



## Stage I. Orientation

### Introduction

*If you don't know where you're going, then you can't know if you got there ... or even if you're making any progress.*

The first stage of the TSMP emphasizes the tactical and strategic orientation, including the re-orientation, of organizations, their managements and stakeholders who influence the process and its component activities. Those people need to agree about "the points on the compass"; about the desired, even imperative, direction(s) of the organization. They must know and understand what are the visions, missions, purposes, objectives and goals of an organization if they are to perform successfully in the subsequent activities of the TSMP. Otherwise, they, their strategic activities and resources will probably go in different directions, be dissipated and not likely achieve the results desired for the organization and its stakeholders. Imagine a football team with each player having his own goal, his own play and signals. A team or any organization must have direction and coordination if it is to score and be successful in a changing, challenging environment. Just like the managers, coaches and quarterback of football teams, management of other organizations must have a clear sense of purpose and be constantly searching for timely intelligence and information to analyze as it plans for touchdowns, wins and championships.

### Key Characteristics of the Orientation Stage

#### Values-based

Strategic management must have an orientation, some sense of common, desired direction. By definition, values indicate or, more precisely, specify what is desirable and consequently, what ought to be for the organization, its management, tactics and strategies in the future. Typically, organizations start with a set of values which are thought about and expressed in terms of feelings, beliefs, principles, maybe a "good idea" or well-reasoned objectives, goals or other aspirations of its principals. In his book, *The Road Ahead*, Bill Gates writes about the vision, speculations and dreams that he and Paul Allen had about computers and the need for micro-computer software.

We believed that we could come up with new and innovative software. And why not? The microprocessor would change the structure of the industry. Maybe there was a place for the two of us.

This kind of talk is what college is all about. You have all kinds of new experiences and dream crazy dreams. Bill Gates with Nathan Myhrvold and Peter Rinearson, *The Road Ahead*, New York: Viking Penguin, 1995, p. 15.

Clearly, Bill Gates and Paul Allen desired to develop software for the evolutionary microcomputer. That was their strategic orientation. They pursued that direction until they had created a corporate colossus, generally known as Microsoft.

Such creative mindsets about the future are integral to strategic management. Maybe the "bright idea" was trying (unsuccessfully) to change an Asian nut-coating process into a gourmet peanut business in the United States. Amy Saltzman, "Vision vs. Reality", *Venture*, October, 1985, p. 40. Or maybe the vision is renewing a corporation. Through the 1990s, numerous companies,

such as 3M, sold several of its large mature businesses ... to refocus on its enduring core purpose of solving unsolved problems innovatively. James C. Collins and Jerry I. Porras, "Building Your Company's Vision", *Harvard Business Review*, September-October, 1996, p. 65. "Our vision is a statement of what we are striving to become. It is an expression of our identity, our unique purpose, our sense of direction" The Canada Life Assurance Company, "Vision", *1997 Annual Report*, p.1. Or maybe it is a mission statement based on the core values of an organization or its leaders. As one Chairman and C.E.O. has written, "Values are powerful, for they represent what we stand for --- and what we stand for together. They define our common standards and aspirations." H. Laurence Fuller, "Values guide change and gauge success", *SPAN*, Amoco Corporation, Winter, 1993, p.2. In its annual report, Amoco identified sets of core values related to the corporation's people, integrity, progress, business relationships, technology and environment, health and safety.

Strategic orientations "happen" various ways. Typically, such sense of direction evolves with the organization, its management, personnel, other resources and their performance. The list of successful people and organizations with strategic orientations is long and varied. Consider just a few: Bill Gates and Paul Allen to micro-computer software, Thomas Edison to electricity, Henry Ford to automobiles, Ray Kroc (McDonalds) or Dave Thomas (Wendys) to fast food, Sam Walton (WalMart) to retailing, the du Ponts to chemicals and Wayne Gretzky to hockey.

Other strategic orientations result from setbacks or reversals. In the public sector, Canada Post, after decades of operating difficulties and a widespread public perception of waste, poor performance and losing money, was legislated into being a crown corporation with a mandate that included being financially self-sufficient. Since the early 1980s, Canada Post has developed a strong, effective strategic orientation which has enabled it to fulfill its mandate in the highly competitive, capital- and labor-intensive, technology-driven industry of mail distribution in the second largest nation in the world.

On Monday, January 5, 1998, the Volkswagen "Beetle" was re-introduced to the automobile market in North America after an absence of 20 years. What strategic factors caused the management of Volkswagen AG to reverse its decision of discontinuing the "Beetle" two decades earlier? What losses in market share and position, sales, cash flow and profits resulted from taking it out of the American market? Was the re-introduction a defensive strategy to protect its market or a renewed initiative to "grow the company"? Or was this major corporate strategic reversal a result of reviewing the industry's environment and realizing that global warming, carbon emissions, other ecological, social, governmental and technological threats necessitated, as Volkswagen officials referred to it, a "car for the next millennium"? Such a strategic reversal was referred to by one industry observer as going back to the future. Greg Keenan, "Volkswagen goes back to the future", *The Globe and Mail*, January 7, 1998, B4.

