

KYMENLAAKSO UNIVERSITY OF APPLIED SCIENCES

Master's Degree Programme in International Business Management

Liina Urb

ORGANIZATIONAL CAPABILITIES FOR STRATEGIC LEADERSHIP IN
WELL-KNOWN LOGISTICS COMPANIES IN FINLAND

Master's Thesis 2011

ABSTRACT

KYMENLAAKSON AMMATTIKORKEAKOULU

University of Applied Sciences

Master's Degree Programme in International Business Management

URB, LIINA Organizational Capabilities for Strategic Leadership
in Well-Known Logistics Companies in Finland

Master's Thesis 80 pages + 1 page of appendix

Supervisor Ari Lindeman, Senior Lecturer

December 2011

Keywords Strategic leadership, organizational capabilities,
strategic orientation, strategy formulation, strategy
implementation, competitive advantage, core
competencies

This study focuses on organizational capabilities for strategic leadership in logistics companies in today's hectic and dynamic business environment. The main aim of the thesis is to understand and to explore the logistics companies use organizational capabilities for strategic leadership and how they react to the changes. The mini-survey was made by analyzing seven well-known logistics companies in Finland.

Organizational capabilities include formulating strategies, learning process, planning, making decisions, process developing and communication. Building these capabilities means to align personnel and organization to respond quickly and effectively to the changes, and to capitalize opportunities to turn them on successes. The main focus is on five key elements of strategic leadership: strategic orientation, translating strategy into action, aligning people and organization, determining effective strategic intervention points, and developing strategic competencies.

The results show that the customers are very important to the companies and giving them high quality, expertise, cost-effective and profitable service is essential. Companies can practice strategic leadership when they have the capability to inspire people to successfully engage in a process of continuous change, performance enhancement, and implementation of organizational strategies. It involves flexibility and management with personnel. Listening, training and learning process will inspire people to participate in the process of change. Competitive advantages are the key elements which make the company's business unique in the competitive market and attractive to the customers.

TABLE OF CONTENTS

ABSTRACT

LIST OF FIGURES

LIST OF TABLES

1.	INTRODUCTION	7
	1.1. Background	7
	1.2. Objectives and research questions	8
2.	ORGANIZATIONAL CONTEXT	9
	2.1. Corporate culture, structure and policies in constantly changing corporate environment	10
	2.2. Management impact and styles in organizational change	13
	2.2.1. Competences of Human Resource Management	16
	2.2.2. Strategic Human Resource Management	17
	2.3. Employees and organizational capabilities assessment	18
3.	ORGANIZATIONAL CAPABILITIES FOR EFFECTIVE STRATEGIC LEADERSHIP	22
	3.1. Setting an organization's strategic direction	26
	3.1.1. Strategy formulation	26
	3.1.2. Strategic thinking	29
	3.1.3. Strategic learning process	31
	3.1.4. Strategic planning	33
	3.1.5. Effective strategic orientation	35
	3.2. Strategy implementation	36
	3.2.1. Strategic trends	36
	3.2.2. Effective strategy execution	38
	3.3. Aligning people and organization	41
	3.3.1. Employees' motivation vs. controlling	44
	3.3.2. Managing people for improving organizational capabilities	50
	3.4. Determining effective strategic intervention points	51

3.5. Developing strategic competencies	54
4. MINI-SURVEY IN WELL-KNOWN LOGISTICS COMPANIES IN FINLAND	56
4.1. Methodology	56
4.2. Design and implementation	56
4.3. Results and analyses	57
4.3.1. Organizational statement	57
4.3.2. Employees' motivation and participation	62
4.3.3. Strategic leadership orientation	64
4.3.4. Methods in formulating strategies	65
4.3.5. Implementing strategies	68
4.3.6. Company's capabilities and core competencies	70
5. CONCLUSIONS	72
REFERENCES	77
APPENDIX	
Appendix 1: Questionnaire form	

LIST OF FIGURES

Figure 1	Main Components of the Strategic Planning Process	27
Figure 2	Strategic Learning	32
Figure 3	Strategic Trends	37
Figure 4	Tools for Putting Strategy into Action	39
Figure 5	Step Three: Aligning the Organization	43
Figure 6	Core Competence as a Strategic Capability	53
Figure 7	The Strategic Management Process	55

LIST OF TABLES

Table 1	Variations in Relationships Among People and Examples of Management Impact	15
Table 2	Leadership Style versus Motivation	44
Table 3	Four Criteria for Determining Core Competencies	53
Table 4	Organizational Affirmations' of the Seven Companies	58
Table 5	Managing Employees and Improving Organizational Capabilities of the Seven Companies	64
Table 6	Seven Companies' Stresses on Conducting a Situation Analyses	67
Table 7	Methods Used in Situation Analyses	67
Table 8	Most Important Elements of the Seven Companies on Executing Strategy Effectively	69

1. INTRODUCTION

1.1. Background

The aim of this study to see how ready well-known logistics companies are in Finland to the constant changes and do they use all of their organizational capabilities for strategic leadership. The strategic leadership is meant here as an entire organization, not lead by an individual. Organizational capabilities include targeted training and development, staffing policies, organizational learning, and developing people's awareness. Building these capabilities means to align personnel and organization to respond quickly and effectively to the changes, and to capitalize opportunities to turn them on successes.

Studies on strategic leadership mostly focus on individuals and their skills and characteristics. There is a lack of studies from organizational perspective. The idea of strategic leadership is to inspire people and to successfully engage them in a process of continuous change, performance enhancement, and implementation of organizational strategies. It involves management through personnel and leading the whole corporation to gain the objectives.

Nowadays the business environment changes so quickly, going through the business environmental ebbs and flows, which are very different each time, and therefore the organization should be very adaptable to survive. These major changes can be seen also in the logistics companies and their activities: changes from customer demand to technology to new products and services. To get accustomed to these changes, all employees of the organization have to change. They have to adapt new knowledge, acquire new information and skills, and modify their tasks and habits.

The empirical part of the work consists of the mini-survey of organizational capabilities related to strategic leadership in well-known logistics companies in Finland. The questionnaires were sent to 16 well-known logistic companies. The main subject of the questionnaire were five key elements of strategic leadership: strategic orientation, translating strategy into action, aligning

people and organization, determining effective strategic intervention points, and developing strategic competencies. The methodology and the implementation of the study are analyzed in chapter 4.

1.2. Objectives and research questions

The objectives of the study were to find the main organizational strategies for strategic leadership in logistics business environment. The author's main focus is on the five key elements of strategic leadership: strategic orientation, translating strategy into action, aligning people and organization, determining effective strategic intervention points, and developing strategic competencies.

The research questions are:

- How companies are focusing and developing their existing assets, capabilities and core competencies?
- Why companies need to practice strategic leadership?
- What are the methods in formulating strategies?
- How to implement strategies successfully?

2. ORGANIZATIONAL CONTEXT

In the following chapter the author will discuss on how important for a company is to understand its culture and strategies. The organizational context is also an essential cornerstone for the organizational capabilities and is in correlation to strategic leadership, and that is why the author included it to the studies and discussed throughout work.

These building blocks will help the company to make clear to its personnel the tasks, vision and mission to be efficient and achieve the goals set in the beginning. Nowadays, the business environment is changing so quickly and every little change will affect the company in some way, so the structure and policies of the company should be flexible to stay in the competition in the business world.

The managerial practice is important link between supervisors and employees of the company, who have a great deal responsibility to manage relationships among people. There are different styles used in different cultures to practice management, but the overall goals are the same – to be profitable and run effective business. Human Resource Management is transforming a management system in the change to ensure that employees' skills and knowledge are used effectively, and to use efficiently company's assets to accomplish goals. Motivation and effectively measuring employees' performances will help the whole organization to understand the present situation, and to eliminate weaknesses and failures to ensure success and focusing on strengths.

Grant (2005, p. 144) describes organizational context as following: "The ability of employees to harmonize their efforts and integrate their separate skills depends not only on their interpersonal skills but also the organizational context. This organizational context as it affects internal collaboration is determined by a key intangible resources: the culture of the organization. The term organizational culture is notoriously ill defined. It relates to an organization's values, traditions, and social norms." Herold and Fedor (2008,

p. 104) referring that organizational context can mean everything starting from the color of the wall to the internal systems to the quality and quantity of resources and stated values and beliefs that are part of the organization's culture (Herold D. M., Fedor D. B. 2008, p. 104). The author will focus more on human resources – employees and management, and the organization's culture, structure and policies; which will all help to implement organizational changes.

2.1. Corporate culture, structure and policies in constantly changing corporate environment

The company's culture can be an obstacle to the changes or even worse, obstacle for achieving the goals or success and at the same time some presume that the corporate culture must be the one thing that should be stable. If employees leave the company, the culture still survives and the everyday working life goes on. To really understand the deep corporate culture, one must understand external-internal issues and deeper underlying assumptions. Every organization should have at first clear mission and identity, then the strategies to implement and goals to fulfill. Achieving these goals and executing these strategies are done very differently, according to the way it is effective and successful for the leaders of the firm.

For the member of the corporation to fulfill the mission and to behave correctly (what the leaders of the firm assume), he/ she needs to know deeply the values, goals, beliefs and assumptions. The nature of the culture depends on whether the founders are still leading the company, with its personal touch, beliefs, values and assumptions, or some outsider who has gained the control of the firm. This outsider can be really an insider who has worked in the firm in different position and now is promoted; or really an outsider, who has lead the other firm successfully and now waited to adapt these tactics to that new environment. The cultural differentiation also depends on organizational growth and/ or internationalization. New employees are hired and internal environment is inflected. The firm's culture covers all aspects and changes

that company has experienced and learned over its history. (Shein E.H., 1999, pp. 91-110) "...whether or not a culture is "good" or "bad", "functionally effective" or not, depends not on the culture alone, but on the relationship of the culture to the environment in which it exists" (Schein E.H., 2004, p. 8).

A company's statement should cover four aspects: its reasons for existence - mission, a statement for future plans - vision, a list of key values that the firm thinks is important to follow, and major goals set to achieve. Hill and Jones (2008, p. 13) point out some important questions the corporation should ask before making some plans and putting down important plans: "What is our business? What will it be? What should it be?" The following questions are not less important to think through before going on with the business: "Who is being satisfied (what customer groups), what is being satisfied (what customer needs), and how customers' needs are being satisfied (by what skills, knowledge, or distinctive competences). (Hill C.W.L., Jones G.R. 2008, pp. 11-14)

Shein (1999, pp. 15-20) mentions in his book three levels of culture:

- Artifacts – to see, hear, feel and experience when visiting the company. This level deals with immediate emotional impact one has when dealing with the company or with their representatives.
- Espoused Values - strategies, goals, plans, philosophies of the corporation. To really understand the company's values, one must have deeper knowledge of the firm, history and its operations.
- Shared Tacit Assumptions – shared values, beliefs and assumption that are learned and acknowledged by the members of the corporation. These shared values, beliefs and assumptions are originally from the founders of the corporation that led to the success.

The influence of culture is playing a major role in corporate structure and the nationality has impact to lead the employees and operations in organization. It is important to interact and manage effectively with people from different

cultures to avoid misunderstandings and for a leader to mislead. The main focus is on interpersonal relations in the workplace. Shein (1999, pp. 44-45) declares that “Closely connected to authority relationships are assumptions about how open and personal relationships should be in the organization.” In the majority companies is set of behavioral boundaries, which also define what can and cannot be said among co-workers and to the leaders. In some companies there are strict rules to separate personal life and working life. Of course, there are some exceptions, where the internal atmosphere is free and open; the employees are encouraged to express their feelings and to be open-minded.

Several authors acknowledge different forms of organizational cultures. The most common disposition is on six different types:

- Power culture – where control is the key element. This type of culture usually exists in small or medium size organization. The decisions are adopted by the top level of management or even only by a leader, who likes control and power. Within the corporation team work is limited and the employees’ opinions are undervalued, so the staff turnover is high.
- Role culture – the company is divided into different functions and every employee is assigned to special job to carry out, which will stress on specialization. This role culture has advantages to increase productivity and is common in a large organization.
- Task culture – is great importance in team work to accomplish a task. Very popular in the modern business environment, where the companies have special projects to carry out. Employees usually feel valued and motivated, because they have the power to make decisions and have responsibilities within the team.
- Person culture – nonprofit companies and charities are executing this type of culture.
- Forward and backward looking cultures – corporations that are open-minded to changes, prepared to take risks, and actively listening to employees and customers are forward looking. Backward looking

corporations are used to its systems and policies, and do not favor changes and risks.

(Learn Management2, 2011)

In major international companies, there are usually governments' well-grounded political policies and structures. Many studies have found that there is actual relationship between organizational policies and organizational outcomes. Every employee wants to give a contribution to the company and at the same time get a benefit from the same firm. If the member of the corporation does not know the culture, structure and policies of that firm, the outcomes of the decisions or performances can be unanticipated or undesirable ones.

In every corporation has their own structure, systems and processes to follow through, to find failures or errors and correct them. All above mentioned (external corporate issues) are interactive with internal corporate issues, such as common language and concepts; group boundaries and identity; the nature of authority and relationships; allocation of reward and status. These common issues are expressed by the firm's dressing code, level of communication with the leaders, behaviors in the meetings, employment time and so on. Sharing the secrets and internal information with the members of the company are part of showing the trust and membership. (Shein E. 1999, pp. 27-58)

The structure and policies should be dynamic and adaptable for the changes. The leaders' values and behavior style creates an atmosphere of working environment. This atmosphere can express trust, motivation, understanding, listening and working together to achieve the same goals or just the opposite.

2.2. Management impact and styles in organizational change

In different countries, management means different things and cultural differences play a major role in its formulation. But overall main task of the

manager is to divide the work into separate tasks and between the right employees, and coordinate the performances.

Lane, Distefano and Maznevski (2005, p. 39) say: "Managing a business requires managing relationships among people; therefore, the relationship variable has a pervasive influence on managerial practice and policy. Organizational structures, communication and influence patterns, reward systems, teamwork, and other managerial processes are all influenced by the relationship orientation." The polycentric approach in multinational companies is the golden midway to achieve employees' good relations within the internal environment, where each subsidiary manages on a local basis. The local managers know best the culture and local manners and can avoid big misunderstandings. (Hollinshead G., Nicholls P., Tailby S. 2003, pp. 277-279)

Table 1 below shows how different management styles have an effect in particular cultures. Not all managers are acting similarly according to the particular boxes. The important factor is the cultural orientation, as well as on managers' experiences with the people involved, the value orientation and management style. Today's managers in democratic environment are encouraged to reject control and hierarchy, and practice individual autonomy to encourage employees to express themselves, to be motivated and productive.

