

About UPS

- Mike Eskew – ninth CEO and chairman of UPS in 2002
 - Believed quality of future planning results in future of the company.
 - Highly centralized and hierarchical organization
 - Corporate office- Strategic Decisions
 - Field Operations- focus on execution and delivering for next quarter
 - Efficiency driven – low-cost business model
 - “Constructive dissatisfaction” – continuous improvement
 - Loyal workforce – low turnover



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Culture


- Focus on Efficient and Execution
- Like Military Operation
- Continuous Improvement (Constructive Dissatisfaction)
- Service Excellence
- Employee Ownership
- Loyal Workforce (Low Turnover)
- Company CEO (Long Term Employee of UPS)



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Key Milestones


- Company Background:
 - 1907 - started by Jim Casey from \$100, Seattle, Washington
 - 1970s – Global expansion
 - 1990s - Strong competition from Federal express and Duetsche post.
 - 1996 - Kelly formed Strategy Advisory group and CSG *Corporate Strategy Group*
 - 1999 - went public
 - 2005 - \$37Bn corporation
 - Acquired Mail Boxes Etc, resulting in 3500 retail shops and large workforce of 384,000



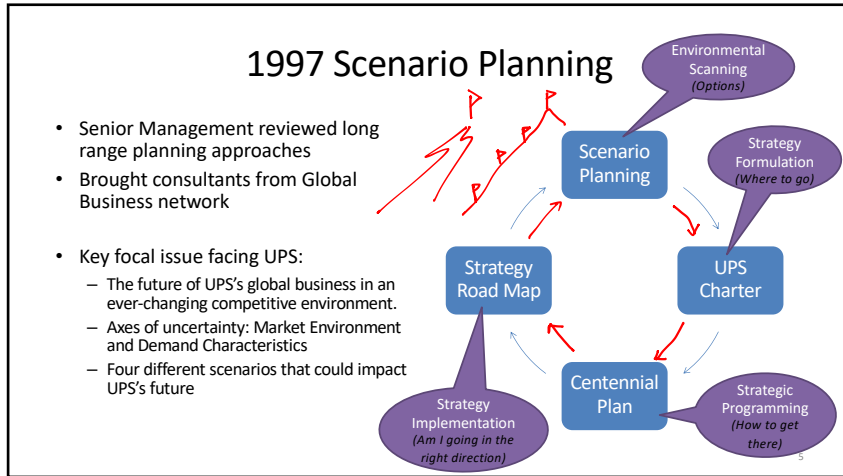
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Transformations

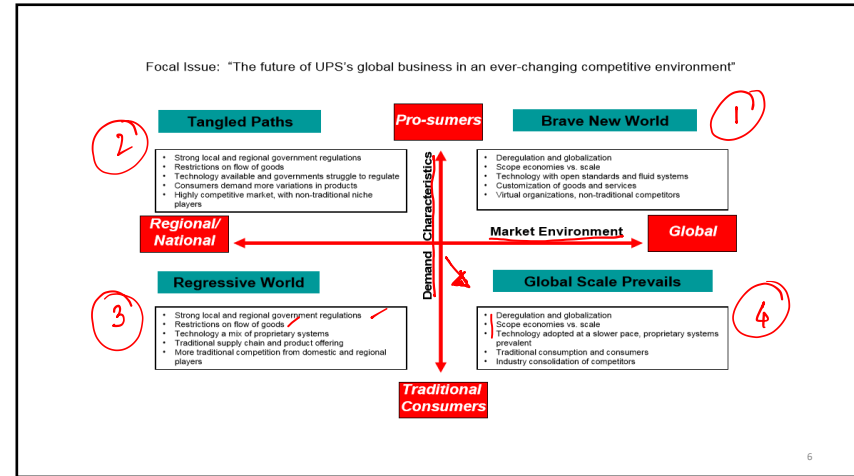
- 98 years of journey (*leader in all three streams by 2005*)
 - Package delivery company
 - International air transportation company (10th largest airline in US)
 - Logistics company (200 countries)



