



Oil prices roller coaster vs Corporate Values



Corporate ideology in view of crises and turbulent environment

(Interview with Rex Tillerson, CEO ExxonMobil, FT, 9th March, 2009)

- ◆ Question: How is ExxonMobil reacting to the deep fall in oil prices (from ca. 150 to 50 USD/barrel)?
- ◆ Answer: We really make no adjustment to our strategy (..) based on 30-yers investment horizon –refusing to give into pressure to spent more when prices rise and not cutting back when prices fall.
- ◆ Question: Some analysts now expect Exxon to capitalise on buying opportunities.
- ◆ Answer: „It’s very much in a state of change. It has not settled in my view”.



Corporate traditions and strategic planning

- ◆ Corporate traditions create fundament for MNCs' existence
- ◆ Strategic plans will always be interpreted and implemented in context of a company ideology
- ◆ Although value building is a universally recognised goal of all MNCs each of them needs an individual purpose accepted by **it's own** customers, shareholders and employees.



Foundations of MNCs strategy – corporate traditions

◆ Myths about „good” MNCs

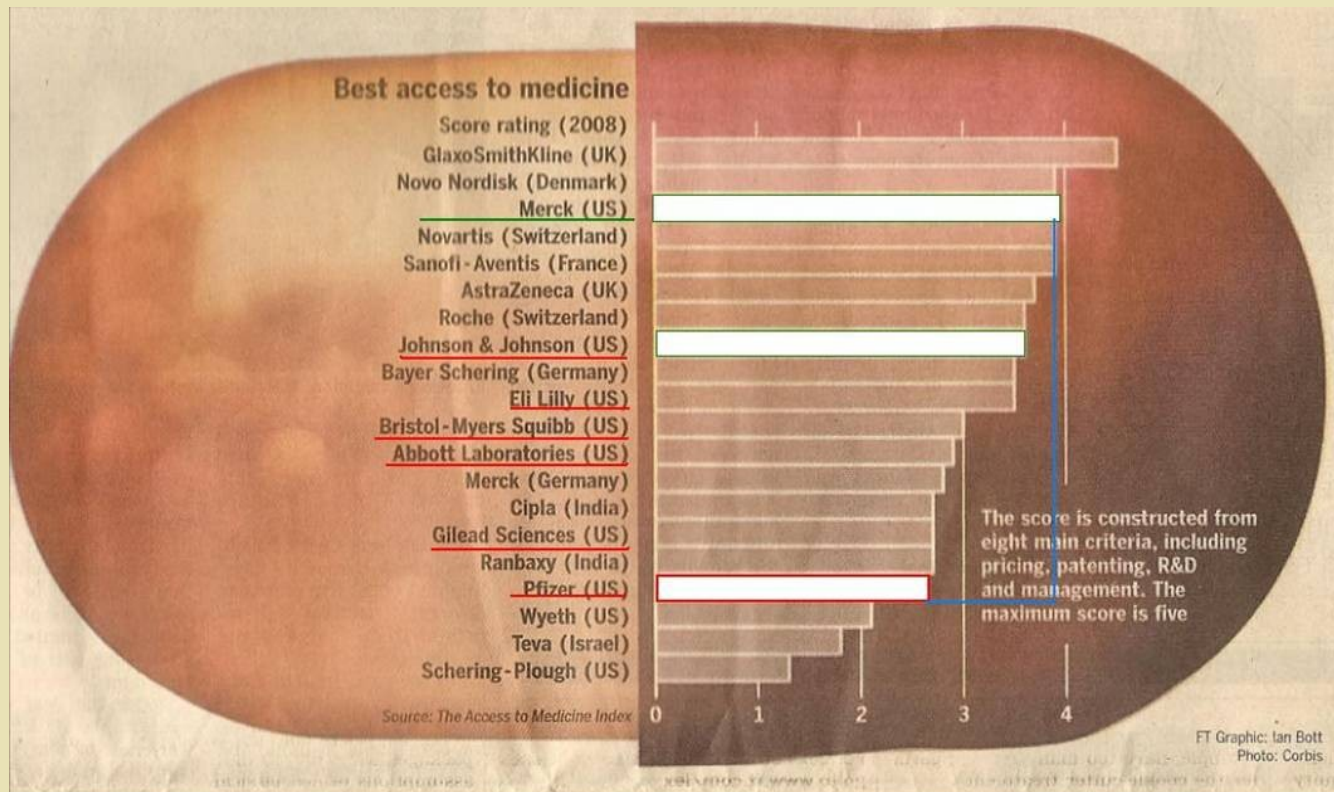
- MNCs exist only to create wealth for shareholders (what about customers then?)
- „Good” MNCs are run based on universally recognised excellent management concepts (then how they differ one from other?)
- MNCs’ success is based on outstanding strategic planning (why so many achievements are driven by simple luck)
- The only sure think in good MNCs is a change (good MNCs subscribe to their long lasting traditions, changing processes and products along certain core line)