Management Impact	Individualism	Collectivism	Hierarchy
Organizational structures	Informal, flexible behavior with respect to structures	Attention to horizontal differentiation, informal relationships across groups	Strong attention to vertical dimension
Communications and relationships	Many relationships in different places; open communication	In-group relationships most important; communication respects group members' feelings	Authority-based hierarchy, communicate freely down; junior people speak only when asked by senior
Reward systems	Individually based	Group-based	Status-based
Teamwork	Individual roles and responsibilities, revolving leadership based on task, loyalty to task	Group-oriented roles and responsibilities; loyalty to the group	Regulated, formal, clear leadership and norms based on status of members

Table 1 Variations in Relationships Among People and Examples of Management Impact (Lane H. W., Distefano J. J., and Maznevski M. L. 2005, p. 42).

To deal with organizational change successfully, all people inside the firm have to change. They have to adapt new knowledge, acquire new information and skills, and modify their tasks and habits. The change should start from the top, because they lead the people and organization and show the right way to implement the change and stay on track. The head of the company should be

ready to change his/ her own behavior, work methods and attitudes. Moving forward with organizational change means that management and employees start to practice new relationships, methods and behaviors. The whole process involves two elements:

- Identification – where the people concerned test out the proposed change, following the external motives presented to them (e.g. by management or a consultant)
- Internalization – where individuals translate the general objectives principles of the change into specific personal goals and rules; this process may be quite difficult, usually requiring a considerable effort by the person concerned, and a great deal of patience, creativity and imagination on the part of consultant in assisting the change, to convert the external (general) motives to the internal (specific and personal) motives for accepting the change proposed. (Kubr M. 2002, pp. 86-87)

2.2.1. Competences of Human Resource Management

Human Resource Management (HRM) focuses on development of organization's performances by employing professional and skilled employees, training them, motivating and managing, and therefore the staff is highly committed and capable workers ready to fulfill the company's goals. HRM has an effect on such of organizational fields like productivity, customer service and quality, and financial contributions. (Hollinshed G., Nicholls P., Tailby S. 2003, pp. 115-116)

Mathis and Jackson (2008, pp. 25-26) explain five competences that Human Resource (HM) managers should have:

- *Strategic contribution:* The key competency that HR needs to fulfill its strategic role is the ability to be a strategic contributor to organizational

success. That means that HR must focus on the long-term implications of HR issues.

- *Business knowledge:* HR professionals must have business knowledge of the organization and its strategies if they are to contribute strategically. They must understand the financial, technological, and other facets of the industry and the organization.
- *HR delivery:* HR activities must be delivered effectively and efficiently in the ways that meet the needs of both the organization and its employees.
- *HR technology:* Technology, particularly information systems and Web-based resources, have become a significant on HR management today. HR professionals must develop the abilities needed to work effectively with various dimensions of an HRMS (Human Resource Management System).
- *Personal credibility:* HR professionals must have credibility personally and professionally. That means, they must develop effective internal relationships with individual executives, employees, managers, and supervisors. Also, HR professionals must establish personal and professional credibility in various external relationships.

2.2.2. Strategic Human Resource Management

Strategic human resource management is proactive management and is defined as “the linking of human resources with strategic goals and objectives in order to improve business performance and develop organizational culture that foster innovation and flexibility.” Its objectives are more long-term ones and it focus on and solve problems of personnel management programs both internally and also globally. (Sinha R. 2011)

Proactive management is described through the individuals who are change-oriented and have self-initiated behavior; they are looking ahead and acting in advance of a future situation. They take control and act, not waiting for

something to happen and then adjusting to situation. Strategic human resource management means involving human resource management functions and implementing company's strategies through its activities – recruiting, selecting, training and rewarding employees. Many studies have shown that company's strategies are important factors of implications for HRM. (Schuler R.S., Jackson S.E. 2007, pp. 27-31)

The primary tasks of strategic human resource managers are to identify key elements of human resource areas in the long-term and to improve personnel motivation and productivity. Rana Sinha (2011) points out three key features of strategic human resource management:

- There is an explicit linkage between HR policy and practices and overall organizational strategic aims and the organizational environment.
- There is some organizing schema linking individual HR interventions so that they are mutually supportive.
- Much of the responsibility for the management of human resources is devolved down the line.

The complexity of the responsibility of strategic human resource manager is to get versatile and to make adaptation between change of organizational climate and diversity of personnel is getting harder. These managers must educate themselves to cope with unfamiliar situations and see ahead what the future will bring to be prepared.

2.3. Employees and organizational capabilities assessment

It is managers' or HRM department's responsibility to evaluate the employees' performances and their capabilities, not a person, and act as a guiding hand in the process to achieve the target. The purpose to measure employees' performances is for a manager to know how to motivate the staff to have a greater accomplishment and being on time; to know, that the right people are

doing the right job to reach the goals set before; to increase the productivity and to eliminate the risks and misunderstandings.

Peterson (1990, pp. 177-197) declares that the internal organization is an agent of political socialization and he points out the main influences of every member of the firm's behavior:

1. *Job autonomy*: the more independence the employee has in performing his duties, the more adept he will become at the employment of influence for the purpose of promoting his goals and the more responsible for the results of his activity he will be.
2. *Input into decisions*: involvement and cooperation in decision making will give the employee a feeling of connection to the organization, a sense of responsibility for its proper functioning, and a willingness to invest keeping the organization competitive. Therefore there is a better chance of enhancing the political behavior which attempts to maximize organizational and personal goals and to reach achievements through influencing others so that they will assist in the realization of the individual's and the organization's goals.
3. *Job satisfaction*: the more satisfied an employee is, the more he/she trusts the organization and the processes in it and the less alienated from his/her job he/she is. The satisfaction he/she feels at work leads him/her to maintain the status quo, while the lack of satisfaction may lead individuals to act in order to influence and change decisions in the organization.
4. *Occupational status and prestige*: are connected with milder political opinions, a greater willingness to express opinions, protest and actively promote preferred ideas. When the employee has high professional status and prestige he/she is also in charge of assets that require support and protection. He/she does not seek any major changes his/her environment and uses his/her highly developed political proficiency to maintain his/her personal assets.
5. *Work relations*: close relations between the individual and others in the workplace lead to the permeation of views between these individuals

with some of the members adopting the others' perceptions, political attitudes and behaviors.

6. *Unionization*: may lead to the spill over of ideas, behaviors, and political activity habits from the workplace into the national political system and vice versa. People who tend to be involved and active in employees' committees gain proficiencies that are simple to use even outside the organization, and so a mutual interaction between politics in the work sphere and outside it is formed.

After the employee's evaluation is done, the manager should give some feedback, where are outlined the strengths and weaknesses and the summary which should be done further to improve the performance.

Mathis and Jackson (2010, pp. 150-151) list the main elements of an inventory of organizational skills and capabilities:

- Individual employee demographics (age, length of service in the organization, time in present job)
- Individual career progression (jobs held, time in each job, education and training levels, promotions or other job changes, pay rates)
- Individual performance data (work accomplishment, growth in skills, working relationships)

All employees' information may be collected and inserted into databank by the HRM department or by the managers, and may be processed to find out the current strengths and deficiencies of people in the organization (Mathis R. L., Jackson J. H. 2010, p. 151).

Bohlander and Snell (2009, p. 58) bring out criteria of how the organization can achieve a competitive advantage through people. These criteria show how important are employees to the organization and the connection through HRM and strategic management. These four criteria are:

- The resources must be valuable – people are a source of competitive advantage when they improve the efficiency or effectiveness of the company. Value is increased when employees find ways to decrease costs, provide something unique to customers, or some combination of the two.
- The resources must be rare – people are a source of competitive advantage when their knowledge, skills, and abilities are not equally available to competitors.
- The resources must be difficult to imitate – people are a source of competitive advantage when the capabilities and contributions of a firm's employees cannot be copied by others.
- The resources must be organized – people are a source of competitive advantage when their talents can be combined and deployed to work on new assignments at a moment's notice.

3. ORGANIZATIONAL CAPABILITIES FOR EFFECTIVE STRATEGIC LEADERSHIP

Leading the way is never easy, and being a strategic leader is even harder.

In this chapter, the author will focus on the responsibilities and key features of an effective strategic leader. The leader the author means as an entire corporation, not an individual. Vision, efficient communication and listening are part of making good decisions and leading the company successfully at a long run.

J. P. Kotter has stated his ideas long since, and they are still cornerstones of successful leadership. Kotter (1988, p. 30) states some of the requirements of effective leadership:

1. Industry and Organizational Knowledge
 - Broad knowledge of industry (market, competition, products, technologies)
 - Broad knowledge of the company (the key players and what makes them tick, the culture, the history, the systems)
2. Relationships in the Firm and Industry
 - Broad set of solid relationships in the firm and in the industry
3. Reputation and Track Record
 - Excellent reputation and a strong track record in a board set of activities
4. Abilities and Skills
 - Keen mind (moderately strong analytical ability, good judgment, capacity to think strategically and multidimensionally)
 - Strong interpersonal skills (ability to develop good working relationships quickly, empathy, ability to sell, sensitivity to people and human nature)
5. Personal Values
 - High integrity (broadly values all people and groups)
6. Motivation
 - High energy level

- Strong drive to lead (power and achievement needs backed by self-confidence)

John Ryan (2009) describes that vision is the most important matter to lead a successful company. Vision, to be a forward-looking, is the power to carry out the objectives, inspires and motivates others to do the same as a leader of the company. There have been some arguments against having a powerful vision which can damage effective leadership. The leader can require his/ her followers to adapt that vision and therefore the outcome can be not a desired one and can lead to catastrophe (Schwenk 1997, p. 216).

Effective strategic leadership is the cornerstone of running the company successfully. As Hitt, Ireland and Hoskisson (2010, p. 352) state: "... effective strategic leadership is the foundation for successfully using the strategic management process." Row and Guerrero (2010, p. 345) go even further stating that: "Strategic leaders exploit and maintain core competencies. Core competencies are resources and capabilities that give firms an edge over their rivals. Strategic leaders need to understand which combinations of resources and capabilities are valuable, rare, costly to imitate, and difficult to substitute for, as these will allow the firm to gain a competitive advantage."

Efficient communication and listening are the second most important skills of an effective leader. Listening and interactively communicating with people (employees, customers and suppliers) actually strengthens the leader's authority as well as showing more respect and trust towards him/ her. It is up to the effective leadership that the employees can support the leader in the processing of information and in decision-making. Judgment and experience of making right decisions will show the future of the company. Without the right values and beliefs, the successful leadership can be turned to poor leadership. One must not forget that the successful leader should have the executors - skilled and motivated, to lead and fulfill the objectives and visions (Ryan J. 2009).

Organizational capabilities include also formulating strategies, learning process, planning, making decisions, process developing and communication. Building these capabilities means to align personnel and organization to respond quickly and effectively to the changes, and to capitalize opportunities to turn them on victory.

The strategic leader should react to diverse and complex competitive situations. It involves more than technical and/ or operational guidance, thus the new change leadership capabilities should contain know-how and strong interpersonal skills. (Management Decision, pp. 47-49) Nissinen (2006, pp. 23-24) explains: "...leadership differs from all other forms of human action in terms of responsibility for and authority over other people. ...responsibility for other people and for the results they achieve in their work. ...leadership is interpersonal activity."

Schermerhorn Jr (2010, pp. 226-227) defines strategic leaderships as following "...strategic leadership – the capability to inspire people to successfully engage in a process of continuous change, performance enhancement, and implementation of organizational strategies." The strategic leader must maintain strategic control over the organization and personnel. That means the top managers should be familiar with the strategy, know how well it is implemented, whether the executions of the strategy follows success or failure, and whether the strategy needs some changes or adaptation. The author lists other strategic leadership responsibilities:

- *A strategic leader has to be the guardian of trade-offs.* It is the leader's job to make sure that the organization's resources are allocated in ways consistent with the strategy. This requires the discipline to sort through many competing ideas and alternatives, to stay on course, and not to get sidetracked.
- *A strategic leader needs to create a sense of urgency.* The leader can't allow the organization and its members to grow slow and complacent.

Even when doing well, the leader keeps the focus on getting better and being alert to conditions that require adjustments to the strategy.

- *A strategic leader needs to make sure that everyone understands the strategy.* Unless the strategies are understood, the daily tasks and contributions of people lose context and purpose. Everyone might work very hard, but without alignment to strategy the impact is dispersed and fails to advance common goals.
- *A strategic leader needs to be a teacher.* It is the leader's job to teach the strategy and make it a "cause". In order for strategy to work it must become an ever-present commitment throughout the organization. Everyone must understand the strategy and how it makes their organization different from others.

(Schermerhorn J.R. Jr 2010, pp. 227).

Strategic leadership is the fundamental base to use successfully strategic management process. It involves management through others (personnel) and leading the whole corporation to gain the objectives. Because of the sustained economic changes, strategic leaders must have the ability to effectively influence human behavior, thoughts and feelings. Strategic leadership is the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary. (Hitt, Ireland, Hoskisson 2010, p. 376) Davies and Davies (2004, p. 303) describe five key elements of strategic leaders should have to run organization effectively:

1. Strategically oriented
2. Translating strategy into action
3. Aligning people and organization
4. Determining effective strategic intervention points
5. Developing strategic competencies.

These key elements the author will explore deeper in the following subchapters.

3.1. Setting an organization's strategic direction

3.1.1. Strategy formulation

Setting organization's strategic direction comes to an end with designing its structure and culture, and establishing control system to implement these strategies set before. Some corporations go through a new cycle of strategic planning every year, which does not mean that the leaders of the firm choose new strategies every year, but they just modify and make necessary changes/ updates with the main strategy plan. The main strategy plan is set usually from one to five years. (Hill C.W.L., Jones G.R. 2008, p. 11)

Before formulating a strategy, the strategic business unit should find out how to compete with other companies in the same field. An effective tool to do so, is Porter's competitive forces and strategies. This effective model helps to identify whether the new product, services or business have the potentiality to enter the business market and to be profitable there, and to identify the strengths and asses them. (Daft R.L., Marcic D. 2010, p. 165)

Porter's Five Forces Analysis presumes that there are five important forces that show competitive power in the business environment. These are:

1. Supplier Power – here the company assesses the suppliers' power over the firm. Fewer suppliers and more assistant the firm needs, the more powerful suppliers are (e.g. increasing prices, unique product or services).
2. Buyer Power – here the company assesses the buyers' power over the firm. Fewer buyers means a greater risk to the company (e.g. decreasing prices, cost of switching the company's products/ services with someone else).
3. Competitive Rivalry – too many competitors are not so good for the business, because the buyers and suppliers have the opportunity to choose another firm, which has equally good service or product.