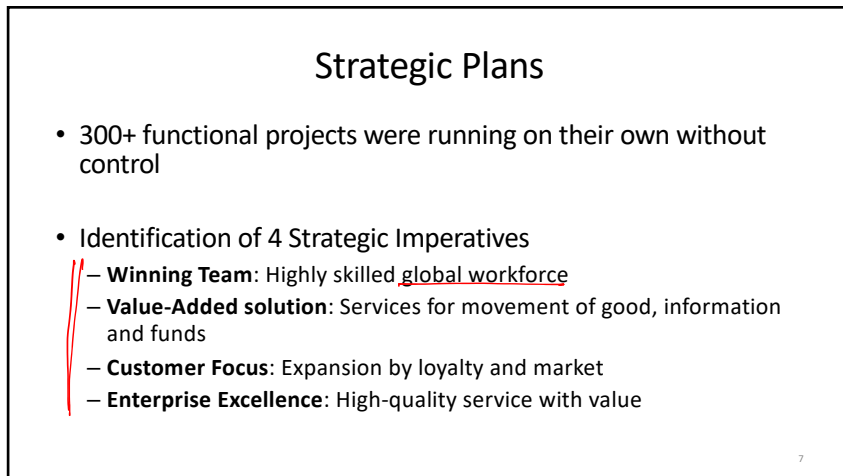
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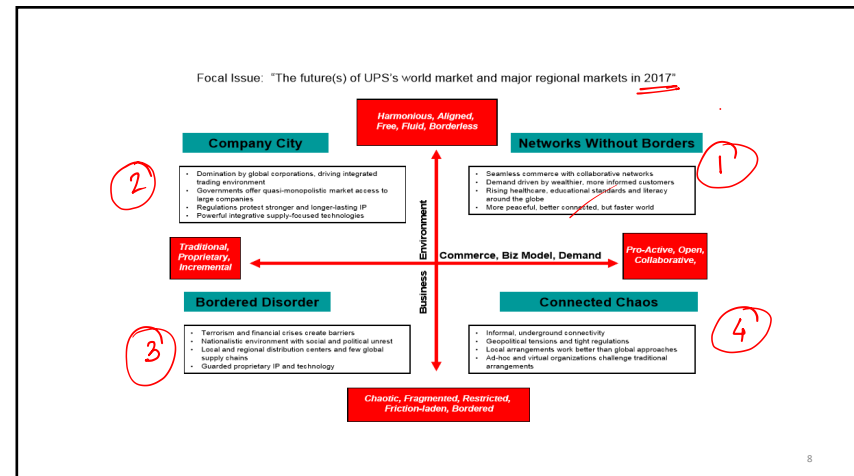
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"Chance favours the prepared mind."
Louis Pasteur

STRATEGIC PLANNING & STRATEGIC THINKING

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Origin

- Scenario planning emerged from military use in war games and was introduced into the corporate world in 1960s.
- It evolved from the traditional approach of "predict and control approach" to planning based on the probabilistic assessment of different futures, leading to the most likely scenarios.
- It includes both probability as well as qualitative causal thinking.

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Competing Paradigms

- 1 • **Rationalists** – "Optimal Strategy" - people who feel that there is one right way of doing something and given time we can find that right way (e.g. Michael Porter)
- 2 • **Evolutionists** – strategies emerge over time, and can only be truly understood in retrospect (e.g. Henry Mintzberg)
- 3 • **Processualists** – "Strategy Process or Strategy Conversation" - those who believe that there is a mid-way between the two.
 - Today's world is fast changing and there are a lot of uncertainties. What seems to be the best strategy today may be completely wrong from the time the strategy of decision making to the time of implementation.
 - Therefore, the focus should be on the strategy process as much as the end result, especially in situations of high uncertainty.

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Predictability

- Predictability goes down and uncertainty goes up – attempts to planning demonstrate diminishing returns. In the very short term – predictability is high and frequent forecasting is the planning mode most appropriate. Middle zone – there is a level of predictability but also considerable uncertainty – scenarios are the best way to go.

