

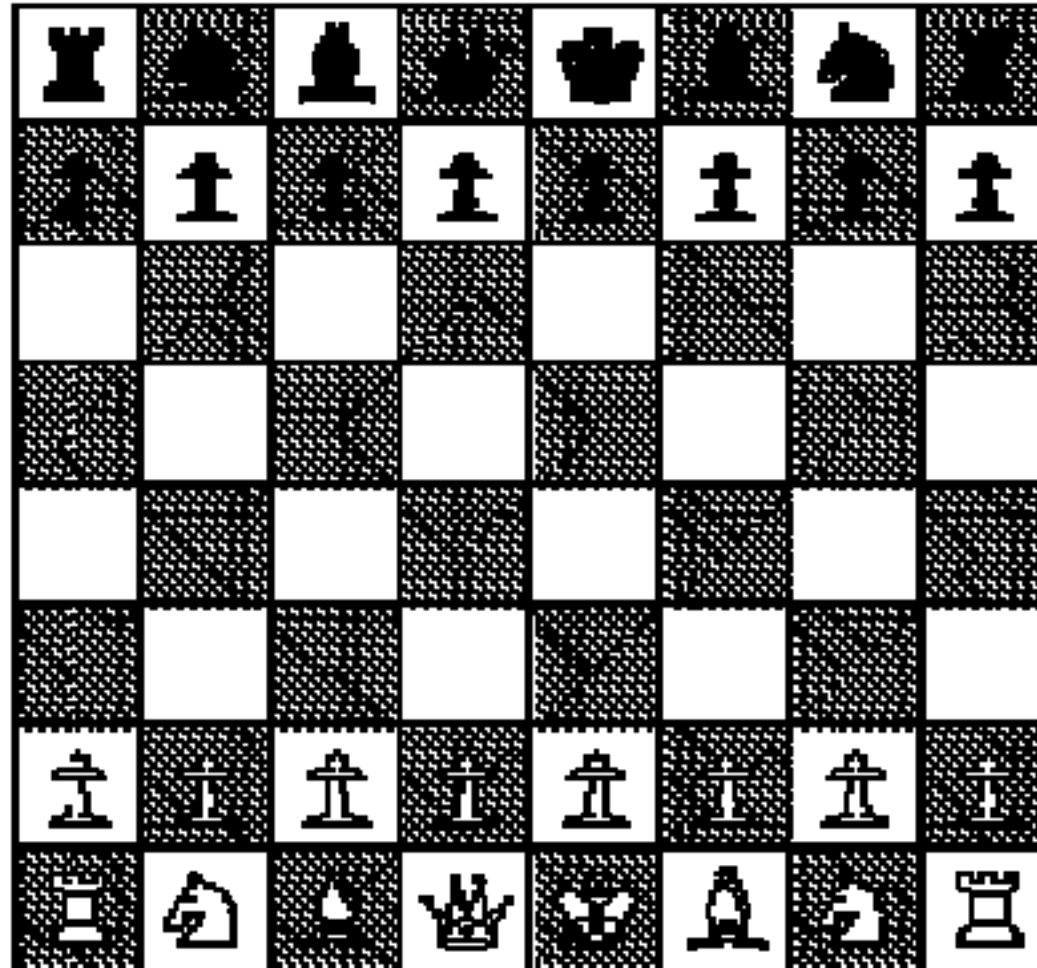
*Where People Count Conference*

***“The Strategist Who Won’t Play  
Chess”***

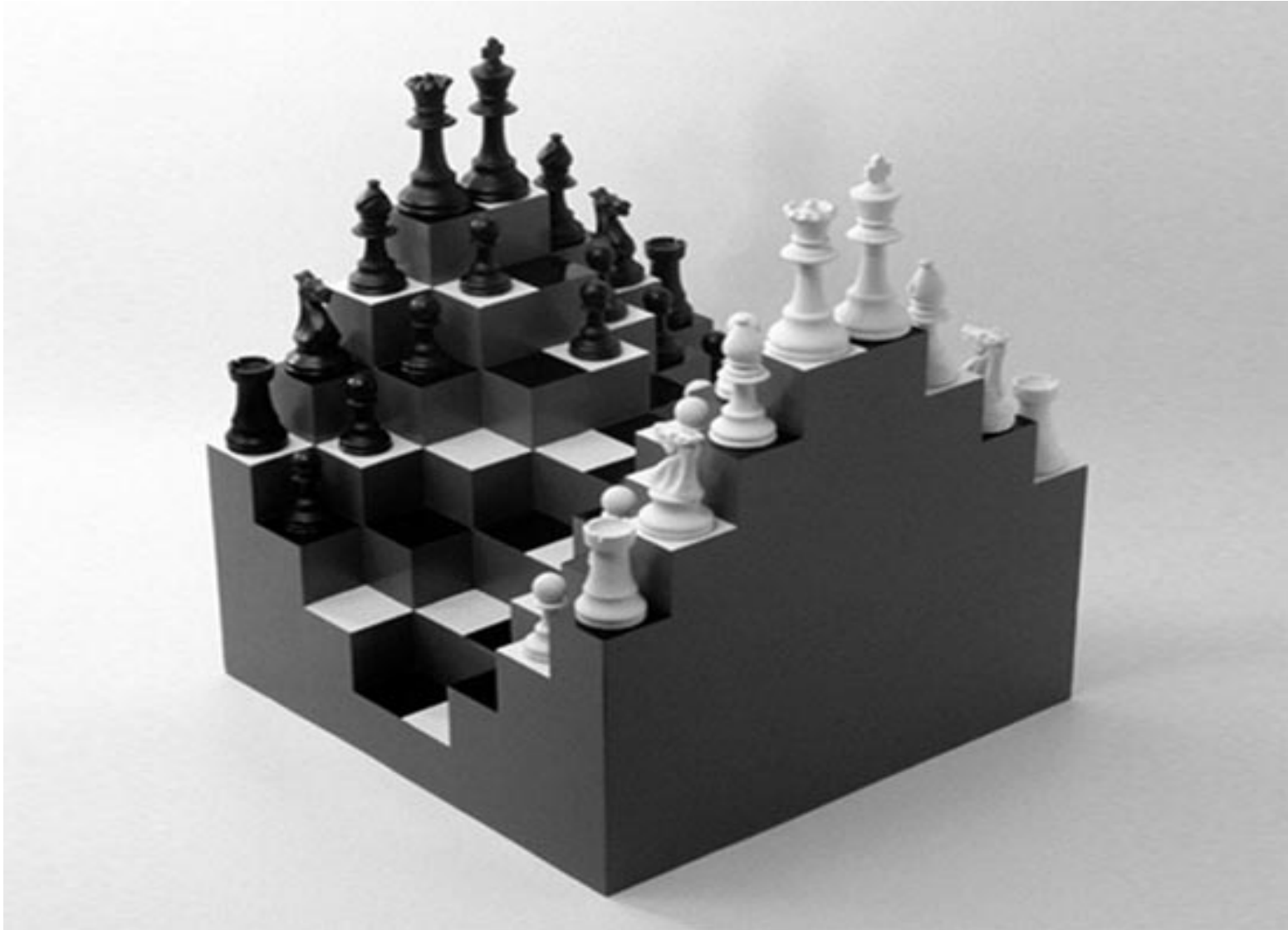
*Presented by: G. McConnell*

*Date: 24<sup>th</sup> July 2008*

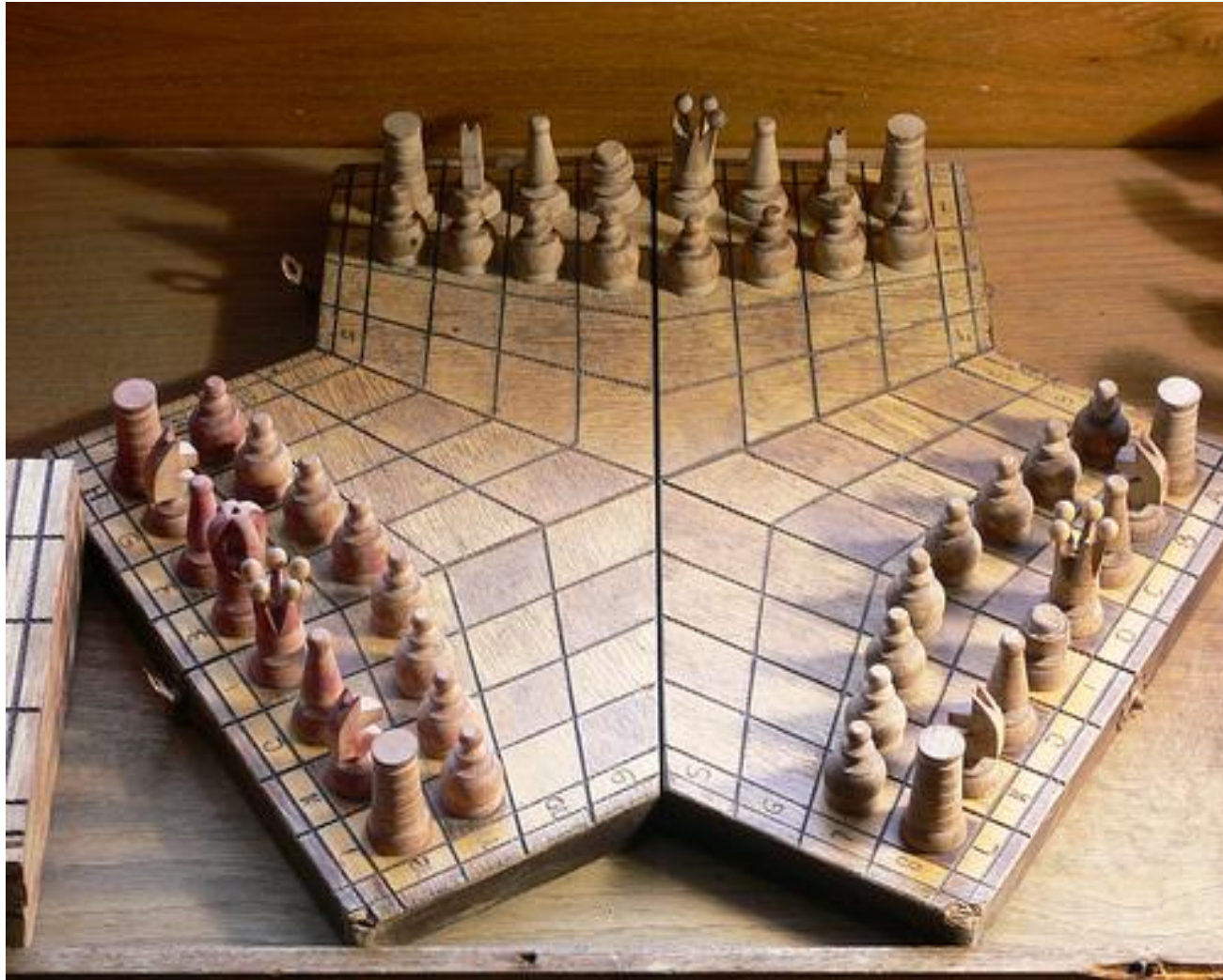
# *Anyone for Chess?*



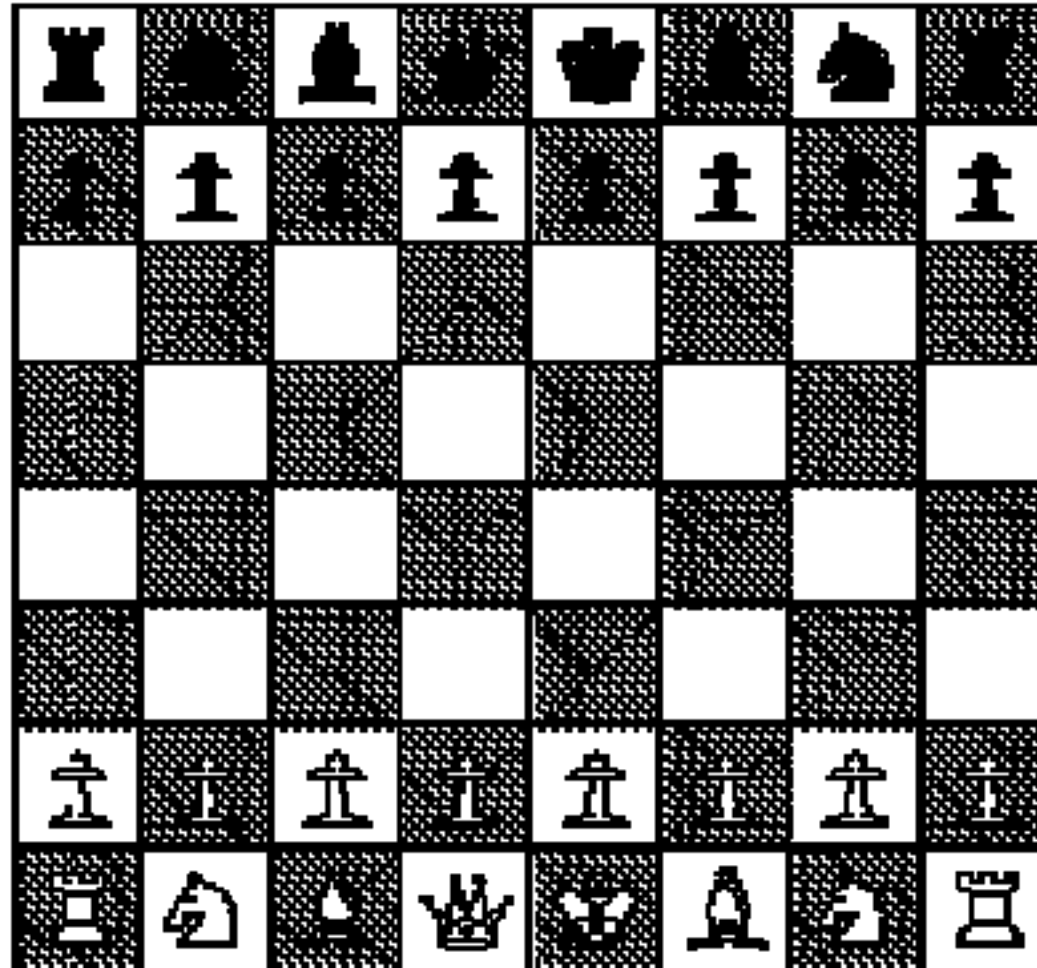
# *Anyone for Chess?*



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# *Anyone for Chess?*



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- ❑ Can strategic process cope with a rapidly changing world?
  - ❑ Why does strategy fail particularly at implementation?
  - ❑ Why do 'great' or 'excellent' organisations lose their competitive positioning?
  - ❑ Why does leadership, particularly at the local level, often seem so poor?

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**Strategy as a discipline not as a  
‘business world derived’ set of  
ideas and models**

***“The message is that an education in strategic subjects, followed by continuous historical study to maintain mental suppleness combined with vicarious experience through exercise, and actual experience, all contribute to acquiring the skills necessary...strategic ability is rarely born, more often learned, but eminently achievable. ”***

*James F Holcomb*

*“Managing Strategic Risk”, Guide to National Security Policy and Strategy, Chapter 9, Strategic Studies Institute, U.S. Army War College 2004*

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## *Chessboard mentality:*

- Trapped by Convention**
- Failure of Imagination – Strategic Shocks and Surprises**
- Fighting the Last War - The Millennium Challenge**
- Failure of Implementation - The US Democratic Nomination Battle 07-08**
- Implications for the sector**