4. Threat of Substitution – if the substitutions of the firm’s product or service are easy and for the buyer is cheaper to find another way to do it, he/she will do it and it will weaken the company’s power.
5. Threat of New Entry – the company’s power over the competitors will be affected on the new company entering the market. If it is costs little time and money, the more competitors will enter the market and weaken the firm’s position.

(Daft R. L., Marcic D. 2010, pp. 165-167).

STRATEGY FORMULATION

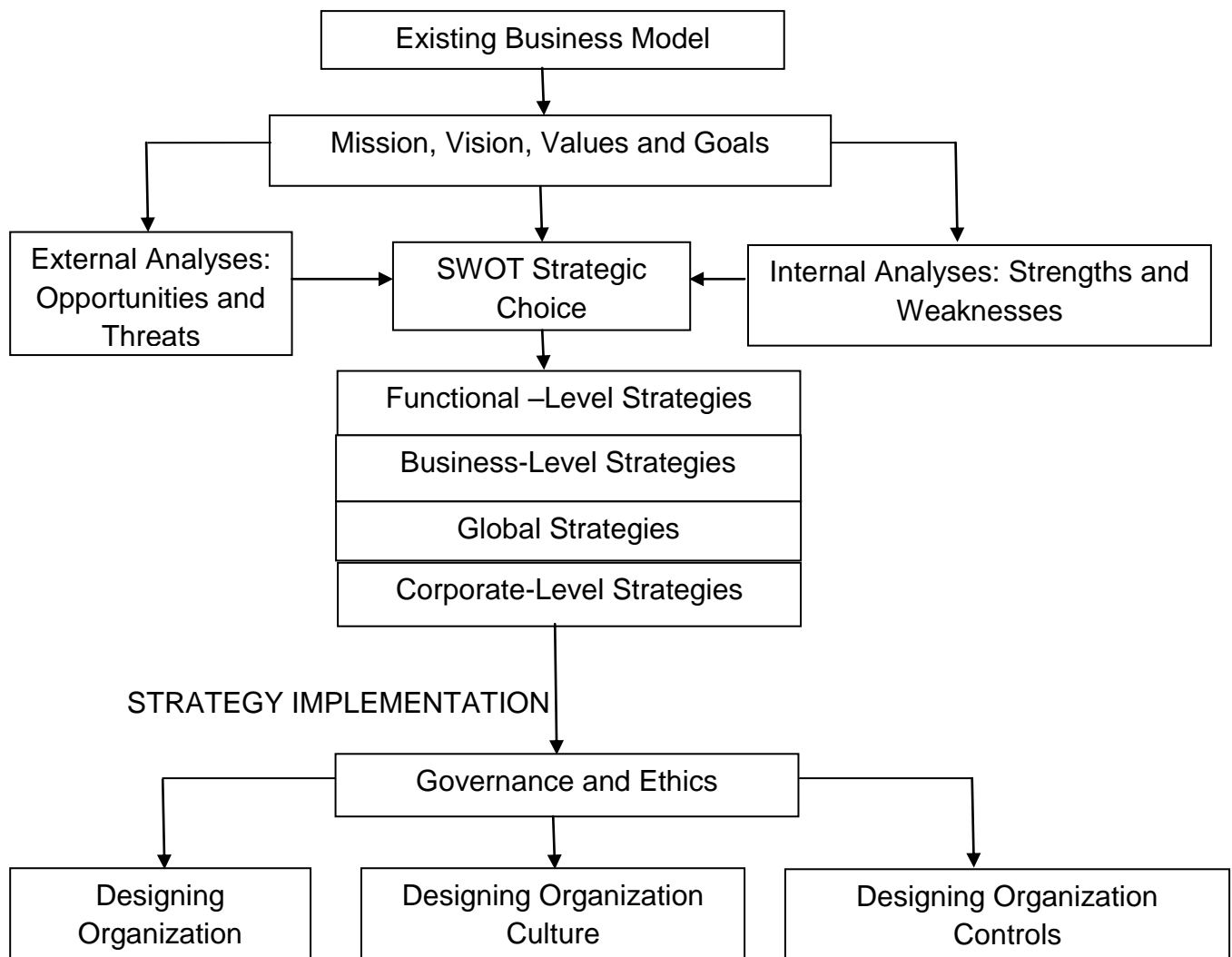


Figure 1 Main Components of the Strategic Planning Process (Hill C.W.L., Jones G.R. 2008, p. 12).

Figure 1 demonstrates the whole strategy formulation and the steps the organization should go through to finally implement these chosen strategies.

Every corporation starting a business has a business model and mission, vision, values and goals the author discussed already in Chapter 1. The next level is internal and external analysis, and SWOT-analysis. Internal analyses comprise inspection of resources, capabilities and competences of the whole organization, including the parties in employment. The deep examination should bring out strengths and weaknesses, where are good to use strengths as power tools and protecting areas of weaknesses. To understand opportunities is to take advantages from the external environment, combing the firm's strengths and implementing the right strategies to become more profitable and stronger in competition. Threats arise when the wrong strategies are used to enter the external market or incompetence to go through the changes needed to be profitable and competitive. By identifying all four steps: strengths, weaknesses, opportunities and threats; will be referred to SWOT-analysis. This SWOT-analysis helps the firm to identify the right business model and to choose the best suited strategy, which is fitting better for capabilities and resources the company has to operate successfully in the business environment. There are four categories for strategies the managers should compare with each other and find the best possibilities that suite the firm and brings out advantages:

1. Functional-level strategies – focus is in inner operations, such as manufacturing, marketing, materials management, product development, and customer service.
2. Business-level strategies – examining the overall firm's advantages and competitiveness in the market, and considering different alternatives to be even better or staying in business. Examples can be cost leadership, differentiation, focusing on a particular niche or segment of the industry.
3. Global strategies – focus is in external operations, such as expanding the business outside the home country or to grow globally.
4. Corporate-level strategies – analyzing how to maximize the profitability and gain the competitive advantages. These questions should be

answered: should the company enter the new market or increase the present market share? What business should the corporation do to achieve long-term profitability?

(Hill C.W.L., Jones G.R. 2008, pp. 18-42).

3.1.2. Strategic thinking

Strategic thinking involves thinking for yourself as yourself, but also as another. It involves thinking clearly and clearly expressing what you think. The things you need to do are not difficult to learn. So, 'heads in and hands on!' (Charan 2009, p. 15)

Basic thinking skills are verbal thinking, visual thinking, memory and empathy. These skills help the leader to focus on present and rethink the future. Strategic thinking is part of strategic learning, which means that it involves individual and collective dimensions. It is not enough for a company to have an individual who can think strategically (for example, a leader), but the company should have individuals who influence each other's thinking and elevate their collective understandings. Strategic thinking involves also understanding and developing strategy, vision and values, culture and climate. (Hughes R.L., Beatty K.C. 2005, pp. 44-45)

No researcher can exactly define what the strategic thinking is, but it involves some specific characteristics, that Harrison and St. John (2010) describe:

1. *Intent Focused.* Strategic thinking is not a random process. It should be based on company's vision and follow the chosen path. Strategic thinking should help the company to obtain these ideas that help to achieve its vision.
2. *Long-Term Oriented.* The leaders are sometimes focusing too much on details and on short-term challenges. They should step away from day-to-day work and see the whole situation in broader way, focusing on the future.

3. *Consideration of Past and Present.* As pointed out previously, strategic thinking is long-term oriented, but the leader should be able to learn from the past and recognizing the present. In that way the organization can avoid repeating the same mistakes over and over, and can call attention to things they have done right.
4. *Systems Perspective.* The organizational network co-operate within socio-cultural, economic, technological and political/legal environment. Strategic thinking helps to envision the whole system and how that system is influenced by the actions the firm takes or will take. Thinking the future actions and its influences ahead, helps the company to generate strategic alternatives.
5. *Ability to Seize Opportunities.* The strategic planning process should be flexible for the leaders to take advantages of the occurred opportunities.
6. *Scientific Approach.* Also can be called “hypothesis testing”, where the firm generate the ideas through a creative process, test them, and see if they are working. Testing these hypotheses will raise criteria of analysis, through which it sees what ideas are important to them and evaluates of the external environment and firm resources.

(Harrison J.S., St. John C.H. 2010, pp. 16-17)

The strategic thinking should be practiced the whole company – the leaders and personnel, to invent ideas that help the firm to move towards its visions. Strategic thinking should be taken as an advantage when it occurs. To do so, the organizations should have systems in place: to identify and evaluate good ideas when they occur; the parties should together participate in strategic thinking and be rewarded when they anticipate actively; the elements of strategic thinking should be directly integrated into strategic planning process; training and consulting should be provided to the personnel to guide them to think strategically; risk-taking atmosphere should be patronized. (Harrison J.S., St. John C.H. 2010, p. 17)

3.1.3. Strategic learning process

“Strategic learning is holistic with thinking, emotional, and behavioral dimensions. This holistic nature of learning brings focus to the importance of creating learning interventions designed to leverage diversity while engaging the “whole person,” that is the head work (or cognitive), hand work (or behavioral), and heart work (or affective/ emotional/ motivational).” (Maltbia T. E., Power A. T. 2008, p. 4) The collective impact of an individual and the organization’s correspond of the external and internal environmental differences of implementing personal and organizational objective are called leverage diversity. The leaders must understand the diversity of “what”, “how” and increasingly in cultural terms to have dimensions of performance process and outcomes in the way it was originally planned. (Maltbia T. E., Power A. T. 2008, p. 5)

The leaders of the company have to consider five aspects to conduct a good situation analysis: its customers, its competitors, the firm’s own realities, industry dynamics, and the broader environment. A good situation analysis involves combination of analysis, creative brainstorming, market research and critical thinking. (Pietersen 2002, pp. 60-62) Defining strategies and vision, the author has discussed in chapter 3 introduction and in subchapter 3.1. Taking strategies into action will be written in subchapter 3.2. Chapter 2 includes discussion about culture, structures, measuring and rewarding employees.

Pietersen (2002, p. 44) states accurately: “Strategy, then, is the art of making the most intelligent choices – those that will help us use our limited resources to win the competition for value creation. This, along leadership effectiveness, is the most crucial element in business success. Yet the strategy process as traditionally practiced in many corporations has hampered rather than helped the development of winning strategies.” For the company to turn chosen strategy effectively into action, it has to go through four-step strategic learning process cycle, as shown in figure 2. Cycle is the key word to succeed and repeating it over and over to learn in its own actions and seeing what is

happening outside the corporate environment, to be up-to-date and make changes accordingly. This ongoing cycle process can be seen as renewing and adapting of changes.

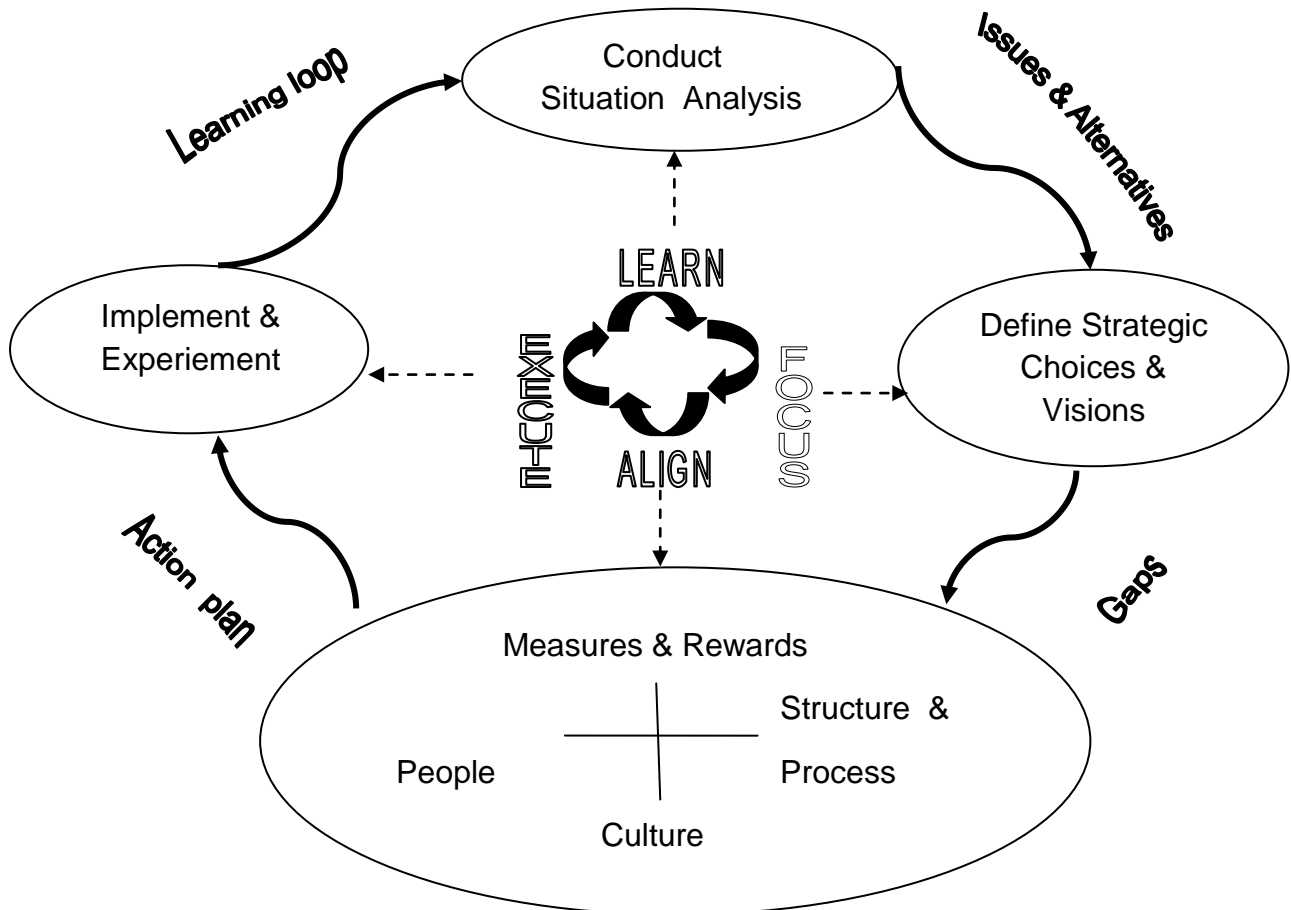


Figure 2 Strategic Learning (Pietersen 2002, p. 59).

