The role of leaders in strategy

MODULE 1 | 1.8 | STUDENT COMPANION

Minimum requirements for turning plans into reality: make the need for change feel urgent; share the vision widely; give people the power to act; and build the new ways of working into everyday practice. Implementation will still mix planned activities with adaptations to changing circumstances.

A four-part change message

1. The current situation	2. The recommended change
What works now Customers like talking to real people; staff know the products well	**The change and its benefits** Online and chat service, phones kept for complex cases: shorter waits, lower costs
Problems, now or ahead Waits have doubled, costs are rising, younger customers want to self-serve	**Its risks and problems** Some customers struggle with digital tools; some roles change. Response: retraining and a dedicated phone line

Jumping from problems straight to benefits suggests you haven't noticed what worries people

Checks while people move from the old, through transition, to a new beginning

- Have people had a safe chance to express their feelings?
- Have worries, raised in meetings or informally, been heard and talked through?
- Have past achievements been recognised while the new direction is celebrated?
- Are expectations of the new direction clear enough to avoid needless fear?

Communication also means **active listening**, aimed at understanding rather than replying, and it needs actions as well as words, for example **management by walking around**.

Rational decisions, and why practice strays

A rational decision is...	In practice, teams often...
Conscious, explicit and deliberate	Jump from analysis straight to a recommendation
Internally consistent and logical	Rush to finish the analysis
Fully informed and aimed at the end goal	Agree too readily with the leader's proposal
Chooses among alternative ends and means to get the best result	Hold on to a favourite answer formed early
Assumes the actions taken will cause the results	Decide under stress, at speed, with incomplete information

Four ways to make a decision

Command
The leader decides alone. Best in a fast-moving crisis that needs immediate action

Collaborative
The team contributes; the leader decides. Usually most effective when time allows

Consensus
The team votes; the majority decides. Fair when all are affected, but slow for many decisions

Convenience
Delegated to a trusted team member. Builds skills; keep strategy decision makers stable

Contingency again: choose by how much time you have, who is involved and how much the decision matters

Two views of a business's responsibilities

Classical view (Friedman)

- Management's main duty is a return for the owners
- Grow profits within the rules: open competition, no deception or fraud
- Social goals add cost and distract the firm
- Owners, not managers, should decide how much to spend on society

Socio-economic view

- Leaders owe a duty to the society that sustains the organisation
- Protect and improve society's welfare, beyond profit
- Separate legal status brings an expectation of a net positive contribution
- Real example: Unilever's Sustainable Living Plan, launched 2010

Business ethics shapes the decisions; corporate social responsibility concerns their effects on society

Case note: Unilever under Paul Polman

Paul Polman became Unilever's chief executive in 2009 and soon stopped giving quarterly earnings guidance to encourage long-term thinking. In 2010 Unilever launched its Sustainable Living Plan, aiming to double the size of the business while halving the environmental footprint of its products, and to help more than a billion people improve their health and wellbeing.

Sources: Unilever full-year results announcement (5 February 2009); Unilever Sustainable Living Plan launch (15 November 2010); Unilever Annual Report 2013.

Practice questions

MODULE 1 | 1.8 | TRY THESE BEFORE THE WORKED ANSWERS

Question 1 case. Imagine an insurance company called **Meridian** that is closing its Townsville office of 40 staff. The office has loyal staff and strong relationships with local brokers, but it costs far more per policy than Meridian's Brisbane hub, and its lease ends next year. Twenty roles will move to Brisbane, ten staff will be offered permanent remote work, and ten roles will close. Local brokers will be served by a dedicated relationship manager.

Question 1 - Plan the change message

Part of the message	What Meridian's leaders should say
What works now	
Problems, now or ahead	
The change and its benefits	
Its risks and problems, and the response	

Question 2 - Choose a decision-making approach

Situation	Approach and why
(a) A gas-leak alarm sounds on the factory floor.	
(b) Choosing a new finance system that will be used for the next ten years.	
(c) A team choosing the date and venue for its team-building day.	
(d) Letting an experienced team leader decide the order of work on a routine project, to build her skills.	
(e) The board deciding whether to enter a new country next year.	

Question 3 - Two views of a community investment

Imagine a mining services company proposing to spend $2 million over five years on a training academy in the regional town where most of its workers live. Argue for and against the proposal, first from the classical view and then from the socio-economic view.

Worked answers

MODULE 1 | 1.8 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Question 1 - Meridian's change message

Part	Suggested content
What works now	Thank the team for its loyalty and its strong broker relationships, which Meridian wants to keep
Problems, now or ahead	Cost per policy far above the Brisbane hub; the lease ends next year, forcing a decision
The change and its benefits	Twenty roles move to Brisbane, ten become permanent remote roles, ten close; a dedicated relationship manager keeps broker service strong; lower costs protect competitiveness
Risks, problems and response	Ten roles lost: redundancy support and help to find new work; possible service disruption: a transition plan; relocation stress: support and clear timelines

Deliver it in person, allow questions and emotions, and follow up with actions that match the words.

Question 2 - Choose a decision-making approach

Situation	Answer
(a) Gas-leak alarm	Command: a crisis needing immediate action
(b) Ten-year finance system	Collaborative: important, time available, expertise spread across users
(c) Team-building day	Consensus: everyone affected, low risk
(d) Routine project order	Convenience: delegation builds her skills
(e) Entering a new country	Collaborative: a major strategic decision needing many perspectives; the board still takes the final decision

Question 3 - Two views of a community investment

Classical view. For: if the academy creates a pipeline of skilled workers and cuts recruitment and turnover costs, it can increase long-run profit, so it is justified on business grounds. Against: if it does not pay its way, the $2 million belongs to the owners, who should decide for themselves whether to give to social causes.

Socio-economic view. For: the company depends on the town that houses its workforce and has significant economic power there, so it owes a net positive contribution; training local people improves welfare and protects its social licence to operate. Against: only if the money could do more good elsewhere, or if the program is badly designed and creates dependence rather than lasting skills.