# *Trapped by Convention*

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*“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.”*

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*Success can breed complacency*

- ❑ Unconventional is the new 'conventional': Leaders must de-programme themselves from conventional thinking – there may be no rules
- ❑ Implementation Failure: Individual leaders at unit/department levels are extremely important in the application of strategic objectives through 'operational' strategy or tactics,
- ❑ Senior leadership must allow local leadership the flexibility to develop tactical solutions on the ground
- ❑ Organisations that become leaders in their industry or sector are most at risk from this 'conventional' thinking – Good to Great can lead to 'strategic decay' e.g. Of the 43 'excellent' companies one-third were in financial difficulties within five years of publication of 'In Search of Excellence'

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*Trapped by convention...those who should have known better*

**Companies:**

- IBM vrs Microsoft** - **Software not hardware**
- Microsoft vrs Google et al** - **Internet revolution**

**Industries**

- Music, Publishing, Movie industries** - **Downloading, sharing, peer-to-peer**
- Software industry** - **Open Source; downloading**

**Political**

- Western military intelligence** - **'Unconventional' terrorist attacks**
- World economic establishment** - **Subprime/financial crisis**

# *Failure of Imagination - Strategic Shocks & Surprises*

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*Strategic Shocks are becoming more likely in a networked and fast moving world*

- ❑ Strategy tends to be
  - inherently reactive
  - Lacking in sufficient imagination
  - Vulnerable to surprise
  - Prediction tends to be a linear extrapolation of contemporary challenges (current scenarios)
  
- ❑ Strategic shocks force organisations to reorient their strategy – ‘game changing events’
  
- ❑ Most shocks are actually the result of long term trends

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*Source material: Known Unknowns: Unconventional "Strategic Shocks" in Defence Strategy Development, Strategic Studies Institute*

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*Two well known strategic shocks – ability to be forewarned?*

- Pearl Harbour**
  - Japanese embassy was destroying their memos and code books**
  - Intelligence reports warned of an attack on Hawaii**
  - Japanese assault was spotted on radar**
  
- Banking/housing crisis**
  - No housing boom has lasted**
  - No housing related boom has ended in a ‘soft landing’**
  - Valuations were off the scale**

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“The results, at Pearl Harbour, were sudden, concentrated and dramatic.

The failure, however, was cumulative, widespread and rather drearily familiar.....

Surprise is everything involved in a government’s failure to anticipate effectively.”

*Thomas Schelling*

*Foreword from ‘Pearl Harbour: Warning and Decision’*

*Was the property decline a strategic shock to those In-the-Know?*

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## OECD: House prices put economy at risk

Sunday, May 14, 2006 - By Eamon Quinn and Susan Mitchell

The economy could reach boiling point if house prices continue to rise at their current rate over the next two to three years, a leading international think-tank has warned.

The Organisation for Economic Cooperation and Development (OECD) said the rising cost of borrowing money could stop the house price boom turning into a bubble.

The warning comes as mortgage brokers, who sell one in every two mortgages, this weekend doubled their forecasts for Dublin house price inflation this year.

The Independent Mortgage Advisers Federation (IMAF), which represents mortgage brokers, said house prices across Dublin would rise by 15 per cent this year. This is due to a new wave of investment money hitting the market, as new interest-only mortgage loans are allowing investors to re-enter the market, according to the IMAF.

A further sign of the buoyant market was the sale last week of a parcel of land in Ballsbridge for a record €95 million an acre.

Meanwhile, first-time buyers queued for four days ahead of this week's launch of a new scheme in Blessington, Co Wicklow.

David Rae, head of the Ireland desk at the OECD in Paris said a rise of 10 per cent in house prices this year and next would "racket up the risks". "If it doesn't, two or three years down the line Ireland could have a substantial problem. It would take a lot of time to clean up the mess," said Rae.