Strategic learning process by the effective management can have a positive effect on the bottom line and strategic success on the business. This info-line helps the leaders:

- become a strategic partner
- identify strategic learning opportunities
- implement and manage strategic learning within the organization.

(Larsen N. G. 2002, p. 11)

To become a strategic partner within a company means that the leader supplies and supports the organization's business strategy, activities and accomplishments of the leader are more transparent, measures internal results and gives feedback to others, the leader educates and learns the process of strategic planning and at the same time teaches others the same knowledge. Outsiders have the knowledge and necessary help to implement the methods to identify strategic learning opportunities. These outsiders can be advisory councils who help to review the strategic plan and internal and external communications, and determine major initiatives. The leader with the help of outsider if necessary, implements and manage strategic learning within the organization. Significant importance is the team work and feedback. (Larsen N. G. 2002, pp. 1-6)

3.1.4. Strategic planning

Strategic planning of the organization is a ground for putting down where the enterprise wants to go and what kind of future wants to have. The right people with skills, knowledge and experience should do it, because the history has shown too many failures of putting down the strategic decisions by the planners to lead the organizations which are actually disconnected from overall market situation and the concept of corporate structure. Usually planners do not have the experience and knowledge of operational and market situation to see the future opportunities and dilemmas as managers use to have. Planners do often very analytical thinking and therefore they can be very conservative by nature. They can draw a big picture of strategic direction of the company to the leaders but not knowing details what customers and suppliers prefer. Intuitions by the leaders have been major source of innovation of setting right strategic plans for the future of the organization. Nevertheless, planning itself can be inflexible and conservative due to timeframe and by the nature. Nobody has ability to forecast what the future will bring neither the capability to create it, and it is well-grounded fact by the reason of unstable world's economy. Being rational and creative can give the answers and opportunities which path to choose. These answers are

not expected to come only from the top leaders but in healthy corporate environment, these ideas arise anywhere from inside the company and when they are coming from the staff, usually are carried out by patronizing approach. (Mintzberg H.1994, pp. 189-320)

Langley (1988, p. 48) states “Formal strategic planning and strategic planners do not make strategic decisions. People and organizations make strategic decisions, and sometimes they use strategic planning as a discipline in which to do this, or to seem to do this. Strategic planning supplies a forum for announcing, selling, negotiating, rationalizing strategic decisions, and it also offer means for controlling their implementation. These roles are important if not more important than the more usually noted role of providing information to improve the content of strategy.” To translate these strategies into action, planning as well as planners must be seen as one big box, around which, instead inside which, they all work. They can be collaborated into the process, support the process or consequences of the process. One must differentiate between “Planning”, “Plans” and “Planners”. The main roles for “Planning” are strategic programming, which include documenting, scheduling, budgeting, compounding strategies and decisions into actions. Communication and control over strategic goals, schedules, budgets, and etc. are categories that fit under “Plans”. Nevertheless, the roles for “Planners” are to find the strategies, helping to carry out them, and to be catalysts, interactively helping the managers to open up strategic thinking. (Mintzberg H.1994, pp. 333-368)

Well-known researchers in management-field Hill and Gareth (2008, pp. 10-11) point out the five main steps in the formal strategic planning:

1. Select corporate mission and major corporate goals.
2. Analyze the organization’s external competitive environment to identify opportunities and threats.
3. Analyze the organization’s internal operating environment to identify the organization’s strengths and weaknesses.

4. Select strategies that build on the organization's strengths and correct its weaknesses in order to take advantage of external opportunities and counter external threats. These strategies should be consistent with the mission and major goals of the organization. They should be congruent and constitute a viable business model.
5. Implement the strategies.

In chapter 2 the author already discussed the importance of corporate culture, structure, goals and as well mission and goals. To do the organizational SWOT-analyze, the leaders must know the external and internal environment and the information must be updated at any time. Good information suppliers are firm's own employees, who are actively interconnection with customers and suppliers and know the real situation and demands.

3.1.5. Effective strategic orientation

As mentioned before, the internal and external business environment is changing so quickly, therefore the company needs to be ready for the changes. It involves for leaders to see the long-term future, seeing the bigger picture and to understand the current coherence of the cooperation. Effective strategic orientation helps for leaders to combine long-term visions and everyday work. This orientation can be the foundation to establish outward-looking corporation, which realizes future tendency, readiness and ability for necessary changes, and involves strategic discussions and listening about how to stay on track on upcoming changes of directions and the most appropriate way to achieve them. (Davies B.J., Davies B. 2004, pp. 30-31)

Thomas Walkington (2010) has listed some useful steps for organizations to follow:

- Think holistically, framing a "world view" in light of a continuously changing environment.

- Identify key change drivers and re-think the organization's strategic direction by scanning the internal and external environment.
- Enable a provocative and creative dialogue to identify unique opportunities for moving forward.
- Re-think the current direction in light of the changing environment.
- Shift the view of the organization as a static structure that may be rebuilt periodically to an organization that is dynamic, flexible, learning and continuously improving.
- Identify scenarios for the future of the organization.
- Provide input for strategic planning.

Above listed useful directions may guide organizations from trouble, but the leaders or change agents must not forget to understand both - company's internal capabilities and the complexity of their external business environment. Organization's internal capabilities are made of its management capacity, culture, processes, resources and employees. The whole organization working as a team and rewarding learning and creativity, will usually pay off and the organization will have a create future ahead.

3.2. Strategy implementation

3.2.1. Strategic trends

Translating strategies into action is more complex in constantly changing business environment and having different outside forces implementing trends to develop and execute strategies, thus the leaders of the company have to be more creative and use different ways to find solutions in versatile market. Managers as the leaders in the centre take the overall strategy, carrying it out and being responsible for the results, and at the same time being a "glue" between the head of the company and the employees. These strategic trends can be found in figure 3. In addition, the leaders have to consider a demographically changing workforce: how to attract skilful employees to the

company and keep them there; how to transfer and learn from their skills and knowledge; and how to make the working place attractive and flexible for elder people. Solutions nowadays should be more systematic and implemented in less time, sustainable and flexible, in high quality and executed in using fewer resources, customized and scalable. (Duke Corporate Education 2005, pp. 1-3)

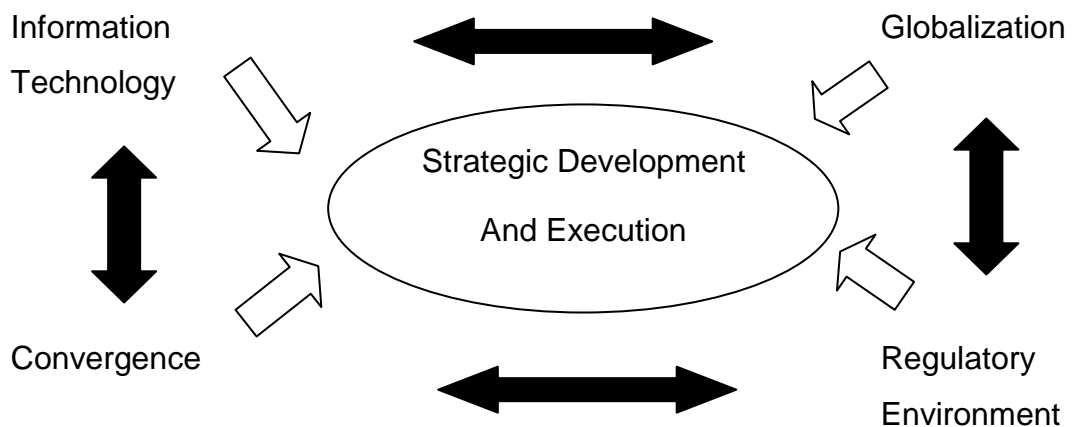


Figure 3 Strategic Trends (Duke Corporate Education 2005, p. 2).

Revolution in Information Technology (IT) has abolished a traditional business. IT is allowing easy and broader access of information, and is a wide tunnel of marketing option. On the other hand, IT has made the leaders job harder, to evaluate huge amount information available over the Internet and filter the data the firm needs. (Duke Corporate Education 2005, p. 4)

How managers make sense of information is what will set them and their companies apart (Duke Corporate Education 2005, p. 4).

Globalization has breaking down a traditional value chain, different sections, such as key suppliers, vendors and partners; has been distributed around the world, helping the company of serving the customers better, being competitive and lowering the distribution costs. Secondly, the countries, which economic power is growing constantly (China, India, Brazil and Russia), are playing a

key role of distribution channel and making a traditional organizations of seeking out new ways of being competitive and cutting a piece out of these distribution channels. Branches entering a foreign market have to consider regulations and laws of the host country. Not less important for the corporation is to understand that the technology is changing so quickly, perpetually is founding a new form of technology to change the way of producing, marketing and consuming the products or services; consequently the firm has to be ready to content demands a faster pace and higher level of integration between strategy formulation and strategy implementation. Taking strategy into action and getting insight feedback is the key of success of the whole process: understanding what is working at the moment and why it is working. (Duke Corporate Education 2005, pp. 4-6)

Daft and Marcic (2010, pp. 169-170) add that the significance of innovation from within: focusing on leverage and developing the company's existing assets, capabilities, and core competencies; will help to build a competitive advantage over others. This includes learning, displacing existing assets to gain more out of them, internal innovation to motivate personnel to do better job and of being actively involved in the business, and meeting new customers' needs. All this will help the company to grow and of being innovative.

3.2.2. Effective strategy execution

Syrett (2007, p. 165) lists conclusions done by researchers and companies that have successfully carried out their strategies, points out what corporation should follow:

- clearly identifying priorities
- considering the development of resources well in advance
- monitoring performance continuously
- breaking strategy down into easily achieved objectives

- intensive team-based coaching that ensures everyone understands their role and priorities
- fostering a risk-friendly culture that encourages freedom of action if it supports key strategic goals.

Some argue that the strategy execution is the most important of the whole process of strategic management, but it cannot be done without changes in leadership, structure, information and control systems, and human resources. Implementing a new strategy needs several tools, which will help to execute and adjust strategy into action. Figure 4 will illustrate these tools and the whole process of strategy execution.

Environment

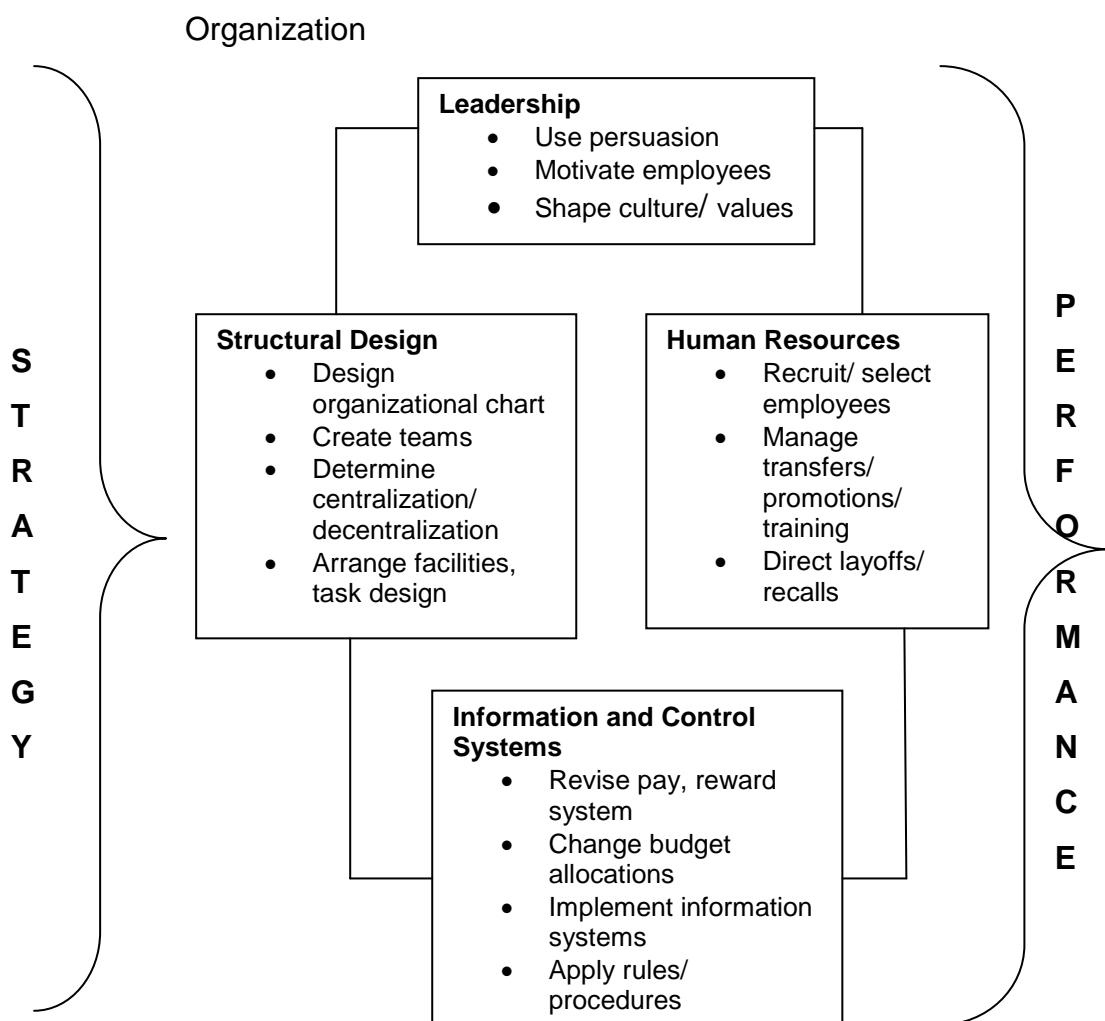


Figure 4 Tools for Putting Strategy into Action (Daft R. L., Marcic D. 2010, p. 172).

