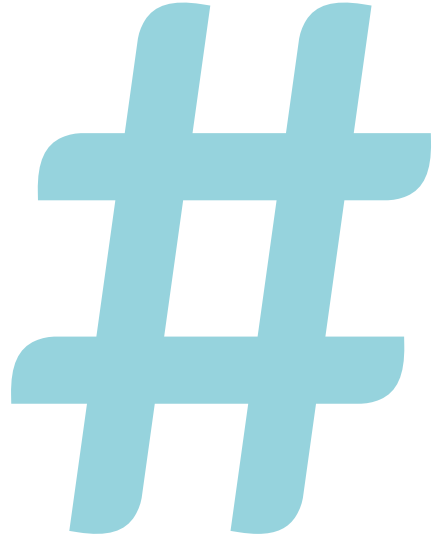
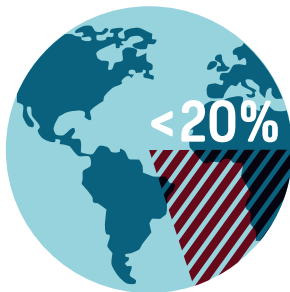


04



THE STRATEGIST'S ROLE vs GLOBALISATION

Our economies are far less globalised than we think: the most widespread model until now remains semi-globalisation, where the share of the international business is much smaller than that of domestic activities⁵.



BY EXCLUDING GOODS
COUNTED 2 OR 3 TIMES
BY OFFICIAL STATISTICS,
EXPORTS REPRESENT
**ONLY A LITTLE LESS
THAN 20% OF GLOBAL GDP**
(vs. 30% OFFICIALLY)

Source: HBR 2017 "Globalization: Myth or Reality"

And yet globalisation is changing the nature of the strategic exercise, its focus and its underlying activities. Developing and implementing a global strategy raises a certain number of challenges and questions, either specific or existing nationally but exacerbated as soon as you extend beyond borders:

- > Is the aim of developing the 'right' global strategy – that is valid everywhere, despite the extreme diversity of contexts and local situations – an ideal or a mirage? Provided that this ideal, global strategy can be defined, how could we ensure that it is included, even before being implemented, in different cultural and business environments?

⁵*Protectionism in the Age of Trump*, Pankaj Ghenawat, HBR, July-August 2017

- > How can the Strategist find the right balance between application of the standard and local adaptation? In other words, how is a standardised strategy implemented globally while also giving room for manoeuvre to implement it appropriately and take advantage of local expertise?
- > How do you ensure implementation in a limited time but an extended area internationally while remaining flexible and agile? Doesn't the time spend on buy-in and operational alignment hinder the ability to react to possible disruption?
- > And, finally, what roles and practices can be dreamt up tomorrow for strategy departments in global organisations? Who are the internal partners they have to work with? What extended and delocalised networks and resources should be relied upon to develop and implement global strategy or strategies? Does the role change when thinking internationally?

Three powerful ideas emerge from the the think tank considerations, which have the potential to profoundly alter the essence of the role:

1/ What is the 'best' strategy? Desirability, feasibility and blind spots

In theory, participative approaches make it possible to identify and take into account the 'periphery'⁶ and to shorten the time from drafting to action. In reality, a purely *bottom-up* approach does not result in an global and ambitious plan. The drive must come from the centre to ensure overall consistency and holding a long-term course, but especially to set the strategic directions to be taken together.

⁶cf. 'The Big Lie of Strategic Planning', Roger L. Martin, HBR Jan-Feb 2014

However, planning and leading processes for adjusting the strategic plan with local teams becomes a necessary role for strategy managers. These processes enhance the strategy and avoid blind spots (special cultural features, local current affairs, etc.) of which the head office is not necessarily aware. In particular, it becomes clear that head office's 'ideal' strategy is often not the most achievable, either because it is not universally acceptable, or because it is simply not applicable once faced by the local reality of markets or (most frequently) available resources.

This is why the development of the ideal solution to a given strategic problem must be linked to consideration of its potential downgrading, so as to find the acceptable and feasible optimal second solution. Thus, the 'best' strategy is that where the overall plan is taken to its maximum relevance, with the best chances of implementation and being followed, given the diversity of markets and management styles. Finding this balancing point is an important part of the strategic exercise in international groups, particularly decentralised groups.

2/ Strategic convergence subject to the '*stress-test*' of cultural differences

One never overestimates the importance of cultural differences and their impact on the nature of the strategic exercise and how it is conducted. Thus, while English has become the *de facto* Esperanto for most global groups, words in a common language are not interpreted and understood in the same way everywhere. Beyond communication, reinterpretation of the global strategy for greater local understanding is a mandatory step to transcend language and cultural barriers, and even to make very different views of the world converge. Additional advantage:

this makes it possible to remove jargon, detect the unsaid and generally simplify and refine the chosen strategic options and their rationale.

Result of this '*stress test*': the strategy emerges more robust and resilient.

3/ The human resources department, an essential to go global ally

While the collaboration between strategy and finance has become necessary, indeed obvious, others are clearly rarer or neglected.

In particular, international development calls for a sound partnership between strategy management and human resources management. In fact, the strategy department alone cannot shoulder the burden of developing strategy, taking account of local opportunities and constraints and the human transformations required by its implementation. A 'transforming' human resources department, able to maintain dialogue with the strategist, understand and deal with human issues, beyond policy decisions or preventing social conflicts, and able to drive ambitious transformation programmes, is a key ally in accelerating international growth, if not a key success factor.