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Strategic Planning

- Strategic planning is not strategic thinking
 - Planning is about analysis – breaking down a goal into steps, formalizing the steps so that they may be implemented
 - Strategic thinking is about synthesis
- Strategic planning, as it has been practiced has really been strategic programming
 - Programming is about the articulation and elaboration of strategies, visions, that already exist

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Fallacies of Strategic Planning

- Fallacy of prediction
 - A world without change. The world is supposed to hold still while a plan is being developed and then stay on the predicted course while that plan is being implemented
- Fallacy of detachment
 - Takes human idiosyncrasies out of the equation. Managers over-rely on formalized information, such as market research reports or accounting statements and tend to be detached. However, effective managers rely on soft information, such as gossip, hearsay, and various other scraps of information.
- Fallacy of formalization *data + int.*
 - No place for intuition. The failure of strategic planning is the failure of systems to do better than, or nearly as well as, human beings. Formal systems can process more information; however, they can't internalize it, comprehend it, and synthesize it.

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Challenges of Strategic Planning

- Future is uncertain
 - Not possible to predict all scenarios
- Emergent phenomenon
 - Weak signals
- Lack of diverse perspectives
 - Convergence, consensus
- Dominated by numbers
 - Short-term thinking
- Lack of link between ambitions & implementation
 - Bottoms-up approach
- Failure in execution
 - Lack of buy-in

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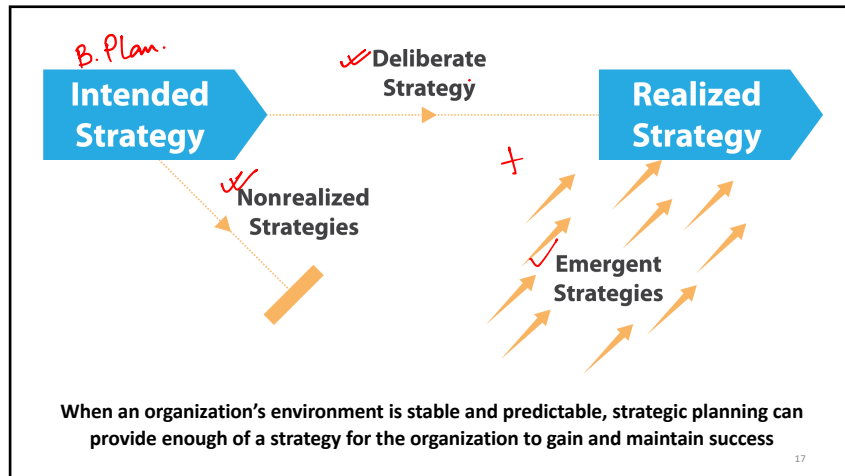
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Strategic Thinking

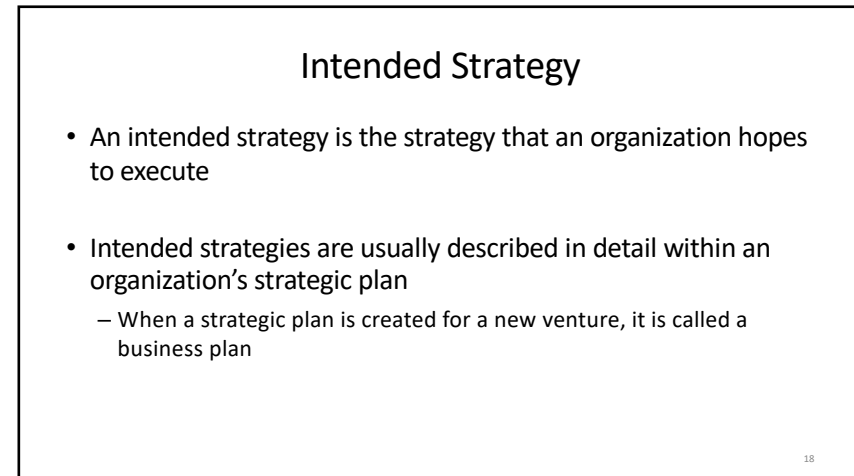
- Strategic thinking is about synthesis
 - It involves intuition and creativity
 - It produces an integrated perspective of the enterprise and a not too well formulated vision of direction
 - It can't be developed on schedule and immaculately conceived