Some researchers have found, that many leaders think if the strategy is right, then the successful strategy implementation will follow. The leaders of the organization have knowledge how to make strategic planning from the school, but knowledge of the effective strategy implementation comes from the practise. It involves hard work, persistence, discipline, and patients. (MacLennan 2008, pp. 24-25) Daft and Lane (2009, pp. 204-205) give more tips for effective strategy execution:

- Build commitment to the strategy – the leaders' responsibility is to explain throughout the organization new direction, goals, and how it is implemented. To achieve the commitment of the employees, rewards that are tied to the execution efforts are good idea.
- Device a clear execution plan – a plan is helpful tool to the leaders and employees not to be mislead. The whole plan should be divided into shorter actions, which makes it easier to follow and understand. The plan should state who is responsible for what part, how success will be measured, and what resources will be needed.
- Pay attention to culture – culture drives strategy, and without understanding the cultural values, the employees may have different idea of how to execute the strategy and the company's reputation may not be desired one in the market.
- Take advantage of employees' knowledge and skills – the managers should know their employees on a personal basis and what they can offer to the company. Employees want to be part of the company and valued, but in many cases their talents and skills are unused. Getting to know each member of the company will help to acknowledge the training level needed.
- Communicate, communicate, communicate – the leaders should communicate at any time, through words and actions. They should keep on track, how things are going, identify problems and share information internally. Information systems should share the necessary information to the persons who are making decisions.

3.3. Aligning people and organization

Strategic leaders have the skills and knowledge how to align people and organizations. They use and share their own values and make them seem like they are part of others. To do that, they have to know themselves; what they want and what are the goals, and how to carry out these goals by being a good listener and communicator. Boal and Hooijberg (2001, p. 516) state: "Making a vision real for others needs skills of conviction and passion. It involves emotion." The strategic leaders have to find the golden gate between the visions and carrying out these visions through involving the whole organization and its assets. Organizational action with skilful employees and different knowledge will help them make it true and of being successful. (Davies B.J., Davies B. 2004, p. 32)

The employees must know the right things to do and do it well. The leaders have to state clearly the company's targets and how to distribute those targets among working units to achieve desired goals. If every employee will achieve his/ her goals, the working unit will also achieve set targets and at the end the whole company will implement the strategy successfully and achieve goals and targets. Robert Bacal (2006, pp. 26-27) lists three ways to align employee goals with company's strategy:

- Begin with the big picture – every employee should know the company's performance planning process and what are its final goals and targets. The leaders should state clearly every work-unit final targets and discuss with every employee separately, what they should do and accomplish to get his/her total input and contribution. This way everyone know what to do and at the same time feel being a important member of the company.
- Tweak the timing – by aligning goals above mentioned way, the organizational and work-unit planning must happen before individual performance planning. The leaders should manage the performance management cycle and align the overall work-unit planning cycle.

- Reinforce during reviews – at the end of performance cycle, the leaders should not forget to highlight individual accomplishments and achievements. Giving the feedback and listening the staff is very effective way to get the employees feel important and part of the big goals.

Kotter (1999, p. 57) states: “To executives who are overeducated in management and undereducated in leadership, the idea of getting people moving in same direction appears to be an organizational problem. What executives need to do, however, is not organize people but align them.” Aligning is very different from organizing. It is more on communication level than on designing level. Communication must happen in many levels, involving leaders, employees, and as well suppliers and customers; anyone who can give important information and help to implement the company’s vision. Another major challenge for the leaders is the credibility and empowerment. Getting everyone to understand and believe the message the leader wants to pass on can be hard. For the leader to be credible, he/ she needs to have track record for that, trustworthy, and believable that the words will be executed. Empowerment means that every personnel have the power to go to the leader and express his/ her ideas and views and he/ she will be heard and the ideas will be considered. (Kotter J. P. 1999, pp. 57-59)

Pietersen (2002, pp. 64-66) illustrates with the figure (Figure 5), how to align people and organization. He points out four key elements that must work together as an union to be efficient: measures and rewards; structure and process; culture; and people. To measure and reward actions inside the company, the leader must remember that he/ she is measuring the employees performances and afterwards sending the message that they are important and the work done will support the whole organization of achieving the goals. The new strategies of achieving the set goals needs to make changes in corporate structure and how the decisions are made. Everybody needs to know what the rules are and how things are going. Another important aspect to remember to overlook, is the corporate culture: everybody should know its values, vision and missions to support the business strategy the company has

chosen. The leader should make the first and deep impact on the company's culture. This will help others, the employees to be focused, motivated and staying on the right track. Nevertheless, the leaders should not forget that the new strategies need to be explained, thought and trained to the workers to have the right competencies to achieve what is expected. Adding all together and keeping them as a working union will help the organization to carry out the chosen strategy efficiently and effectively.

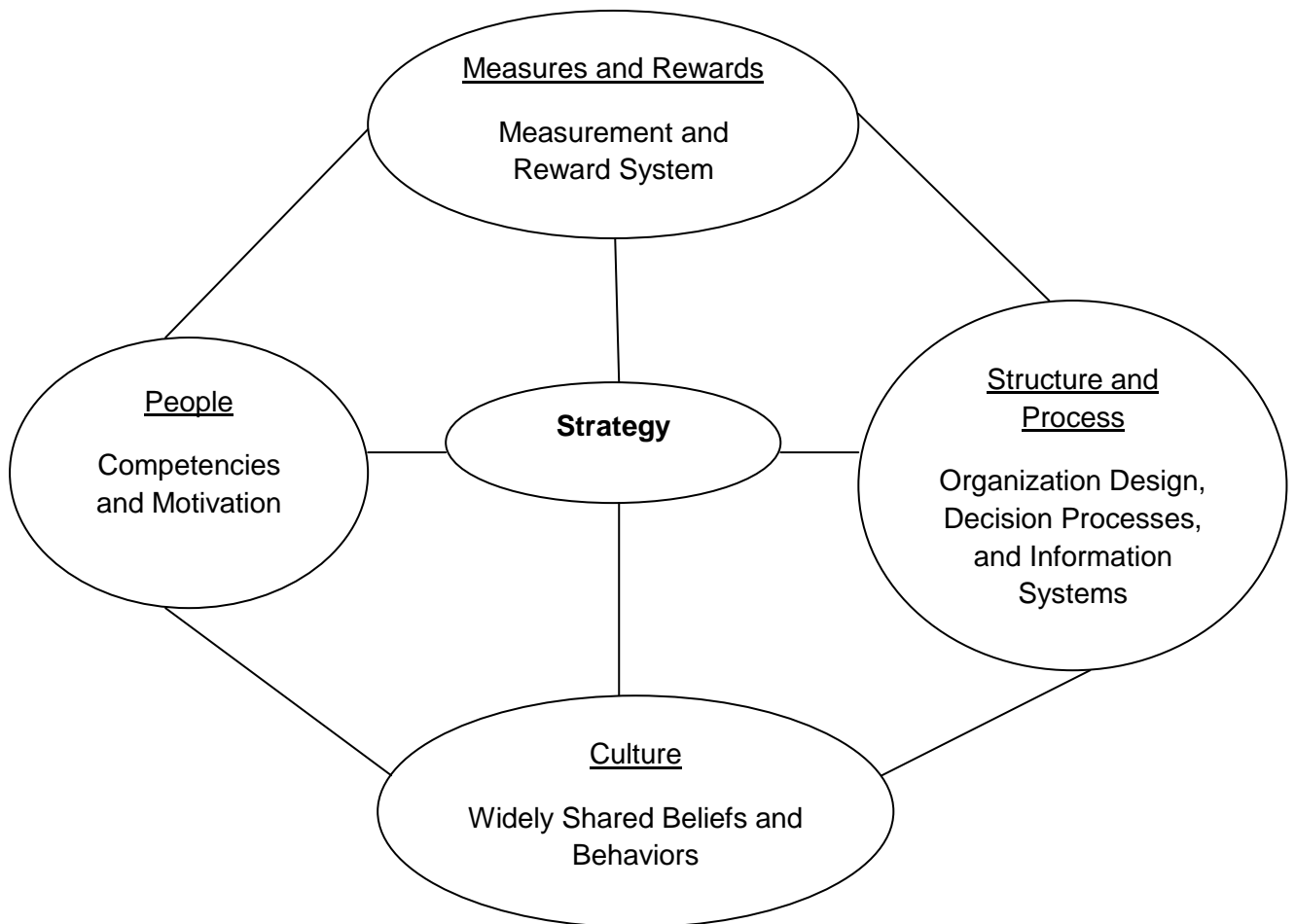


Figure 5 Step Three: Aligning the Organization (Pietersen 2002, p. 64).

3.3.1. Employees' motivation vs. controlling

Company's leadership style effects how employees are treated: are they controlled or motivated. Still, in many companies, command-and control leadership style is practised. This style is so well-known by the leaders and repeated over and over again. Table 2 will show different styles of leaderships and how motivation will affect overall efficiency and outcome.

Leadership style versus Motivation				
Leadership Style	Motivation type	Motivation is Based on:	Personality Type	Efficiency
Limited Supervision	Self motivated	Creativity	Leader of ideas or people.	High
Worker with decision making responsibility	Team motivated		Independent Achiever Thrives on change	
Mixed styles	Goal motivated	Opportunity	Personality type and efficiency depends on leader's skill and/ or the work environment he's created.	
	Reward motivated	Materialism		
	Recognition motivated	Social status		
High level supervision	Peer motivated	To be like others	Status quo	Low
Command-and control	Authority motivated	Follows policy	Dependency	
	Threat, fear motivated	Reacts to force	Resist change	

Table 2 Leadership Style versus Motivation (Webb R. L. 2009).

Comparing different leadership styles in table 2, one can see how important is for a/ the leader(s) to find the exact and right leadership style to motivate people to drive the common goal and achieve the maximum and profitable

outcome. It is very important to be motivated and keep the staff on the right track. There are some tips for the leaders, what should be kept in mind to have motivated employees who will contribute and give maximum efforts to the company to achieve success.

- Evaluate yourself – in order to motivate, encourage and control your staff's behaviour, it is essential to understand, encourage and control your own behaviour as a manager. Work upon utilizing your strengths and opportunities to neutralize and lower the negative impact of your weaknesses and organizational threats. The manager should adopt the approach "You're OK - I'm OK".
- Be familiar with your staff - the manager should be well acquainted with his staff. The more and the better he knows his staff, the simpler it is to get them involved in the job as well as in achieving the team and organizational goals. This will also invite staff's commitment and loyalty. A cordial superior-subordinate relationship is a key factor in job-satisfaction.
- Provide the employees certain benefits - give your staff some financial and other benefits. Give them bonuses, pay them for overtime, and give them health and family insurance benefits. Make sure they get breaks from work. Let them enjoy vacations and holidays.
- Participate in new employees induction programme - induction proceeds with recruitment advertising. At this point of time, the potential entrants start creating their own impressions and desires about the job and the organization. The manner in which the selection is conducted and the consequent recruitment process will either build or damage the impression about the job and organization. Thus, the manager must have a say in framing the advertisement and also in the selection and recruitment process. After the decision about the candidate is made, the manager must take personal interest in the selected joiner's joining date, the family relocation issues, cost of removal, etc. Being observed by the new recruit and your entire team / staff to be involved completely, will ensure a persuasive entry in the organization.

- Provide feedback to the staff constantly - the staff members are keen to know how they are performing. Try giving a regular and constructive feedback to your staff. This will be more acceptable by the staff. Do not base the feedback on assumptions, but on facts and personal observations. Do not indulge in favouritism or comparing the employee with someone else. Sit with your staff on daily or weekly basis and make sure that feedback happens. This will help in boosting employee's morale and will thus motivate the staff.
- Acknowledge your staff on their achievements - a pat on the back, some words of praise, and giving a note of credit to the employee / staff member at personal level with some form of broad publicity can motivate the staff a lot. Make it a point to mention the staff's outstanding achievements in official newsletters or organization's journal. Not only acknowledge the employee with highest contribution, but also acknowledge the employee who meets and over exceeds the targets.
- Ensure effective time management - having control over time ensures that things are done in right manner. Motivate your staff to have "closed" times, i.e., few hours when there are no interruptions for the staff in performing their job role so that they can concentrate on the job, and "open" times when the staff freely communicate and interact. Plan one to one sessions of interaction with your staff where they can ask their queries and also can get your attention and, thereby, they will not feel neglected. This all will work in long run to motivate the staff.
- Have stress management techniques in your organization - create an environment in which you and your staff can work within optimum pressure levels. Ensure an optimistic attitude towards stress in the workplace. Have training sessions on stress management, and ensure a follow-up with group meetings on the manner stress can be lowered at work. Give your staff autonomy in work. Identify the stress symptoms in employees and try to deal with them.
- Use counselling technique - the employees' / staff feelings towards the work, their peer, their superiors and towards the future can be effectively

dealt through the staff counselling. Counselling provides an environment, incentive and support which enable the employee to achieve his identity.

- Give the employees learning opportunities - employees should consistently learn new skills on the job. It has been well said by someone that with people hopping jobs more often than required and organizations no longer giving job security to employees, the young blood employees specifically realize that continuing learning is the best way to remain employable. Opportunities should be given to the employees to develop their skills and competencies and to make best use of their skills. Link the staff goals with the organizational goals.
- Set an example for your staff / subordinates - be a role model for your staff. The staff would learn from what you do and not from what you say / claim. The way you interact with your clients / customers and how do you react later after the interaction is over have an impact upon the staff. The staff more closely observes your non-verbal communication (gestures, body language). Being unpunctual, wasting the organization's capital, mismanaging organization's physical equipments, asking the staff to do your personal work, etc. all have a negative impact on the staff. Try setting an example for your staff to follow.
- Smile often - smiling can have a tremendous effect on boosting the morale of the staff. A smiling superior creates an optimistic and motivating work environment. Smiling is an essential component of the body language of confidence, acceptance and boldness. Smile consistently, naturally and often, to demonstrate that you feel good and positive about the staff who works for you. It encourages new ideas and feedback from the staff. The staff does not feel hesitant and threatened to discuss their views this way.
- Listen effectively - listening attentively is a form of recognizing and appreciating the person who is talking. Reciprocal / Mutual listening develops cordial and healthy personal relationships on which the employee / staff development rests. If the managers do not listen attentively to the subordinates, the morale of the subordinates lowers down and they do not feel like sharing their ideas or giving their views.

Effective listening by the manager boosts up the employees' morale and thus motivates them.

