Aligning for Advantage

Competitive strategies for the political and social arenas

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Director, Centre for International Management Practice
### Presentation format: 15h30 – 17h00

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
<th>Description</th>
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<tbody>
<tr>
<td>30 mins</td>
<td>Upfront presentation</td>
<td>Introduction to Non Market Strategy (Ref A4A book)</td>
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| 20 mins| Workshop                 | • How does NMS operate in your organisation / an organisation you have worked with?  
|        |                           | • CSR, sustainability, regulatory - What / how much do you know?               |
|        |                           | • What is the connectivity with your role? Is it a nuisance, bureaucracy that slows, or useful, having a positive impact?  
|        |                           | • What are the perceptions? Is it a burden, a cost centre or a differentiator? |
| 20 mins| Feedback                 | Sample of tables feedback findings                                           |
| 15 mins| Debrief                  | Surgery and Summary                                                          |
An early proponent of strategy alignment
You may know him better through his beverage.
Arthur’s legacy
Alignment across the eras?

DIAGEO

A GREAT MIX
Alignment in action
The role of business… where do you stand?
What does it mean to align?

- The word *alignment* has its origins in the French verb meaning “to put into line.”
- This notion of *corrective positioning* is how we approach aligning.
- Managers need to place market and nonmarket strategies in parallel, equally informed and guided by organizational vision, values, and objectives.
- Put another way, if the overarching purpose and intent of an organization are to be effectively and consistently acted upon, what is done in terms of market positioning and industry competition needs to be synchronized with what happens in terms of social engagement and political activism.
- In certain industry, national, or cultural contexts, the prominence of nonmarket influences and actors may be greater than (or different from) that in others, and these differences must be reflected in market strategy if a company is to achieve and sustain a competitive advantage.
Gaining advantage in a multipolar world

• Strategic fit is about the optimal alignment of a company’s resources, culture, governance, and positions with the opportunities and threats that exist external to the business.

• But these external threats and opportunities can emanate from both market and nonmarket contexts.

• The ability to align with and across both the market and the nonmarket is a key determinant of competitive advantage in the modern, multipolar world economy.
Aligning for advantage: the book

- Interviews with CEOs, VPs/directors of strategy, government affairs managers and heads of corporate responsibility. 100+ case companies (variable size, age, position and industry)

- Framework for aligning a firm’s business objectives and market positions with its political requirements and social obligations.

- Advances a “3rd Way” between bolt-on and built-in approaches.

- A realistic and realizable stance for most companies is a balanced and mutually reinforcing approach to corporate strategy, political activity and social responsibility/sustainability.
Alignment as a strategic concept and practice

- Aligned strategies reconcile external demands and turn reconciliation into a source of competitive advantage (e.g. Coca-Cola and water conservation in China).

- Two types of alignment are essential:

  ![Diagram showing Market - Nonmarket Strategy and Firm - Supply Chain Strategy]

- Only when the value and logic of strategic alignment between market and nonmarket - and internal and external environments and partners - is obvious and clear to leadership teams, and only when it emanates from the firm’s core vision and values, can alignment occur.
The business case for alignment

- Strategic alignment is a pragmatic and proactive approach for modern enterprises to engage with the forces and events that impact on their business choices and actions, both at home and abroad.

- Companies must strive for a balanced and mutually reinforcing approach to corporate strategy, political activity, and social responsibility.

- In some cases alignment may mean deep, strategically embedded partnerships with governments, NGOs or other stakeholders.

- In others, alignment may take the form of looser, more *ad hoc* collaborations with outside organizations and institutions.

- No matter what the approach, however, the relationship between nonmarket and market strategies should be conscious and deliberate, not accidental or artificially constructed.
Aligning for advantage internationally

Source: *Fast Company, The world’s 50 most innovative companies 2012 and Forbes, the world’s 10 most innovative companies*
How not to do it

1982 - J&J lauded for decision to recall 31m bottles of Tylenol after only two bottles were found to have been laced with cyanide. Decision resulted in $100m in losses and 30% drop in market share for pain relievers. But J&J recovered, partly because it was viewed as having been highly responsible in its approach to this safety challenge.

…and how to respond when things go wrong
Nonmarket architecture and nonmarket strategies

- External Affairs Architecture
  - Political Orientation
  - Social Responsiveness
The 4 types of external affairs architecture

- **Social Responsiveness**
  - Low
  - High

- **Political Orientation**
  - Low
  - High

- **Chief External Officer (Joint)**
- **CSR & PLA Executives (Split)**
- **CSR Driven Political and Legal Affairs**

- **BAE SYSTEMS**
- **Colgate-Palmolive**
- **DANONE**
- **BMW**
- **RYANAIR.com**
- **Divine Chocolate**
Leading alignment: why you need a second CEO
Managing the external environment matrix

<table>
<thead>
<tr>
<th>Social Responsiveness</th>
<th>Political Orientation</th>
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<tbody>
<tr>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Political and Legal Affairs</td>
</tr>
<tr>
<td>High</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chief External Officer (joint)</td>
</tr>
<tr>
<td></td>
<td>CSR &amp; PLA Executives (split)</td>
</tr>
<tr>
<td>Low</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CEO/TMT driven</td>
</tr>
<tr>
<td>High</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CSR driven</td>
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Social Responsiveness: Low to High
Political Orientation: Low to High
## Four-stages in creating a Chief External Officer support team

<table>
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<tr>
<th>Stage</th>
<th>Purpose</th>
<th>Managers involved</th>
<th>Outcome</th>
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<tbody>
<tr>
<td>1. Initiate</td>
<td>Create the conditions and urgency for the integration</td>
<td>Top Management Team (TMT) and CSR/Policy teams</td>
<td>A time-plan and route-map to create a single office</td>
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<tr>
<td>2. Resource</td>
<td>Provide the necessary resources (human and financial primarily)</td>
<td>TMT</td>
<td>A budget and resource plan for the new office</td>
</tr>
<tr>
<td>3. Establish</td>
<td>Create the new office and link to other departments</td>
<td>TMT and internal communications team</td>
<td>A series of communications about the new office and its purpose</td>
</tr>
<tr>
<td>4. Implement</td>
<td>Agree and disseminate strategic priorities of the new office</td>
<td>The new integrated office and Chief External officer</td>
<td>A set of key initiatives and objectives for the new office that are clearly communicated</td>
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Finally, the book in brief

- To successfully deliver on a company’s overarching purpose and intent, competitive strategy needs to be synchronized with strategies for social and environmental engagement and political and regulatory activism.
- These market and nonmarket strategies must be equally attuned with and informed by the corporate vision, values, and objectives.
- Alignment must occur both within a company and without, to ensure that supply chain partners do not undermine the strategy.
- The ability to align with and across both the market and the nonmarket is a key determinant of competitive advantage in a multipolar world economy.
- We advance a managerial process and conceptual framework for aligning a company’s business objectives and market positions with its political requirements and social obligations.
- We argue that nonmarket strategy must be **structurally aligned** (or integrated) and **strategically elevated** to ensure success. The creation of a new C-suite level role – the CEEO – is the optimal way to lead this process.
Those who do not know the lay of the land cannot maneuver their forces.

*Sun Tzu*

Coming soon to a bookshop or online store near you…

**Aligning for Advantage**

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