History is filled with examples of organizations that have suffered strategic reversals, developed new strategic orientations and succeeded in their subsequent endeavors. After suffering strategic reversals with Mitel Corporation, Terry Mathews and Michael Cowpland started and built successful new electronics companies, i.e., Newbridge Networks and Corel Graphics respectively. Other organizations and individuals experience reversals and then develop different strategic orientations. After rejecting the production and distribution of small cars for decades, losing sales and profits, the Big Three introduced such economy vehicles in the mid-1970s. After deciding that The Seagram Corporation should become an

entertainment company, management sold its large holdings of the du Pont Corporation and went into the music and video production and distribution business by taking over Universal Studios. Subsequently, it was taken over by the French conglomerate Vivendi. After failing to become a successful major league baseball player, Michael Jordan returned successfully to basketball, twice as a player and once as a part owner of the Washington Wizards.

Other strategic orientations are not as well known or spectacular. They fit well into Peter Drucker's *entrepreneurial* strategies. (Please see Peter F. Drucker, *Innovation and Entrepreneurship – Practice and Principles*, Toronto: Fitzhenry and Whiteside Limited, 1985, pp. 209-242.) As Professor Drucker points out such strategies are not limited to business. They are found in public service institutions. He cites the example of Wilhelm von Humboldt's beginning the University of Berlin in 1809. Despite dire economic, political and social circumstances, he built the largest university the Western world knew of – three to four times as large as any other. Humboldt hired the leading scholars in every single discipline, beginning with the foremost philosopher of the time, George W.F. Hegel. He paid the professors up to ten times as much as they had ever been paid before. *Ibid*, p. 212. In 1937, two men pooled their savings and started a publishing company with the desire to produce and distribute a small town newspaper that will enable them to support their families. Forty-three years later, it was taken over by a media conglomerate. A Greek sailor “jumped ship” in Vancouver, washed dishes, cooked and worked in various restaurants before starting what would become one of Canada's largest pizza parlor chains. Such enterprising strategic orientations typify the origins of most business organizations; be they small, medium or large.

Identify any organization and you will find a set of distinctive values. Values or desiderata are fundamental to the strategic orientations of organizations, however small or large, in whatever sector or nation and for whatever purpose. Implicit in that statement is the realization that values may be perceived differently. The values of the Roman Catholic Church contrast greatly from the Mafia. The values of most public sector organization differ appreciably from private sector businesses. Much of the value orientation of an organization is shaped by the purpose(s) of the organization, its leaders and the environment in which they function. Values are expressed in the vision statements that have become widespread in a variety of organizations. Consider the following:

\* Amoco Corporation – “We aspire to be a global leader, with tightly focused international and domestic exploration and production activities, the most profitable petroleum products operations in the United States, and the best chemical businesses in the world. Larry Fuller and Bill Lowrie, “Raising the bar”, Amoco Corporation, *1996 Annual Report*, Chicago:, February 25, 1997, p. 5.

\* Maple Leaf Foods – We will maximize shareholder value by developing, producing and marketing high-quality, value-added branded food products and by being the lowest-cost producer in the markets in which we compete. Maple Leaf Foods, “Vision, Plan, Performance, *1996 Annual Report*,” Toronto: February, 1997, p. 2.

\* Scouts Canada – To contribute to the development of young people in achieving their full physical, intellectual, social and spiritual potential as individuals, as responsible citizens and as members of their local, national and international communities through the application of our Principles and Practices (which go on to outline the duties of Scouts). Scouts Canada, “Be Prepared, We're Changing”, *Strategic Directions*, undated, unnumbered page.

## Visions, missions and other aspirations

Diverse organizations proclaim visions and missions that direct and energize their tactics and strategies. Visions have various definitions but one that is appropriate for most managers is the ability to perceive something that is not actually visible through mental acuteness or keen foresight. The capability to perceive future situations, developments and activities is basic and vital to successful management. Corporations like Apple Computer, Bell Telephone, Ford Motors, IBM, Microsoft, Marconi, Sony, 3M and many more were started by visionaries. The future of The Amoco Corporation is envisioned in terms of various aspirations.

As we approach the next century, we're going to be setting higher standards and more challenging goals. Leaders across the company will be given greater freedom and flexibility to achieve the results we need. And we will be held to higher levels of accountability for achieving them. More freedom, more flexibility, more accountability, more responsibility - we intend to harmonize these mutually reinforcing concepts.