- Ensure effective communication - in order to motivate your staff, indulge in effective communication such as avoid using anger expressions, utilize questioning techniques to know staff's mindset and analysis rather than ordering the staff what to do, base your judgements on facts and not on assumptions, use relaxed and steady tone of voice, listen effectively and be positive and helpful in your responses. Share your views with the staff.
- Develop and encourage creativity - the staff should be encouraged to develop the creativity skills so as to solve organizational problems. Give them time and resources for developing creativity. Let them hold constant brainstorming sessions. Invite ideas and suggestions from the staff. They may turn out to be very productive.
- Don't be rigid. Be flexible - introduce flexibility in work. Allow for flexible working hours if possible. Let the employees work at home occasionally if need arises. Do not be rigid in accepting ideas from your staff. Stimulate flexible attitudes in the employees who are accountable to you by asking what changes they would like to bring about if given a chance.
- Adopt job enrichment - job enrichment implies giving room for a better quality of working life. It means facilitating people to achieve self-development, fame and success through a more challenging and interesting job which provides more promotional and advancement opportunities. Give employees more freedom in job, involve them in decision-making process, show them loyalty and celebrate their achievements.
- Respect your team - respect not only the employees' rights to share and express their views, and to be themselves, but their time too. This will ensure that the employees respect you and your time. Make the staff feel that they are respected not just as employees / workers but as individuals too.

(Management Study Guide 2011)

Mintzberg, Kotter and Zaleznik (1998, p. 47) state: "Management controls people by pushing them in the right direction; leadership motivates them by satisfying basic human needs." So, it means that controlling should exercise only the managers and the leaders should use motivation tools. Managers have the responsibility to check that everything goes according to the plans and the staff is doing what they suppose to do. If problems occur, it is managers' job to eliminate them and direct employees back on the right track. Leaders on the other hand, should keep up overall mood and encourage people to give 100 % to do the job well. Leaders should share a positive energy, boasting on everyone's achievements, making every individual feel that they belong to the company and they are doing their job right and the head of the company is thankful for that. Motivation tools can be different: employees have a chance to be part of important decisions, like company's vision; they have continuous feedback from the bosses and coaching; and finally the good leaders recognize good employees and reward them. (Mintzberg H., Kotter J. P., Zaleznik A. 1998, p. 48)

Sandelands (2010, pp. 71-86) has described a new way of motivating employees – through play. The meaning of the play in the ongoing change in organizations, is sharing a life with others; it is part of human community and grasp individual persons. Play can be very serious, real and corrupt; and on the other hand just a game, filled with fun, excitement and courage. In serious business life, to carry out the change can be hard and sometimes reluctantly done; but if it is executed playfully, it can be creative and arise new intuitions throughout the whole company. The key of the play is to reach greatest adaptation and development. It will bring out the unity and fun to have changes in the company. The members of the play are leaving personal problems behind and are fully un-self-concerned; concentrating and committed on the play itself. Play is cooperation, an expression of human unity. Here culture comes in: what is true on culture, is true on human community; and that also includes business environment. Play helps the organization adapt changes; brings people together and creates contest where everyone can influence others and bring out the best. The leader should lead all members of its group as a true leader working towards a

common goal, not being a dictator. The leader should show love, when the purpose of the business is not the business itself but human lives; when everyone is honoured, respected and welcomed to the organizational community.

3.3.2. Managing people for improving organizational capabilities

Armstrong (2010, pp. 113-114) state that: “The aim is to increase organizational effectiveness by obtaining better performance from people, getting them to work well together, improving organizational processes such as the formulation and implementation of strategy, the achievement of high quality and levels of customer service, and facilitating the management of change.” It is important for the organization to choose the right employees for the job, who have abilities and skills to do it from the start. The conceptual framework regulates how people should realize their working environment and what they should expect from others’ behaviour, including of their own. When organization can manage their people in the right direction, the employees know and appreciate the right values and believe in them. In overall, everything depends on the organizational culture, climate, management and leadership style and what kind of work the individual carries out to set the same goals and plans as a company has, and achieve them with other co-workers together. (Armstrong M. 2010, p. 131)

Johnson, Scholes and Whittington (2008, pp. 121-122) list four characteristics, which will help to develop strategic capability of the organization and manage employees better:

- Targeted training and development – to target the development of competences which can provide competitive advantage.
- Staffing policies – to develop particular competencies of the employment.

- Organizational learning – to improve dynamic capabilities, which come from learning and development.
- Develop people's awareness – every individual is important in the company and their work is important at the strategic level.

These listed characteristics will lead to the next subchapter, where the author discusses and explains how to determine effective strategic intervention points of the organization.

3.4. Determining effective strategic intervention points

Leaders of the company should find competitive advantages which make their business unique in the market and attractive to the customers. It is not enough to have just different capabilities from others, value chain analysis should be examined and activity mapping should be done. (Johnson G., Scholes K., Whittington R. 2008, p. 102)

Johnson, Scholes and Whittington (2008, p. 110) define value chain as:

The value chain describes the categories of activities within and around an organisation, which together create a product or service.

Value chain analysis helps to identify if the product or service give or add value to the activities within the company and if these can be improved to offer its customers only the best. This analysis shows how these activities are best optimized and coordinated to reduce the costs and add maximum value by choosing between its suppliers, distributors and customers within its value chain system. The end result should clarify if the company has a strategic capability or core competence within its activities. (Henry A. 2008, p. 117)

Activity mapping provides information how resources work together to create and add value and to give competitive strategies to produce uniqueness and

synergy. (Thompson J., Martin F., Thompson 2010, p. 174) Porter (2008, p. 43) argues: “Most managers describe strategic positioning in terms of their customers... But the essence of strategy is in the activities – choosing to perform activities differently or to perform different activities than rivals. Otherwise, a strategy is nothing more than a marketing slogan that will not withstand competition.”

Prahalad and Hamel (1990) believe that “... senior management should spend a significant amount of its time developing a corporate wide strategic architecture that establishes objectives for competence building. A strategic architecture is a road map of the future that identifies which core competencies to build and their constituent technologies.”

Strategic leaders have the ability to develop new visions, create new strategies and lead the company on the new direction to catch the opportunities and key points to survive and of being competitive. The key point is to know when the company has to intervene and change the direction. Boal and Hooijberg (2001, p. 518) rise the question: “does the strategic leadership matter?” and their answer is:

Strategic leadership does indeed matter... it seems to us the real question is not whether it matters but rather under what conditions, when, how and on what criteria.

The strategic leaders should have the ability and knowledge what to strategically change but also when to do it; on the right time. (Davies B., Ellison L., Bowring-Carr C. 2005, pp. 11-12)

Hoskisson, Hitt and Ireland (2008, p. 107) divide core competencies into four categories. This will be shown in the table 3. The authors state that: “... for a capability to be a core competence, it must be “valuable and nonsubstitutable, from a customer’s point of view, and unique and inimitable, from a competitor’s point of view.” (Hoskisson R. E., Hitt M. A., Ireland R. D. 2008, p. 107)

Valuable Capabilities	<ul style="list-style-type: none"> • Help a firm neutralize threats or exploit opportunities
Rare Capabilities	<ul style="list-style-type: none"> • Are not possessed by many others
Costly-to-imitate Capabilities	<ul style="list-style-type: none"> • Historical: A unique and a valuable organizational culture or brand name • Ambiguous cause: The cases and uses of a competence are unclear • Social complexity: Interpersonal relationships, trust, and friendship among managers, suppliers, and customers
Nonsubstitutable Capabilities	<ul style="list-style-type: none"> • No strategic equivalent

Table 3 Four Criteria for Determining Core Competencies (Hoskisson R. E., Hitt M. A., Ireland R. D. 2008, p. 108).

On the contrary, Hoskisson, Hitt and Ireland (2008, p. 108) declare that “every core competence is a capability, but not every capability is a core competence.” This will be illustrated in the figure 6.

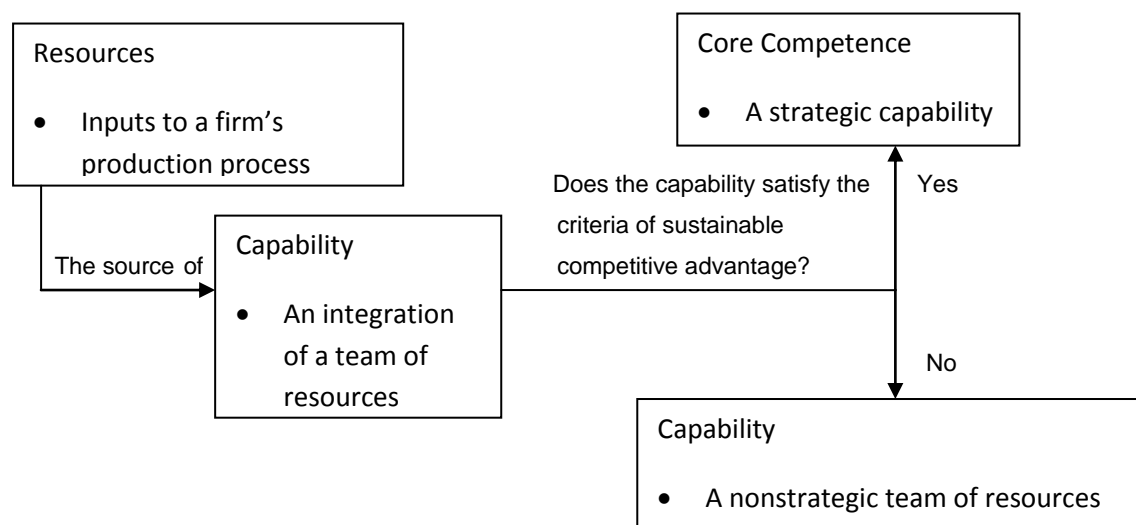


Figure 6 Core Competence as a Strategic Capability (Hoskisson R. E., Hitt M. A., Ireland R. D. 2008, p. 108).

Strategic capability is the main point for determining effective strategic intervention points and without strategic timing, the company cannot be successful. When the people of the company are not ready to execute or go along with the change, or the company's mechanism does not support to determine these strategic plans, then the overall timing is not in place and the company is not ready to go forward on set goals of the strategic initiative. (Davies B.J., Davies B. 2004, pp. 22-23) Sullivan and Glanz (2005, p. 48) point out the importance that every individual in the company should be committed with the larger goal and actively participate on executing it, and at the same time willing to share, collaborate, take risks and ready to solve problems in mutual respect.

3.5. Developing strategic competencies

For the company, it is important to be a competitive in today's hectic and dynamic business environment, and for that the corporation should be more flexible and less bureaucratic. The company should practice and develop more strategic flexibility and an ability to move from primary competence to another. Shermon (2004, p. 7) states that "... the company become a learning organization skilled at creating, acquiring, and transferring knowledge and at modifying its behaviour to reflect new knowledge and insights. Learning organizations could avoid stable stagnation through continuous self-examination and experimentation." (Sherman G. 2004, p. 7)

The company should assess the external environment and internal problems and combine the results into goals and strategy. Figure 7 will illustrate the strategic management process, where the management evaluates the current position with current mission, goals and strategies; and of dealing with internal and external issues, and need for changing the company's capabilities to stay competitive and profitable in the market. Managers may use to make the change happen with new equipment, changes in the organization structure, or a revised reward system to exploit the human capital and resources to take the new strategy into action. (Daft R. L., Marcic D. 2010, pp. 162-163)

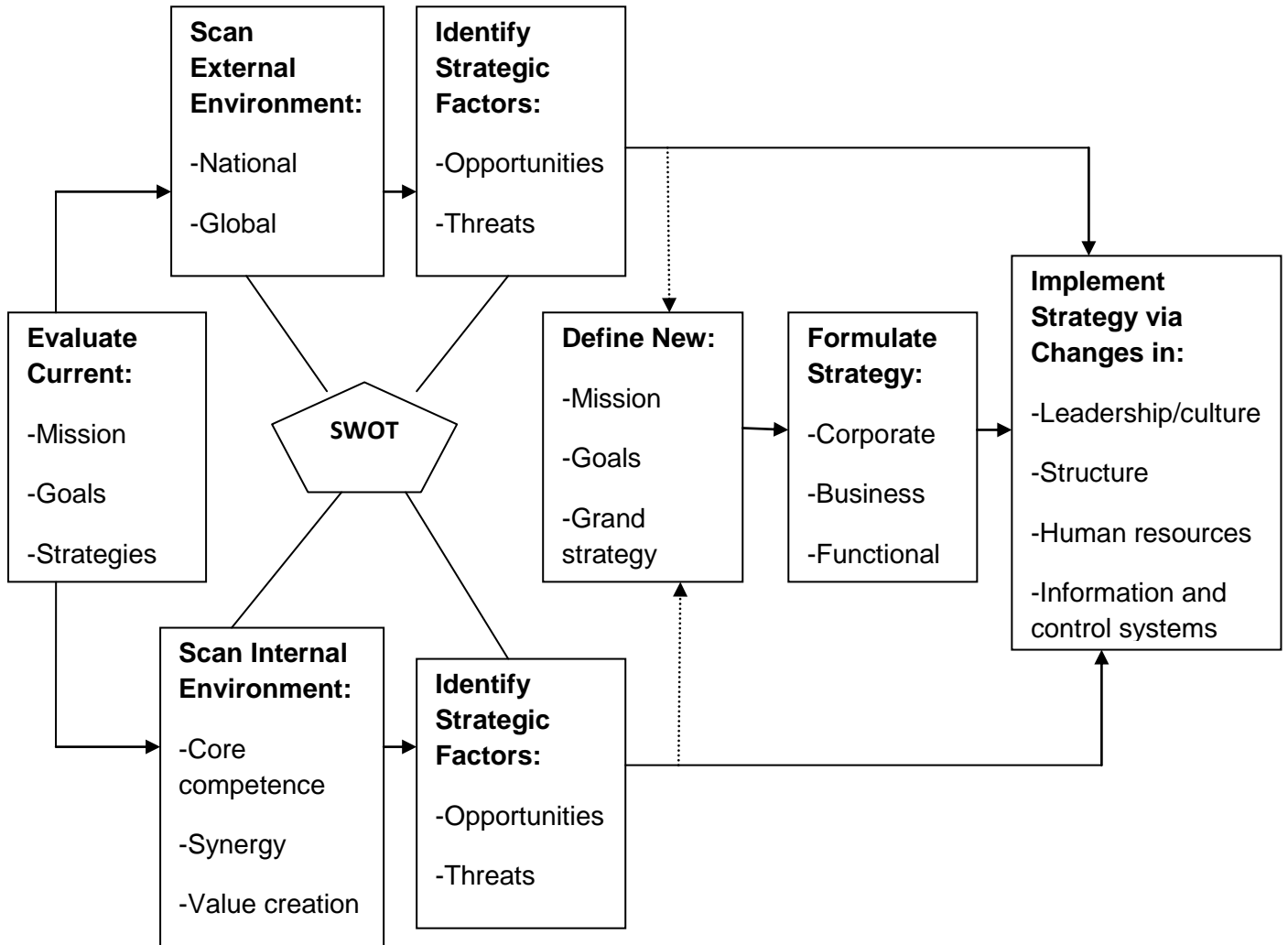


Figure 7 The Strategic Management Process (Daft R. L., Marcic D. 2010, p. 163).