In a major analysis of world property prices to be published at the end of the month, the OECD will say that the Irish property market is still not at risk. However, OECD insiders believe Ireland will join the critical list if Irish house prices fail to respond to higher interest rates.

OECD economists estimated that Irish house prices were 15-20 per cent overvalued based on prices and interest rates at the end of last year.

The half point rise in interest rates since then has increased the organisation's assessment of over-inflated prices in Ireland.

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## Estate agents are cashing in

Sunday, June 18, 2006 -

When estate agent Pat Gunne sold the last part of his family business a month ago, market watchers wondered who would be next to sell. They did not have wait long for an answer.

Two other agents did deals last week, with Hamilton Osborne King (HOK) selling out to British agent Savills for €50 million and Colliers Jackson-Stops selling a 60 per cent stake to Colliers CRE. The same market watchers could now be forgiven for wondering if the agents are selling because they believe the property market has reached its peak.

Not so, according to Jeremy Helsby, chairman and chief executive of Savills commercial property business. He said that Savills bought HOK as the first step in a European expansion plan. "We chose Dublin because the economy - both past and forecast - has been very strong," he said.

"There is a strong domestic [property] market and a huge amount of capital going from Ireland into Europe. The Irish are the most aggressive investors in Europe and we want to help them invest." Helsby said that Savills would expand the HOK business and no staff would be laid-off. Savills viewed HOK as the "natural choice", he said, and had not held discussions with any other Irish firm. While Helsby said the HOK deal was agreed in "a matter of weeks, rather than months", it seems that HOK was actively looking for a buyer. It sought a deal with Knight Frank, an international property firm with which it worked closely on residential property.

"Knight Frank was approached by HOK to consider a potential acquisition of HOK," said Nick Thomlinson, senior partner and chairman of Knight Frank. "However, we declined to proceed as it did not fit in with our current European expansion strategy. Knight Frank has alternative plans for its Irish business. We have enjoyed our association, but times change and we wish them success in the future."

One industry source said that the takeover by Savills was good news for HOK, as the firm was losing ground in international property deals. "Savills might help it. Being part of an international group is extremely important when you're doing overseas investment deals," the source said.

## Bank of Ireland and AIB to sell off more branches

Sunday, January 28, 2007 - By Neil Callanan

Bank of Ireland is set to announce a further sell-off of branches later this year, according to informed investment sources, who also said that AIB was examining a possible sale of more branches.

In October, Bank of Ireland agreed sale and leaseback deals on 36 premises for just under €240 million. Half of the 36 branches were bought by Bernard McNamara, Quinlan Private and Friends First.

The selling prices of the branches reflected yields of between 2.6 per cent and 3.7 per cent, less than many investors could have achieved by lodging the money in bank accounts.

However, sale and leasebacks on branches are popular because many are in prime locations, rents are increasing and investors are confident that yields will improve after the first round of rent reviews in five years.

AIB sold 12 branches last year for €100 million - well over the guide price of €87million - to developer Gerry Gannon, reflecting a yield of 2.8 per cent.

2005 – AIB sells its headquarters and organises a lease-back deal

2006 – Bank of Ireland sells its headquarters and organises a lease-back deal

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*How do we manage this process?*

- Incentive schemes based on long term and sustainable success
- Listen to the people on the ground especially local leaders
- Horizon scanning
- Foresight Planning
- Look at similar industries

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Why is this important to the non-profit,  
social economy and volunteer sector?

“Forewarned is forearmed”

# *Fighting the Last War - The Millennium Challenge*

*Example 1 - The Millennium Challenge – Summer 2002*



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- ❑ First Move Advantage
  - ❑ Alternative Communications
  - ❑ First Strike advantage
  - ❑ Unconventional Tactics

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*“It started out as a free-play exercise, in which both Red and Blue had the opportunity to win the game. However, about the third or fourth day, when the concepts that the command was testing failed to live up to expectations, the command then began to script the exercise in order to prove these concepts.”*

*Marine Corps Lt. General Paul K. Van Riper (Retired)*

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‘Western countries particularly the United States have created a trap for themselves by their very dominance of conventional warfare.