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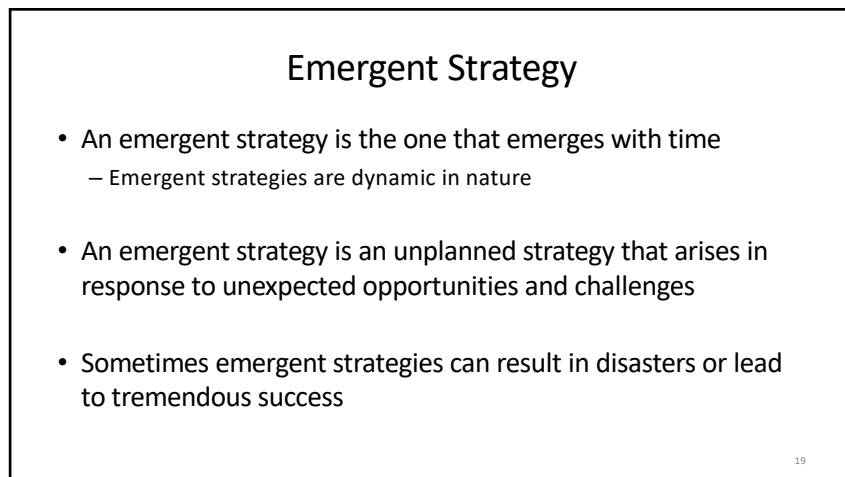
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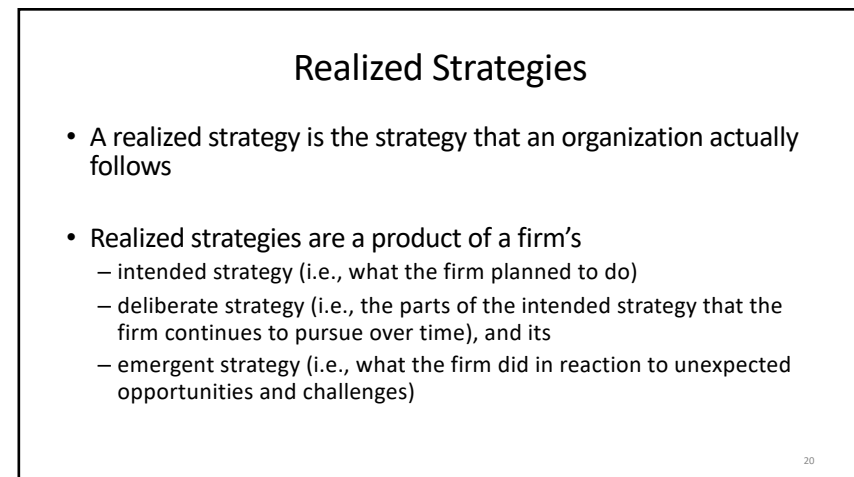
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Non realized Strategy

- A nonrealized strategy refers to the abandoned parts of the intended strategy
- In most cases, a firms' original intended strategies are lost during its journey

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"Never make forecasts, especially about the future."

(Samuel Goldwyn)

SCENARIO PLANNING

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- Corporate failures are often self-inflicted
 - e.g., from inertia, prior strategic commitments, lack of foresight, etc.

*Volatile
Uncertain
Complex
Ambiguous.*

- Companies are also subject to VUCA conditions
 - Recession, world terrorism, COVID-19, War

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- In the face of so much uncertainty, too many managers overestimate their ability to control events.
- How can we develop a strategy today to respond effectively to alternative futures that might occur 3, 10, even 25 years from now?

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- “Scenario planning” guides and supports the imagination, creativity, and vision necessary for mapping a range of viable strategies for competitive success.

– Scenario planning is not a vehicle for predicting the future; it is a method of preparing for the future regardless of what happens.

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- Groups systematically share data and beliefs about their **environmental assumptions** and create “scenes” that describe combinations of critical events and trends.
 - Managers are better able to prepare for the unexpected by developing contingency (“What if?”) plans.

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Scenario Planning

Advantages

- Forces managers to consider multiple evolutionary paths
- Builds in divergence in the process
- Helps to combat traditional biases in decision making
 - Group thinking
 - Tunnel vision
 - Premature closure
- A tool for collective learning

Disadvantages

- Time-consuming
- Can become abstract pipedreams
- De-linked from bottomline
- Risk of misusing scenarios
 - Favour any one
 - Justify decisions

2 | 1
3 | 4.