We aspire to be a global leader, with tightly focused international and domestic exploration and production activities, the most profitable petroleum products operations in the United States, and the best chemical businesses in the world.

Our company will endeavor to consistently achieve top-quartile performance in a blend of financial measures. In addition to financial results, we hope to achieve the admiration of stakeholders - customers, shareholders, employees, suppliers, communities, governments and partners - as the best in the business.

This is our vision for Amoco. *Loc. cit.*

Another major petrochemical company states its vision in more limited, focussed terms, ie, to be the best integrated natural gas services and petrochemicals company worldwide. ."focused vision + excellence in implementation = sustained growth", *Nova Corporation 1995 annual report*, February, 1996, unnumbered page.

Some managements tie their visions in with the organization's missions. While visions may be dream-like and imaginative, missions are more task-oriented and assertive. The Thomson Corporation has both for its organization. Its vision is to become the world's foremost information and publishing business. Its mission is to increase shareholder value substantially on a continuing basis by achieving superior growth and leadership positions in their target markets. The Thomson Corporation, *Annual Report 1997*, Toronto: March 17, 1998, p. one. Managements of other organizations express their future orientation in clear mission statements. For example, the Muscular Dystrophy Association of Canada has a mission to be

... a national voluntary agency committed to eliminating neuromuscular disorders and alleviating the associated distress. The Association offers hope through research, creates awareness and understanding through education and provides services through personal support programs." Muscular Dystrophy Association of Canada, "Strength, Energy, Commitment", *Annual Report 1991*, inside front cover.

Republic Industries' mission is to build shareholder value by creating customers for life in each of its business segments. Republic Industries Inc., *1997 Annual Report*, January, 1998, inside front cover.

## From dreams to targets

Management of some organizations extend the linkage between mission statements to goals as a way of making them more operational and meaningful. Consider how effective the mission statement of the Multiple Sclerosis Society of Canada is when it is related to the

goals of the organization. The Society's mission is "to be a leader in finding a cure for multiple sclerosis and enabling people affected by MS to enhance their quality of life. We will have achieved our mission when the following goals are achieved:

1. The cause and cure for multiple sclerosis are identified in the shortest possible time.
2. People with MS have the opportunity to participate fully in all aspects of life.
3. The Canadian public is fully aware of MS, the MS Society and what it does.
4. All necessary activities of the MS Society are adequately funded.
5. The volunteers and staff of the chapters, divisions and national organization are working together effectively toward our common mission. Multiple Sclerosis Society of Canada, *Fact Sheet*, Toronto: June 1994, pp. 1 and 2.

### Tasks, guidelines and aims

In their Strategic Directions, Scouts Canada links their missions to organizational principles and objectives. Its mission is:

To contribute to the development of young people in achieving their full physical, intellectual, social and spiritual potential as individuals, as responsible citizens and as members of their local, national and international communities through the application of our Principles..

Scouting is based on three broad principles which represent its fundamental beliefs. These include:

*Duty to God:* Defined as, "Adherence to spiritual principles, loyalty to the religion that expresses them and acceptance of the duties resulting therefrom."

*Duty to Others:* Defined as, "Loyalty to one's country in harmony with the promotion of local, national and international peace, understanding and cooperation," and "Participation in the development of society, with recognition, and respect for the dignity of one's fellow-being and for the integrity of the natural world."

*Duty to Self:* Defined as, "Responsibility for the development of oneself." This is in harmony with the educational purpose of the Scout Movement whose aim is to assist young people in the full development of their potentials.

The Scouts' strategic objectives are:

1. To ensure that all members of Scouts Canada clearly understand and implement our Mission, Principles and Practices ...
2. To provide a sound financial future for the Scouting Movement ...
3. To focus the Movement on strengthening and enhancing the youth/leader relationship ...
4. To ensure that all Scouting groups and councils take responsibility for delivering quality youth programs ...
5. To ensure appropriate youth involvement in decision-making processes related to program and delivery ...
6. To ensure that all councils and groups seek to increase recruitment and retention, while making membership more accurately reflect ethnic, racial, female and youth components of the community ...
7. To develop a more effective and simple organization that strengthens program support at all Scouting levels ... *Loc. cit.*

## Dreams, tasks and strategies

In other organizations, the linkages between visions or missions are carried further and more completely through such key TSMP activities as objectives or goals, strategic and tactical plans. Canada Life's identity, purpose and sense of direction are articulated in their vision for the future as "A world-class financial services provider, delivering exceptional customer value and winning markets through the excellence and integrity of our people." To support this vision, Canada Life developed a strategic plan that included eight key objectives (erroneously referred to as "goals"). "Vision", *The Canada Life Company 1997 Annual Report*, Toronto: February, 1998, p. 1. Each of the eight aims are monitored and evaluated for performance by the Company in each of the four countries in which it competes.

