Instead, this book calls for using strategizing as a tool responsibly – to use it to protect and elevate human dignity. If this book inspires and clarifies how this can be done, it has reached its goals. At the same time, there is a call to action. Reading about an approach is one thing. Strategists must develop practical wisdom on how to orchestrate a sound strategic planning process and improve both the approach and outcomes over time.

In this context, Harvard professor Rober Kegan suggests three levels of mental complexity amongst adults, which is also visualized in the following figure[38]. Many staff members have what he calls a socialized mind. When joining an organization, they adopted the dominant way of thinking. They are loyal team members and followers who align themselves without rocking the boat. When it comes to strategy, strategizing, and essentially anything else, they comply with and do not think critically about the approaches in place.

Over time, fewer people – around 35% only – will see their mental complexity evolve further and adopt self-authoring minds. In a way, they can rewrite their mental software. They become more independent, critical thinkers. They develop their own compass – for themselves and for what the organizations should accomplish. If the environment permits, they begin pursuing their own agenda, driving their own careers, learning, and finding ways to accomplish their goals. They learn to lead in the process and solve problems effectively – at times in a way that differs from what the context prescribed.

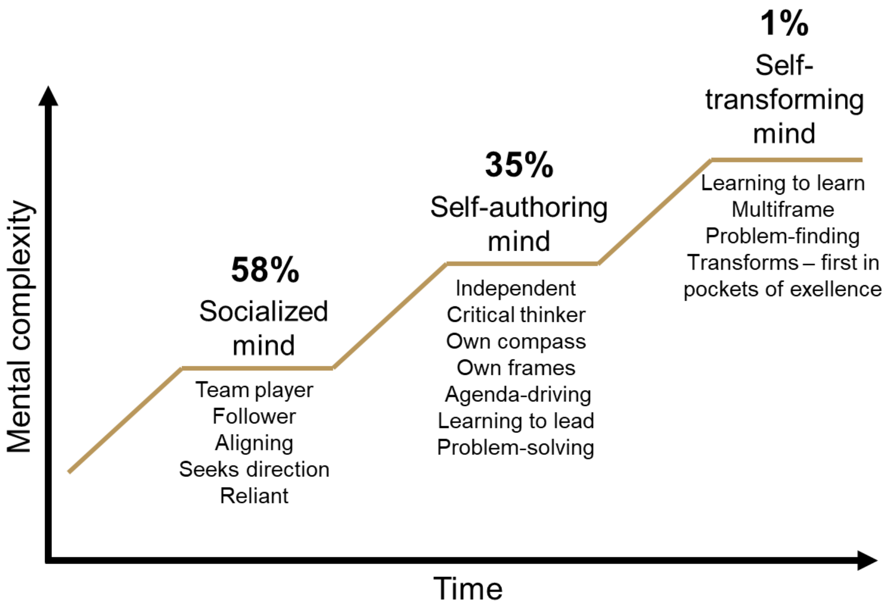

Figure 40: Mental Complexity Over Time

In the ideal case scenario, leaders and managers see their mental complexity evolve even further, though only 1% seem to achieve it. It is about rewriting the mental software not only once but on an ongoing basis. They learn how to learn and do so effectively. They can operate with multiple logistics at the same time – going global and being local, accelerating but slowing down when needed, innovating while maintaining efficiency for what does not need to change, or being forceful when necessary and showing empathy on different occasions. They may understand that they have at times more or less reach, which is why they start triggering innovation, impact, and excellence in their sphere of influence. As a result, at times, even smaller pockets of excellence emerge before their reach and positive impact grows.

Applying this logic to humanistic strategizing, the following figure helps differentiate five levels of expertise in humanistic strategizing. Novices are likely to struggle and need to learn rapidly. Version 1.0 of their humanistic strategies will not be as sophisticated as version 2.0 or 3.0. The goal is to encourage strategists to embark on a learning journey towards real expertise in the field of humanistic strategizing. This will also require not only self-authoring but inventing one's own answers to bring human dignity to life. Off-the-shelf, one-size-fits-all approaches for copying and pasting will not do justice to the potential inherent in the concept. Therefore, humanistic strategists should be open to starting at lower levels of excellence, but getting started is essential. Then, they should mature their solutions, re-invent them, and advance to true expert levels over time, never resting on their laurels.

	Description
Expert	• Accepted authority and opinion leader with own thoughts • Works with tacit knowledge and breaks traditions • Not only understands complexity, but "plays" with it
Proficient	• Considerable depth of understanding • Has effective routines - becomes the "go to" person • Confident in decision-making, overlooking new traps
Competent	• Fit for purpose of humanistic strategizing • Has routines, which may lack refinement • Copes with complexity via deliberate planning
Adv. beginner	• Sufficient working knowledge on humanistic strategizing • Straightforward tasks handled well • Understands complexity, but solutions are partial
Novice	• Starts to know textbooks models and follows them blindly • Tends to see corporate action in isolation • Complexity easily overwhelms

Figure 41: Five Levels of Humanistic Strategizing

8.4. Summary of Key Insights

The field of strategizing is filled with rich and diverse concepts. It is evolving. It is also one in which more values and ethics are needed to ensure each part of an organization, each process, and each individual explores room for improvement. In the business philosophy, this approach, which suggests that good can always be done better, is evident in effectively understanding and tapping into human dignity's potential. Understandably, strategizing without considering values and ethics is already a reasonably complex task. Adding human dignity to the goal system renders it even more challenging but also more rewarding and impactful in a positive sense. Strategy is often considered the queen function in organizations. If human dignity is effectively integrated into all it does and produces, it can inspire other parts of the organization to do the same. Organizations will then not only become role models for others but serve as even more inspirational change agents for the better. I thank all readers for taking the time to explore humanistic management. I wish you good luck with forthcoming experiments and strategy exercises. Should any questions arise at any time, please do not hesitate to reach out.

About the Author

Dr. mult. Wolfgang Amann is a professor of strategy and leadership at HEC Paris. He has been involved in directing degree, certificate, open-enrollment, and custom programs for HEC Paris in the Middle East since 2014 and has over 26 years of experience in executive education. He earned five doctorates in international business strategy, integrative social sciences, (learning) psychology, educational leadership, and philosophy, exploring what wisdom means in today's complex world.

He is a graduate of key faculty development programs, such as Harvard's MLE, IESE's IFP, IMD's ITP, CEEMAN's IMTA, and EFMD's International Deans Program. He previously served as Dean of the Complexity Management Academy, Executive Director, and Executive Academic Director of the Goethe Business School at the University of Frankfurt, as well as Executive Director of international MBA degree programs at the University of St. Gallen, and as Project Director for the foundation of EBS University of Business and Law. He also led a think tank unit on long-term corporate development at Daimler, established the Humanistic Management Network as a globally active NGO, and founded the Humanistic Management Foundation. Additionally, he founded a trading company for environmental technology with offices in Japan, China, Germany, and the US.

Wolfgang Amann is passionate about compiling and developing leading business schools, as well as creating unique learning resources and thought leadership content. He published 50+ books for executives and compiled more than 100 case studies for his executive education seminars. He is certified to administer a number of psychometric tests for strategic leaders, such as the AQai Adaptability Quotient, DiSC, Birkman, Change Style Indicator, Firo B, Gallup StrengthsFinder, Harrison, Hogan, LVI, and the Talogy Resilience Questionnaire. He received numerous research, teaching, book, and case writing awards, as well as honorary professorships, for his academic impact. Most notably, he won five best course awards at the university level and repeatedly received the prestigious CEMS teaching award for the best course in top business schools worldwide. In his free time, he participates in long-distance running and Ironman races.

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