4. MINI-SURVEY IN WELL-KNOWN LOGISTIC COMPANIES IN FINLAND

4.1. Methodology

The author uses a mini-survey approach in this research because she wanted to maximize the number of responses in the given amount of time and use resources available to her. At the beginning she discussed with her supervisor to carry out the case-study research, but at the point when it was time to do the empirical part of my thesis, the author was not anymore working in the logistics company and it seemed to be very complicated to use the case-study method then. Other methods, such as action research method was not used in this study, because it requires a close cooperation between participants involved and researcher, and nowadays all the leaders of the company are so busy; it is very hard to find time to them to answer the questionnaires, not even talking about the meetings and interviews.

Qualitative method is used in this study, because the chosen group – well-known logistics companies in Finland, are not so large group, maybe all together 30 companies, out of which about 20 companies are categorized as a great companies. Merriam (2009, p. 5) describes the best what the qualitative research method gives: “Qualitative researchers are interested in understanding how people interpret their experiences, how they construct their worlds, and what meaning they attribute to their experiences.”

4.2. Design and implementation

The purpose was here to send a questionnaire (Attachment 1) to the well-know logistics companies in Finland and get at least 5-9 companies' answers to analyze them. The questionnaires were sent to 16 logistics companies and finally got answers from 7 companies, so the response rate was 43, 75%. The e-mails were sent to the leaders of the company or forwarded to the managers, who are still leading the company and know how the external and internal businesses are handled. All their responses were handled with the

confidentiality, so the author numbered the companies 1-7, not using their names.

The main aim in a mini-survey is to understand and explore do the logistics companies use organizational capabilities for strategic leadership and how they react to the changes. All 20 questions were drawn from the theoretical part of the author's research. The main interesting areas were the five key elements of strategic leadership:

- Strategic orientation
- Translating strategy into action
- Aligning people and organization
- Determining effective strategic intervention points
- Developing strategic competencies.

4.3. Results and analyses

4.3.1. Organizational statement

Five companies out of seven are domestically-owned companies, which have network of worldwide agencies and co-operation partners. Other two are well-known international logistics companies, which have many branches all over the world. These two companies have employees of different nationalities and the unifying language is English. All of these logistics companies have many different divisions and more than 500 employees.

The first essay question in author's questionnaire was description of the organizational statement – mission, vision and goals. These elements are the building blocks to the whole company's activities and the guiding points to the employees and the customers to follow. They should explain the existence of the company, what the future plans are and what are the key values and strategies.

All seven companies mentioned in their responses of mission part how important customers are and giving them high quality, expertise, cost-effective and profitable service. In vision part, they all wanted to become leaders of the market and run the business successfully and profitable. Only company 7 mentioned that its vision is to value employees of the firm. The companies 1 and 5 goals, beside of being profitable and to become a leader in the field, were to invest in training, equipment and working space. All other mentioned just profitability, high customer care and success.

Here raises a question, why only one company (company 7) publicly acknowledge and feel important to value employees, who are doing the essential work to achieve the profitability and success, and are in connection with customers and give them high quality, expertise service in every day working life. Others just want to be profitable and successful, and feel to appreciate the customers. What about the stakeholders and the owners? Please see table 4 for clarification.

	To value customers and give high quality/ expertise service	To become leaders of the market	To value employees	Being profitable and successful	To invest in training, equipment and working space
Company 1	X	X		X	X
Company 2	X	X		X	
Company 3	X	X		X	
Company 4	X	X		X	
Company 5	X	X		X	X
Company 6	X	X		X	
Company 7	X	X	X	X	

Table 4 Organizational Affirmations' of the Seven Companies.

Below is the short summary of responses to the first question:

MISSION –

Company 1:

Unconditional client care, individuality and commitment are activities that matter the most. Every service is performed with the utmost attention and shipment is handled efficiently, reliable and safely.

Company 2:

The company honours respectfulness and profitability and these are company's missions to achieve. Self-esteem, consideration and respect for others are essential to them also.

Company 3:

The mission here is to provide and produce high-quality logistics services that enhance their customers' competitiveness in Finland and in the rest of the world.

Company 4:

The company wants to handle the clients' cargo and services cost-effectively, profitably and in an environmentally sustainable manner. This is achieved through expertise and productive work of the entire personnel.

Company 5:

Company's 5 mission is to shift its focus to markets and businesses with sustained growth and value creation.

Company 6:

Their mission is to build a working, active and developing corporation, which provides the best logistical services to their clients.

Company 7:

This company has very integrated global network, which has subsidiaries all over the world. They already have operations that span the globe, connecting

people, places and information, and therefore provides reliable, on-time delivery from factory to dealer.

VISION –

Company 1:

This company runs its freight forwarding business and transport services globally. It tries to react immediately to the changes as it monitors closely what happens in the world. They have up-to-date technology and in the future wants to continue to use methods of working most cost-effectively, most efficiently and fastest to the customers and to themselves. The firm tries to be customers' first choice.

Company 2:

The most important vision of this company is to develop internal co-operation and relationship with their customers. They try to see things on customers' perspective and react on that.

Company 3:

The company's vision is to grow as a strong leading logistic company in the market and to offer the best solutions to the customers.

Company 4:

The company is well respected, competitive and profitable already and their vision is to provide and to develop its services for the requirements of clients.

Company 5:

The company aims to complement its existing business with innovative products with high added value and to broaden product scope and offer opportunities for further growth.

Company 6:

Company 6 wants to develop its cooperation with their customers and to offer the best logistical, tailor-made and cost efficient services to its customers and to satisfy all the customers' needs.

Company 7:

To exceed customers' expectations and truly value the people in their organization are the most important aspects of the company.

GOALS –Company 1:

The company lists three goals:

- to develop as a leading player in the field
- to sell their services in a profitable way
- to invest in training, equipment and working space.

Company 2:

This company also lists three goals that are essentials to them:

- Respect - they value honesty and strive to obtain successful relationships with their customers. They aim to see things from customers' perspective.
- Pride – they take pride in their expertise and they share the responsibility for company's success.
- Profitability - is the basis of their activities. It facilitates the future development and soundness of the company. It also enables them to constantly develop partnerships with customers that benefit both the company and clients.

Company 3:

Four goals are listed here:

- develop and improve – for the benefit of the customer
- trust and be trustworthy
- operate profitably
- entrepreneurship means responsibility

Company 4:

Three key values of this company:

- enterprise

- co-operation
- transparency

Company 5:

The company's goals are to improve its ability to leverage opportunities in external markets, while simultaneously drawing benefits from internal synergies. The company aims to cultivate an environment that promotes achievement, learning and renewal.

Company 6:

The company's goal is to build a working, active and developing cooperation with customers and to provide the best possible logistical, cost efficient and tailor-made solutions for each specific need of the customers.

Company 7:

The company's goal consistently is to provide high quality services and it requires quality customer care. Their commitment to customer care is therefore embodied through how they perform services, how they provide access to information, and how they treat people.

4.3.2. Employees' motivation and participation

It is very important to involve and encourage employees to participate in every day decision making and cooperation, that makes them feel connected to the organization and that their ideas are considered, important and valued. Satisfied employees give more to the organization and help to achieve the goals. These employees, who are familiar with company's mission, vision and key values, can give performance 100%, to stay on the right direction and to understand what the leaders of the firm want.

Motivation is one of the effective tools to satisfy the employees. Deep listening, understanding, constructive feedback – pointing out strengths, weaknesses to improve the performances; and flexibility are the easiest ways

to let the employees feel how important they are and that they are involved in the process of decision making. Benefits, like bonuses, vacations and holidays; acknowledgment, like praising and giving a note of credit; learning opportunities and training are another tools of motivation.

Not less important is that a/ the leader(s) of the company is/ are friendly and share positive energy and example. He/ she should know a little bit of employees' backgrounds. Human Resource Management (HRM) department can help there. They are specialized by employing professional and skilled employees, training them, motivating and managing employees' information databank, where can easily see current strengths of the employee, what kind of training he/ she has got and overall work history.

HRM department has 6 out 7 companies, what means that the majority of responded companies feel that HRM department is useful and needed. HRM employees' information databank has five companies; one company did not answered on that point. That also means, that employees' information databank is useful to have and easy access to necessary information for the bigger companies who have more than 500 personnel.

All seven companies' leaders responded that employees of the corporation are well informed in the planning process and aware of the final targets and goals are which makes them easier to achieve and give the best performance possibilities. The leaders also agreed that they highlight individual accomplishments and achievements by giving the feedback and listening the employees. All seven companies answered that they reward employees, which is one of the most effective motivation tools. Company 1, 2 and 3 added that they use also training as a motivation tool; and company 3 had a third option what was career possibilities. Company 5 mentioned that to encourage employees to recognize other's contribution in their work and give positive feedback to each other, and employee personal incentive & KPI are the essential motivation tools. Company 4 did not answer the 18th question at all.

Taking these responses and analysing them, the result should be that all seven companies are highly valuing the employees and the main goal is to motivate the personnel in any way to achieve the firm's objectives and get internal satisfaction. But if the author compares these results with 4.3.1. subchapter's findings it is odd that only one company states publicly in its organizational statement, that the corporation cares deeply from its personnel and adding this point to the company's key values and strategies.

	HRM department	Employees' information databank	Employees are motivated and satisfied	Rewarding employees
Company 1	X	X	X	X
Company 2	X	X	X	X
Company 3	X	X	X	X
Company 4	X		X	X
Company 5	X	X	X	X
Company 6			X	X
Company 7	X	X	X	X

Table 5 Managing Employees and Improving Organizational Capabilities of the Seven Companies.

4.3.3. Strategic leadership orientation

The main characteristics of the strategic leadership orientation are to use successfully strategic management process, ability to anticipate, envision, involving flexibility and management through personnel. Listening, training and learning process will inspire people to participate in a process of change and implementation of organizational strategies.

Effective leadership orientation differs from strategic leadership orientation in some ways; besides some of the characteristics mentioned above, effective

leadership involves industry and organizational knowledge, reputation and track record, and personal values.

Strategic leadership is all about timing and understanding – what to strategically change on the right time. Today, everything is up to the time. - Companies practicing strategic leadership, should ask when, how and what to change to stay competitive and successful in the business world.

Companies 1, 3, 4 and 7 marked in the question 3 both boxes, that their organization is lead both strategically and effectively. Only company 2 marked effective leadership box, which means that the firm has industrial knowledge and value reputation. Companies 5 and 6 marked that their companies is led strategically, which means that they are confident to have the capability to inspire people to successfully engage in a process of continues change, performance enhancement, and implementation of organizational strategies. On the other hand, all companies marked in question 9, that the whole organization practises well strategic thinking, and in question 17, that the organization has high strategic orientation in the long-run. That means, all the companies practise strategic leadership, at least according to the results of this questionnaire.

4.3.4. Methods in formulating strategies

Strategic planning is done when the corporation has finished formulating firm's structure and culture, and usually done for the 5 years, but checked and evaluated in every year. Before that, the organization should have a clear picture, where the firm wants to go and what kind of future it wants to have. The firm should identify its skills, knowledge, strengths, weaknesses and core competences.

Strategic planning helps to check the firm's missions and goals and see a bigger picture in analyzing external and internal environment to identifying threats and opportunities. Today's quick and constant change in environment

needs to have knowledge to identify the key change drivers and act accordingly to them. Porter's Five Forces Analyses (Supplier Power, Buyer Power, Competitive Rivalry, Threat of Substitution and Threat of New Entry) helps to identify whether the new product, services or business have potentiality to enter the market and to be successful and profitable.

Only one (company 5) out of the seven companies uses Porter's Five Forces Analyses to identify, if the new strategic planning can be successful and potentiality in the business market, but all seven companies use SWOT-analyses (strengths, weaknesses, opportunities and threats) to identify the right business model and to choose the best suited strategy. Therefore, the companies check and analyze with at least one model to see if the direction is right and do the set strategy will fulfill the objectives.

Three responded companies (companies 1, 2 and 7) answered that they assess quarterly the external environment and internal problems and combine the results into goals and strategy. Four of the responded companies (companies 3, 4, 5 and 6) will do the assessment annually. Thus, almost half of the companies are use to or customary to do the analyzing of external and internal environment quarterly and more than half of the companies are use to or customary to do it annually.

Conducting a situation analyses, the most important for the companies where its customers. The second emphasizing point was the firm's own realities for the companies 1, 2, 3, 4 and 6; for the company 7, it was the broader environment; and for the company 5, it was industry dynamics. Not so important were for the companies 1 and 3 the broader environment; for the companies 2, 4 and 6 industry dynamics; for the company 7 it was not so important the firm's own realities; and for the company 5, it was its competitors. Consequently, the author can say that all the companies (100% of answered) value highly the customers' opinions and five companies value also the firm's own realities. See table 6 to get a better view.

	Its customers	The firm's own realities	The broader environment	Industry dynamics	Its competitors
Company 1	1	2	3		
Company 2	1	2		3	
Company 3	1	2	3		
Company 4	1	2		3	
Company 5	1			2	3
Company 6	1	2		3	
Company 7	1	3	2		

Table 6 Seven Companies' Stresses on Conducting a Situation Analyses.

(1 – most important; 2 – important; 3 – not so important)

Methods used in situation analyses, 100% of responded companies mentioned critical thinking, three companies (companies 1, 4 and 6) added also market research; and another three companies added creative brainstorming.

	Critical thinking	Market research	Creative brainstorming
Company 1	X	X	
Company 2	X		X
Company 3	X		X
Company 4	X	X	
Company 5	X		
Company 6	X	X	
Company 7	X		X

Table 7 Methods Used in Situation Analyses.