Even more operational orientation statements are provided when management extends their visionary thinking to its tactical and strategic planning and performance. Consider the vision and Seven Point strategic plan that Maple Leaf Foods launched in 1995.

Vision - We will maximize shareholder value by developing, producing and marketing high-quality, value-added branded food products and by being the lowest-cost producer in the markets in which we compete.

Plan - Maple Leaf Foods unveiled its strategic Seven Point Plan for growth in 1995. Every decision is weighed and evaluated against the plan... The Seven Points are:

1. Core business focus - Management and financial resources are focused on core assets, business and competencies; non-core businesses will be divested for maximum shareholder value.
2. Capital Investments - A high priority is placed on capital investment projects which have measurable and high returns, to ensure the Company's operations are in the forefront of new food technology and product development, and able to compete on the basis of lowest cost production.
3. Focus on Brand Development - Emphasis is placed on developing a limited number of strong brands.
4. Value-added Product Innovation - Resources are committed to aggressively develop new, profitable, value-added products.
5. Streamlined Operations - Each operation in the Company operates autonomously, but within a framework of share centralized core services, a standard financial reporting format and a streamlined functional organizational approach, enabling the Company to benefit from its purchasing power and minimizing duplication of administrative and specialized services.
6. Global Expansion - Global expansion opportunities will be aggressively emphasized and pursued; a local management framework will be established within each country that the Company targets for expansion.
7. Effective Asset Management - The efficiency of the Company's entire asset base is constantly monitored to ensure each asset is generating returns consistent with overall return objectives. *Op. cit.*, pp. 2-3. For each of the seven areas in the plan, management measures and reports on the strategic performance of the Company. For example, in its core business focus, Maple Leaf sold their interests in two mills and assets of another one. It made six complimentary strategic acquisitions in meat processing, baking and pasta production.

## Situations shape management values

Vision, mission, objective and goal statements are management's expressions of what is desirable for the organization to pursue and achieve in the future. These value-based statements orient the people in and related to the organization as to what is desired by management and the other stakeholders of an organization. These value-orientations originate in the minds and hearts of men and women who inspire, lead and manage the strategies of organizations, be they Mother Teresa's Mission of Charity or the Amoco Corporation.

Values are powerful, for they represent what we stand for -- and what we stand for together. They define our common standards and aspirations. They have the potential to raise our expectations of ourselves and ultimately to change our behavior -- and change it for the better.

In the most basic sense, values are essential to the success of any organization, whether they are stated explicitly or implicitly understood. And values do have consequences. Fuller, *op. cit.*, p. 4

Mr. Fuller goes on to explain how the core values that Amoco's management identified in 1990 subsequently influenced the company's strategic behavior.

At a time when we are decentralizing, pushing decisions down, establishing business units, and empowering people throughout the company, these values provide a clearly defined and commonly understood set of standards against which our activities can be measured and, increasingly, our successes can be gauged. *Ibid.*

As Mr. Fuller states, values have evaluative as well as directive uses for strategic management. He illustrates the strategic importance of the company's values by describing the Russian government's choice of Amoco to develop the "huge Priobskoye oil field in Western Siberia". Chairman Fuller claimed that the Russian decision "was due in no small part" to Amoco's "value-based reputation for technological proficiency, environmental integrity, and a well-established record of community concern and involvement, as well as unquestioned integrity in business relationships". *Ibid.*, p.5 The relationship between company values and strategy is stated explicitly by Mr. Fuller: "We are becoming a more strategically managed company. We are becoming faster, more flexible, and more agile -- and we are doing so while adhering to our six core values", i.e., people, integrity, progress, business relationships, technology, environment, health and safety. *Ibid.*

Whatever the values, beliefs and/or attitudes such people may have, they develop their orientation from a familiarization with and adaptation to a situation or environment. During the "Great Depression", my father started his printing and publishing business with \$100 in his hometown because he was underemployed and underpaid (at 50 cents a day), had a family to support and was very familiar with the socio-economic and business conditions in his small community. By contrast, the son of a wealthy Seattle lawyer, Bill Gates writes that, "... when Paul Allen and I naively decided to start a company, we were acting like characters in all those Judy Garland and Mickey Rooney movies who crowed, 'We'll put on a show in the barn!'" Gates, et al, *op. cit.*, p. 17

In all cases, tactics and strategies develop from an orientation to a situation and its inherent set of dynamic environmental forces and conditions. Hence, situational and environmental factors and considerations are primary to orienting management and will be

common threads running through the fabric of this book. These factors are fundamental to established organizations, whose management is initiating a strategy or up-dating its existing strategic set as well as new organizations which are just commencing their activities.