LAGARDÈRE TRAVEL RETAIL: DESIGNING AND DEPLOYING A NEW GLOBAL STRATEGY

Lagardère Travel Retail is the leading French operator in Travel Retail and fourth in the world. The organisation represents 15,000 employees in 4,500 stores, in more than 33 countries and 220 international airports.

A STRATEGIC DIRECTION TO TAKE AT GLOBAL SCALE

Over a ten-year period, the business has experienced very rapid international expansion at the same time as a major strategic watershed by freeing itself from its historical newsagency activities to focus on *travel retail* activities (shops in transport areas). To take this direction in a limited time, the Strategy Department had to consider and work with great geographical diversity, varied geopolitical and cultural environments and local organisations with different structures and degrees of maturity.

IS THE IDEAL STRATEGY ALWAYS THE BEST?

In this context, observance, capacity and speed of implementation have proven to be as essential, if not more so, than the relevance of the strategic project.

When the business started its transformation, the design of the strategy was the above-water part of the iceberg and sometimes caused the significant deployment work underlying it to be forgotten. So it was that the optimum solution on paper had to be 'downgraded' to find the right outline, the one that could be 'absorbed' and applied by the organisations. The finished product to be implemented was therefore, on one sense, less ambitious but more realistic and more pragmatic, which made its successful implementation possible. Another key success factor: as the strategic direction to be taken required authority, alignment, communication, etc., the

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Strategy Department was positioned at Executive Board level.

Furthermore, it was necessary to adapt the global plan locally, beyond even the specificity of markets, due to very strong and very different managerial cultures.

thus, the so-called 'ideal' strategy does not always prove to be the best.

THE IMPORTANCE OF THE HUMAN FACTOR

Building a strategy in an international group involves integrating people from around the world and aligning them on a course, overcoming barriers linked to local and managerial cultures and the maturity of markets.

Retrospectively, two key success factors emerged:

- > Finding the right balance between robustness and individuality of the strategic intention / feasibility and speed of execution / consistent implementation.
- > Launching the transformation and developing the energy needed to bring on board the strengths of the business in the four corners of the world.

Thus, for global organisations having to undergo serious strategic changes, the sequential design of the strategy – **"What the head thinks, the body will follow"** – proves powerless to take account of the human and cultural factor. Therefore the Strategy Department must also be directly involved in transformation issues and, ideally, form a robust partnership with the Human Resources Department.

ALLIANZ WORLDWIDE PARTNERS: HOW DO YOU MANAGE A 'STRATEGIC DIALOGUE'?

The case of Allianz Worldwide Partners (AWP), subsidiary of the Allianz group, illustrates how difficult it can be for a large international organisation to build an authentic 'strategic dialogue' between a group's central teams and the business units (country subsidiaries) while also integrating the parent company's strategic directions.

AWP is a branch of the Allianz group, created in 2014, combining the activities of three historical BtoBtoC business units: Allianz Worldwide Care, Allianz Global Assistance and Allianz Global Automotive. AWP exceeds €7bn total sales, has 16,000 employees in 34 offices and 70 countries. In an historically very decentralised model, the subsidiaries have long been allowed great independence in their strategy and its execution.

SOLVING THE PARADOX OF A HIGHLY STANDARDISED STRATEGIC PROCESS IN A VERY DECENTRALISED BUSINESS WITH A STRONG 'FIELD' AND ENTREPRENEURIAL CULTURE

For more than ten years, the Allianz group has gradually implemented in all its business units a **highly structured strategic planning process** comprising two phases: the '*Strategic Dialogue*', consisting of drawing up the strategic vision (generally in the middle of the year), and a '*Strategic Planning*' phase (generally at the end of the year), used to cost the strategic plan already discussed in the previous phase.

To manage this process, at the time of its creation in 2014 AWP established a strategy department, initially reporting to a member of the Board of Directors responsible for strategy, marketing and innovation. To further improve the strategic dialogue process, the **AWP Strategy Department was eventually made accountable to the CEO** from 2016, during restructuring

marking a new stage in the group's maturity. This change strengthened the positioning of the Strategy team and improved leadership of the transformation at the top of the company. In reality, the role has variable geometry depending on the context: roles to summarise the vision, *shadow cabinet*, strategic process owner, innovation, management of the project portfolio, etc.

SETTING UP CONDITIONS FOR A REAL 'STRATEGIC DIALOGUE'

Thus the AWP Strategy Department had to rethink the organisation of the strategic process to better represent the *top-down* vision and *bottom-up* priorities of the subsidiaries, within a context of intensified globalisation. So the strategy is drawn up in two ways: firstly, by informing the group's vision with market knowledge from subsidiaries and, secondly, by ensuring that the group's strategic directions are correctly laid out in the subsidiaries' priorities.

A condition for success of the strategic dialogue is to ensure that the **strategy director's profile** is appropriate to current challenges and that he can contribute to the Executive Board's effectiveness. A finance manager will strengthen the guidance dimension, while a 'visionary' will support the innovation and transformations needed over the medium/long term.

Regionalisation is another condition for success: regional directors now harmonise the strategies of a multi-country geographical area, within the framework of guiding principles given by head office.

Despite constant improvements, the challenge remains to **make the strategic dialogue**⁷, by nature a complex measure, **a useful process as much for the *business units* as for the group.**

⁷cf. La Revue published by Kea & Partners, #13