CapEx → ③
Notesheet

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Film: M&M.

“One of the extraordinary things about human events is that the unthinkable becomes thinkable.”

Salman Rushdie, “Rushdie in Hiding” interview in *New York Times*, November 4, 1990

LET’S CREATE A SCENARIO PLAN

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Strategic issue facing the company

- M&M.
- Limited International Footprint.
 - Innovation? Postgenetech. → Innovation.
 - Not a mkt leader
 - ↳ Consumer B2C
 - ↳ Business B2B.
 - Reliability → Brand? *
 - Price vs Value.

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Critical events in Environment

- A **critical event** is a possible driving force or future development that **potentially** creates a material change in the firm's financial structure, management and organization, corporate culture, and quality of stakeholder relationships.

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Critical events in Environment

The **competitive** environment involves stakeholders who directly or indirectly affect the process and profitability of making and selling goods and/or services, including the following:

- **Customers** – focus of products and services
- **Creditors** – providers of financial leverage including banks, insurance companies, investment bankers, suppliers, preferred stockholders, etc.

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Critical events in Environment

- **Competitors** – companies attempting to satisfy the same customer needs as those addressed by “our” company
- **Substitute Service/Products** – any in a series of services and/or products, while not a duplicate for “our” product or service, would in fact be a satisfactory replacement.
- **Suppliers** – provider of good and services including subcontractors

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Critical events in Environment

- **Labour Unions** – significant and important factor to many corporations. They control quality and impact productivity, which affects the cost of products and services.
- **Professional and Trade Associations** – indirectly affect competitive cooperation and are a source of new ideas and innovation.

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Critical events in Environment

- **New Entrants** – potentially new competitors. In a market that is not rapidly expanding these can have a strong negative impact on revenue of companies currently competing within the market.
- **Other Interest Groups** – organizations such as environmentalists and groups concerned about the moral aspect of company behaviour are forces that cannot and should not be ignored.

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Critical events in Environment

The **general** environment relates to the broader human, political, and economic driving forces and include the following changes:

- **Political** – divestment, fiscal, trade and tariff policies, impacting the business
- **Economic** – trade balance, inflation, deflation, recession or expansion, interest rates, currency value and exchange rates, etc.

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Critical events in Environment

- **Sociocultural** – values, belief systems, lifestyles. May also include age of the population, general affluence, and family size, etc.
- **Technological** – development of new possibilities; products and/or services for satisfying consumer demands.
- **Legal** – rules and regulations impacting the business
- **Environmental** – pressure on business due global changes in climate, environmental offsets etc

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Auto Industry *Innovation@HMM*

Critical Events that could impact Strategic Issue

1. *Substituted* → H₂ ICE EV

2. *Consumer Preferences.*
 ↳ Off roading. (Rural)
 ↳ Feature (Urban).

Corp Exit. *Rural (SUV)*

1. New platform.
2. Reliability.

1. 2 *1* *JV/SA*

H₂/EV *3* *4* *ICE*

CapEx:

M&A:

Urban (HB, Sedan)

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One good and one bad thing due to the critical event

<i>Substitute</i>	<i>Consumer Preferences.</i>
<ul style="list-style-type: none"> • Good: ICE • Bad: EV/H₂ 	<ul style="list-style-type: none"> • Good: Rural - SUVs. • Bad: Urban - Hatchback Sedan.

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What will we do if this happens?

- Examine what could happen if these scenes become reality, and what that can mean to your company.
- Consider both the immediate and longer-term consequences to your organization for each of your scenarios.
- Next, list contingencies you should put in place now to deal with these scenarios.

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What will we do if this happens?

Finally, develop a robust strategy that is resilient and viable regardless of which scenario actually does occur.

- Given these possible futures, what is your overall assessment of the organization's strategy?
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- What environmental forces challenge your future?
- Are there common opportunities and threats, regardless of scenario?

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What will we do if this happens?

- Where is it vulnerable?
- What major modifications do you recommend to the strategy?
- Will you be flexible to change this strategy in response to shifting scenarios?

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What will we do if this happens?

- How will you know which scenario is actually unfolding?
- What are the “flash points” or “signposts” (either metrics or events)?
- Which key indicators must occur for that scene to become reality?



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