Confronting the United States in direct conventional combat would indeed be folly...other countries or even non-state actors could defeat the superpower through ignoring Western-defined rules of ‘conventional’ war, instead applying what the authors called the ‘principle of addition’: combining direct combat with electronic, diplomatic, cyber, terrorist, proxy, economic, political and propaganda tools to overload, deceive, and exhaust the U.S. ‘system of systems.’

*Chao Xian Zhan*

*Chinese People’s Liberation Army*

*From Kilcullen 2009*

*Failure of Implementation: US Democratic  
Nomination Race*

*US Democratic Nomination Race*



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*MY Barak Obama.com*

- ❑ Developed by one of the founders of Facebook (Chris Hughes)
- ❑ Developed online communities based on 'needs'
- ❑ Developed toolsets that allowed them to implement strategy with local tactics
- ❑ Same technology available to the other candidates
- ❑ Why did it work so well for Obama and not the others?

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**By the end of the campaign My.BarackObama.com managed to:**

- ❑ *Created more than 2 million profiles*
  
- ❑ *Planned 200,000 real-world events*
  
- ❑ *Formed 35,000 volunteer groups*
  
- ❑ *Posted 400,000 blogs*
  
- ❑ *Raised \$30 million on 70,000 people's own fund-raising pages*

*Source: Fast Company, April 2009*

*Source: eMarketer Report, March 2007*

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The Clinton campaign also had a net-savvy audience but didn't implement...

**US Baby-Boomer\* Internet Users, 2006-2011 (millions, % of boomer population and % of total Internet users)**

	<b>Baby-boomer Internet users</b>	<b>% of boomer population</b>	<b>% of Internet users</b>
2006	58.2	75.0%	32.0%
2007	59.4	76.9%	31.6%
2008	60.6	78.6%	31.3%
2009	61.7	80.3%	30.9%
2010	62.8	81.8%	30.4%
2011	63.7	83.2%	30.1%

*Note: eMarketer uses historical data from the International Telecommunication Union (ITU) as a baseline for its total Internet user figures; population figures are based on US Census Bureau data; an Internet user is defined as someone who uses the Internet at least once per month from any location; \*born 1946-1964*

*Source: eMarketer, November 2007*

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[www.eMarketer.com](http://www.eMarketer.com)

*Source: Fast Company, April 2009*

*Source: eMarketer Report, March 2007*

*Relevance for the nonprofit, not-for-profit and  
voluntary sector*

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*Why is this relevant to the social sector?*

- ❑ The social sector is like all sectors – there is competition for resources
- ❑ The social enterprise/entrepreneurship sector will be called on even more during the recession to provide goods and services
- ❑ The social enterprise/entrepreneurship sector will increasingly compete with for-profit organisations

*Innovation goes both ways:  
The for-profit sector will  
increasingly learn innovative  
solutions from the social sector*

# ***jugaad***

*n.* an improvised solution;  
inventiveness, ingenuity,  
cleverness

*Hindi word*

# *A Jugaad!*

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## ***jugaad***

*n.* an improvised solution; inventiveness, ingenuity, cleverness

*Hindi word*

*Modern definition: Solving a problem with scant and local resources (minimum resources, maximum constraints)*

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*Some fundamental lessons for leaders*

- **Accept that there are no rules in modern competition; nothing is restricted. Knowing this will help free your organisation from the ‘chess board’ mentality.**
- **Identify your sector’s potential strategic shocks and strategic surprises; constantly analysing these potentials will not only help mitigate against them but will also help form your own strategic direction.**
- **Ensure that your leadership, at all levels, is prepared to think outside the parameters normally associated with your industry; ‘deprogramme’ those who come from a more conventional background so that they can think in the new way: unconventionally.**
- **Be adaptable: ‘Steal’ good ideas from other sectors, from the for-profit and non-profit sectors, from history.**

*Thank You*