Four companies (companies 2, 3, 6 and 7) do not use “outside planners” to help them set strategic plans; two of the responded companies (companies 1 and 5) use “outside planners” and a company 4 did not answered that question. It is safe to say, that only two out of seven responded companies

use professionals' help who have skills, knowledge, fresh and wider view of the field to set strategic plans; and acknowledge that has been a useful experience. Four companies are confident that they have the ability and necessary skills/ knowledge to do it itself. All leaders agreed that their company manages the organizational and work-unit planning before individual performance planning.

4.3.5. Implementing strategies

Some leaders of the company think that if they have found the right strategy, then successful strategy implementation is guaranteed. It is not valid. Strategy execution demands to have a clear execution plan, to build a strong commitment and to monitor performance continuously. Not less important are to pay attention to the culture, communication and take advantage of the personnel's knowledge and skills.

Strategy implementation needs to have some kind of changes – changes in leadership, structure, information and control systems and human resources. These leaders, who are responsible of carrying out the strategy, need to be creative and find different solutions to do it. Here comes in the development of the company's assets, capabilities and core competencies to achieve the competitive advantage over others in the same field.

The the most important elements of the leaders' on executing strategy effectively are:

- clearly identifying priorities
- considering the development of resources well in advance
- monitoring performance continuously
- breaking strategy down into easily achieved objectives
- intensive team-based coaching that ensures everyone understands their role and priorities

- fostering a risk-friendly culture that encourages freedom of action if it supports key strategic goals.

The author asked to rank these key elements in order: 1 - what is the most important and 3 – what is less important, and results are shown in table 8:

	Clearly identifying priorities	Considering the development of resources well in advance	Monitoring performance continuously	Breaking strategy down into easily achieved objectives	Intensive team-based coaching that ensures everyone understands their role and priorities	Fostering a risk-friendly culture that encourages freedom of action if it supports key strategic goals
Company 1	2	3			1	
Company 2	1			2	3	
Company 3	1	3	2			
Company 4	Did not answered this question					
Company 5	3				1	2
Company 6		2		1		
Company 7			1		3	2

Table 8 Most Important Elements of the Seven Companies on Executing Strategy Effectively.

(1 – most important; 2 – important; 3 – not so important)

Two of responded companies mentioned in their listing that the most important is to clearly identify the priorities; two companies mentioned that it is the most significant to have intensive team-based coaching that ensures everyone understands their role and priorities; one company responded that breaking strategy down into easily achieved objectives are the most important; and one company kept important in monitoring performance continuously.

All leaders of the company (100%) responded that their organization learns from its own actions, focusing on changes, aligning the parties of the organization and implementing new ideas and strategies well. Thus, it is safe

to say that organizational structure is very flexible and adaptable to the changes, ready to learn from the strategic learning cycle and doing the aligning process well, which will help to execute strategy successfully and to take advantage of the company's assets, capabilities and core values.

4.3.6. Company's capabilities and core competencies

Core competencies are all about internal company's environment and its ability to take a full advantage of them. The corporation is lead in the right way if strategic capabilities are acknowledged and executed in the right way. Every individual inside the company should be committed, see the overall goal, actively participate on executing it, and accomplishing objectives.

Competitive advantages are the key elements what makes the company's business unique in the competitive market and attractive to the customers. 100% of the respondents answered that their company is focusing and developing well its existing assets, capabilities and core competencies. So, it means that the leaders of the firms acknowledge and take a full advantage of the internal assets, capabilities and core competences.

The author's final question was to describe shortly, which are the competitive advantages that make their business unique in the market and attractive to the customers. Here are the key points:

Company 1:

Did not answered

Company 2:

- Respect
- Pride
- Profitability
- Global business

Company 3:

- 120-year-old Finnish family business
- High-quality logistics services
- Market and customer orientation
- Understanding of business
- Performance and goal orientation
- Management and interaction

Company 4:

Did not answered

Company 5:

The company's corner stones are fibre- and biomass-based businesses, recyclable raw materials and products. It uses fibre and forest biomass in its products and aims to create new growth opportunities based on continuous product development and innovation. The firm provides smart and sustainable products and solutions for its customers worldwide. The company's success in leading the industry is driven by innovation, dedication and sustainable operations.

Company 6:

- Finnish-based company, who has network of worldwide agencies

Company 7:

- Global reach,
- Local knowledge

International companies mentioned that they core competencies are global business and profitability. Two of the companies are proudly acknowledging that they are Finnish-based companies, who can still run profitable worldwide logistic services. These two companies are taking pride in that they have survived in high competition in domestic market and still be successful.

5. CONCLUSIONS

Starting a business, it is crucial to align organization's statement – mission, vision and goals with corporate culture and structure to become a successful company in the business world. All these elements are the building blocks, which are guiding firm's activities in the future, employees to follow and introduction to the customers. They should explain the existence of the company, what the future plans are and what are the key values and strategies. To compare these theoretical key points with the mini-survey results, the author can shortly say, that all seven companies emphasize the importance of the customers' care, commitment and providing high-quality services. At the same time, they all want to become a leader in the field, running their business in the profitable way for them and for the customers. A strange finding was that only one company emphasized the importance of valuing its own employees and is stating it in its organization's statement. None of the companies mentioned the importance of the stakeholders and the owners.

To become a leader, the company needs to have personnel who are motivated, subject to the cooperation and active in every day decision-making processes. The employees need to be listened, given feedback, rewarded and make them aware of the corporation's objectives. Not less important is the company and the leaders of the company, who are positive example to be ready to change their own behavior, work methods and attitudes. The questionnaire's results showed that it is essential to have a HRM department in major companies, which will help the whole corporation to recruit skilled and professional personnel, train, motivate them, and manage employees' information databank; otherwise the leaders can be lost and/ or unintentionally unfriendly and unprofessional. All seven companies answered that they reward employees, which is one of the most effective motivation tools to have satisfied personnel and achieve organizational objectives.

Companies can practice strategic leadership when they have the capability to inspire people to successfully engage in a process of continuous change,

performance enhancement, and implementation of organizational strategies. It involves flexibility and management through personnel. Listening, training and learning process will inspire people to participate in the whole process of change. Every company who practices strategic leadership, should ask when, how and what to change to stay competitive and successful in the business world. Only two companies out of seven responded that they firm is led strategically and other companies mentioned also effective leadership. None of the companies marked that their company is lead in other way. Thus, all seven responded companies are confident that they are practicing strategic leadership, because other questions are also answered referring to that statement.

Strategic leadership includes five key elements:

- Strategic orientation
- Translating strategy into action
- Aligning people and organization
- Determining effective strategic intervention points
- Developing strategic competencies.

Strategic planning is done when the corporation has finished formulating the firm's structure and culture. Strategic planning helps to check the firm's missions, visions and goals, and to analyze internal and external environment to identifying strengths, weaknesses, threats and opportunities. All companies who were mentioned in the author's mini-survey marked that they test and analyze the strategic plans in some way, using critical thinking, to see if they will have desirable outcomes, possibility to be profitable in the field and to be wished by the customers. Only few companies use "outsider planner's" help to set the strategic plans, others have the confidentiality to have these skills and knowledge inside the corporation.

After testing and analyzing the strategic plans, and achieving the desirable outcomes, follows the implementation. To have found the right strategy, does not guarantee the successful strategy execution. Successful strategy

implementation needs to have a clear execution plan, to build a strong commitment, to monitor performance continuously, to have two-way communication inside the company and to take a full advantage of the personnel's knowledge and skills. Comparing the author's mini-survey companies, they all seem to have enough flexibility and knowledge to carry out the changes, learn from its own actions and focusing on its existing assets, capabilities and core competencies.

To develop the company's assets, capabilities and core competencies, it has to acknowledge what they are: a unique set of skills or techniques to achieve both customers' and its own value. The main assets of the company are the employees. They should be treated as a member of the family and shown high value. That is why it is occurred to find out, that only one out of seven companies mentions in its organization's statement, which is reflecting its reasons for existence - mission, a statement for future plans - vision, a list of key values that the firm thinks is important to follow, and major goals set to achieve; that they value employees. Other companies mention later in the questionnaire that they motivate personnel and try to train and reward them to get satisfaction.

It is important to be a competitive in today's hectic and dynamic business environment, and for that the corporation should be more flexible and less bureaucratic. The company should assess the external environment and internal problems and combine the results into goals and strategy. The companies mentioned in the author's questionnaire think that they core competencies are global business and to run profitable worldwide logistic services.

The author uses a mini-survey approach in this research because she wanted to maximize the number of responses in the given amount of time and use resources available to her. At the beginning she wanted to carry out the case-study research, but at the point when it was time to do the empirical part of her thesis, she was not anymore working in the logistics company and it seemed to be very complicated to use the case-study method then. At the beginning

the author wanted to add more essay questions to her questionnaire to get more information to analyse through, but her supervisor thought that no one has time to do it. Nowadays all the leaders of the company are so busy and it is very hard to find time to them to answer the long questionnaires, not even talking about the meetings and interviews; and that is why she made a questionnaire easy enough to answer, taking only about 15 minutes of their time. Not even then all the companies answered – out of 16 companies seven send responses. The participants get so many questionnaires, that they do not think it is important to answer them and they use time to do more “important” things like running a business.

The author’s mini-survey is really limited and concentrating on the main points of organizational capabilities for strategic leadership. She was studying a strategic leadership orientation on the company’s angle, not as an individual. It would be a good idea to expand the study and send the questionnaire to the same companies’ employees and see what they would have answered and think about the topic. The author would like to someone study more the topic and expand the area of the study, maybe even use different research methods to carry out the empirical part and get more information and data to analyze. For that the researcher has to prepare a lot of time, resources and patients, what the author was short of.

The author’s overall opinion after analyzing the companies’ responses is that they still do not enough appraise the personnel, who are one of the major and important part of organizational capabilities, and do not practice strategic leadership in full context. None of the companies answered in the questionnaire “Not at all”, “Slightly”, “Moderately”, “Well”, “Excellently”, chose from the options for many questions “Excellently”. It shows that the respondents were modest or they still feel that they are not the best in the field and have something to improve and extend to become an excellent leader in the market. The organizations should pay more attention to the personnel and not pursue after money and profit. Employees are doing the hard work and help the firm to become successful and profitable, and that is why the company should in return value more the staff and see that the internal

environment is sound and happy. The leader should lead all members of its group as a true leader working towards a common goal, not being a dictator. The leader should show love, when the purpose of the business is not the business itself but human lives; when everyone is honoured, respected and welcomed to the organizational community.

Major changes have already happened where the organizations have realized that the customers are important and it is essential to give them high quality and professional service. Now, when the working population is aging and it is harder to get skilled, trained and professional employees; the companies should take more time and try to find ways to make their employees happy, motivated and satisfied.

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APPENDIX

Appendix 1: Questionnaire

Dear Sirs/ Madams,

My name is Liina Urb and I am a student of the Kymenlaakso University of Applied Sciences, studying in MBA programme. My topic of the research is *Organizational Capabilities for Strategic Leadership*. My supervisor of the research is Ari Lindeman.

I would like to know more about organizational capabilities related to the strategic leadership. If you would be so kind and answer my questions, so I can analyze them in my research. All your responses will be handled with the confidentiality. The thesis is done in English and the results of my thesis will be sent to you by e-mail during January 2012.

My main interesting area is five key elements of strategic leadership:

- Strategic orientation
- Translating strategy into action
- Aligning people and organization
- Determining effective strategic intervention points
- Developing strategic competencies.

Thank You for your cooperation!

With kind regards,

Liina Urb

E-meil: liina3@hotmail.com

Phone: +358 407324191

1. Could you please describe shortly your organizational statement (mission, vision and goals).

2. Do you have a Human Resource Management department?

Yes No

If Yes, do you have employees' information databank?

Yes No

3. How do you describe your organization is lead?

Strategically Effectively Other, what _____

4. How often your company assess the external environment and internal problems and combine the results into goals and strategy?

1	2	3	4	5
Monthly	Quarterly	Annually	1-3 years	More than every 3 years

5. Does your company use SWOT-analyses (strengths, weaknesses, opportunities and threats) to identify the right business model and to choose the best suited strategy??

Yes No

6. What is your company emphasizing when conducting a situation analyses? Please rank them: 1–most important, 2–important, 3–not so important.

Its customers Its competitors The firm's own realities

Industry dynamics The broader environment

7. What are the most important methods of situation analyses?

	Creative brainstorming
	Market research
	Critical thinking

	Other, what?
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- 8. Formulating a business strategy, do you test it using Porter's Five Forces Analysis (Supplier Power, Buyer Power, Competitive Rivalry, Threat of Substitution and Threat of New Entry)?**

Yes No

- 9. How well does the whole organization practise strategic thinking?**

1	2	3	4	5
Not at all	Slightly	Moderately	Well	Excellently

- 10. Do you reward your employees, who actively participate in strategic thinking?**

Yes No

- 11. How well your organization learns from its own actions, focusing on changes, aligning the parties of the organization and implementing new ideas and strategies?**

1	2	3	4	5
Not at all	Slightly	Moderately	Well	Excellently

- 12. How well all of your company's employees know its performance planning process and what are its final goals and targets?**

1	2	3	4	5
Not at all	Slightly	Moderately	Well	Excellently

- 13. Do your company manage the organizational and work-unit planning before individual performance planning?**

Yes No

- 14. Do your company highlight individual accomplishments and achievements by giving the feedback and listening the employees?**

Yes No

15. Does your organization use “outside planners” to set strategic plans?

Yes No

If Yes, have you been satisfied doing a collaboration with them?

Yes No

16. What are the most important elements of your leaders’ on executing strategy effectively? Please rank them: 1-most important, 2-important, 3-not so important.

Clearly identifying priorities Considering the development of resources well in advance

Monitoring performance continuously Breaking strategy down into easily achieved objectives

Intensive team-based coaching that ensures everyone understands their role and priorities

Fostering a risk-friendly culture that encourages freedom of action if it supports key strategic goals

17. How do you describe your strategic orientation in the long-run, considering constant changes in the environment?

High Medium Low

18. Please describe shortly, what kind of motivation tools your leaders use?

19. How well you describe your company is focusing and developing its existing assets, capabilities and core competencies?

1	2	3	4	5
Not at all	Slightly	Moderately	Well	Excellently

20. Please describe shortly, what are the competitive advantages which make your business unique in the market and attractive to the customers?

Thank you!