Leading ourselves strategically to commoditization

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Building Competitive Advantage Through Leaders
Overview

- Leadership and strategy across the Titanium Industry’s key players has a significant impact on innovation, cost, and pricing through their leadership and strategic choices.
- However, recent information in Annual Reports, 10-Ks, 10-Qs and other public material appear more focused on efficiency than innovation.
- If Mason, Bain, and Porter are at all correct then the dominant generic strategy will be developing Cost Advantages rather than Differentiation.
Our Research Findings

• There is a clear and powerful linkage between the ability of leaders to innovate, their approach to leading, and their strategic choice.

• Currently, the Titanium Industry which has a long tradition of innovation and entrepreneurship appears to have a tremendous focus on efficiency and cost rather than Differentiation.
Why this is important

• Long term focused Cost Based Generic Strategies tend to lead to fierce price based competition.
• Leaders who are more comfortable with processes than vision, inspiration, and innovation will naturally use more Directive and Transactional Leadership Styles.
• It is important to note that neither Cost based strategies nor Directive Leadership are the only options.
Leaders who are uncomfortable with Ambiguity and Uncertainty:

- Will almost certainly be drawn to strategic choices that fit with what Porter, Mason, and Bain label as Competitive Advantage Acquired through achieving cost advantages.
- It is more clear and easier to understand.
- According to Hambrick’s 1991 work on Upper Echelon's Theory, the organizations become a reflection of the top leader(s)
- It is our argument that these natural predispositions are highly influential on Strategic Choice.
Understand Leadership Predispositions
Lean and associated efforts are wonderful but.....

- Our research shows that the vast majority of leaders are ambiguity intolerant and uncomfortable with uncertainty.
- Therefore they gravitate in almost a religious fashion to Lean types of efforts.
- The current amount of discussion and lean efforts in Titanium Manufacturers is concerning because of the long term implications to innovation across the industry.
The Evangelical Path of Lean and related efforts:

- Could signal a great deal of focus on processes, cost control, and the elimination of any variation or divergence.
- However, we could, in the process, miss some spectacular innovations and opportunities.
- The cultures we are likely to create could simplify everything to the point that if the industry shifts we simply cannot adjust to the new reality.
- Simplicity becomes the enemy of adaptability and innovation.
Our research across many industries is clear

- Ambiguity Tolerance, Strategic Capacity, and Risk Tolerance all tend to cause leaders to focus on innovation based strategies.
- These leaders are much more likely to implement innovation based strategies as well as be comfortable with ambiguity and uncertainty,
- Their organizations become reflections of their thinking, experiences, and strategic choices.
- How are the current crop of organizational leaders impacting strategic choices?
Understand Leadership Predispositions
Leadership Human Capital Becomes Key

- What are your leadership values and competencies?
- What is it to be competent?
- How do you assure you are selecting the leaders you need?
- What types of cognitive and professional profiles are you hiring?
- What kind of cultural norms do you espouse?
Thinking about Culture
Managing Talent Effectively Becomes Key

- Know the culture that you want to establish, maintain, and drive.
- Systematically use an understanding of competency to drive selection and development.
- Assure it is done across the organization in a targeted way.
- Always remember your leaders are driving strategy all across the organization and that coordination across silos is much more important than “professed alignment.”
Remember some key quotes:

- “Only three things happen naturally in organizations: friction, confusion, and malperformance. Everything else requires leadership.”

- “Remember that “Culture Eats Strategy for Breakfast and that Organizational Structure Eats the leftovers at Brunch””
Questions?