Basics of visionary companies (Collins James C., Porras Jerry I.: Built to last. Harper Business, New York, 1994)

- ◆ Clock building, not time telling
- ◆ More than profits
- ◆ Big hairy audacious goals
- ◆ Preserve the core/stimulate progress
- ◆ Cult like cultures and cultural fit
- ◆ Try a lot but keep what really works
- ◆ Home-grown management

More than profits – Merck case (river blindness case)



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Corporate ideologies traditions (examples)

◆ 3M:

- Innovation
- Absolute integrity
- Respect for individual initiative and personal growth
- **Tolerance for honest mistakes**
- Product quality and reliability
- **„Our real business is solving problems”**

◆ Johnson&Johnson:

- **The company exists „to alleviate pain and disease”**
- „We have a hierarchy of responsibilities: customers first, employees second, society at large third and shareholders fourth”
- Individual responsibility and rewards on merit
- Decentralisation = Creativity = Productivity



Core ideologies - do not work everywhere

- ◆ American Express:
 - Heroic customer service
 - Worldwide reliability of services
 - Encouragement of individual initiative
- ◆ Works well in credit card business
- ◆ Does not work in mortgage business



Corporate ideology - Walt Disney story

(Rob De Witt, Ron Meyer: „Strategy synthesis. Resolving Strategy Paradoxes to Create Competitive Advantage”. Thomson Learning, London, 2005, pp. 19-23)

- ◆ Walt and Roy Disney period (up to 1971)
 - animated sound movies
 - amusement parks
 - gadgets
- ◆ 1971-84 - after Disney:
 - lack of new ideas
 - evaporating movies market share (down to 4 %)
- ◆ 1984-94 – period of Wells i Katzenberg:
 - „*Beauty and Beast*”, „*King Lion*”
 - video cassettes
 - amusements parks also for adults
- ◆ 1994-02 – period of expansion:
 - purchase of Capital Cities/ABC for 19,6 billions USD
 - Creation of own stores network
 - Co-operation with Pixar, bringing financial successes (fe. „*Monsters Inc.*”), but brought a growing dependence on the partner’s know-how.



Corporate traditions - Dell's case

(An interview with M. Dell and K. Rollins, HBR, March, 2005, pp.102 –111)

- ◆ „Why Kmart can't imitate Wal-Mart? Because it takes more than strategy. It takes years of consistent execution for a company to achieve sustainable competitive advantage”.
- ◆ „the key to our success is years and years of DNA development within our teams that is not replicable outside the company”.
- ◆ „Dell bubbled up through a kind Darwinian evolution, finding holes in the way the industry was working”.
- ◆ Dell has always focused on innovation leading to cut costs not to improve products themselves.
- ◆ Dell – founded in 1984, founding capital 1 000 USD. 2004 r. - 53,000 employees, market value above 100 bln USD.



What visionary companies are not?

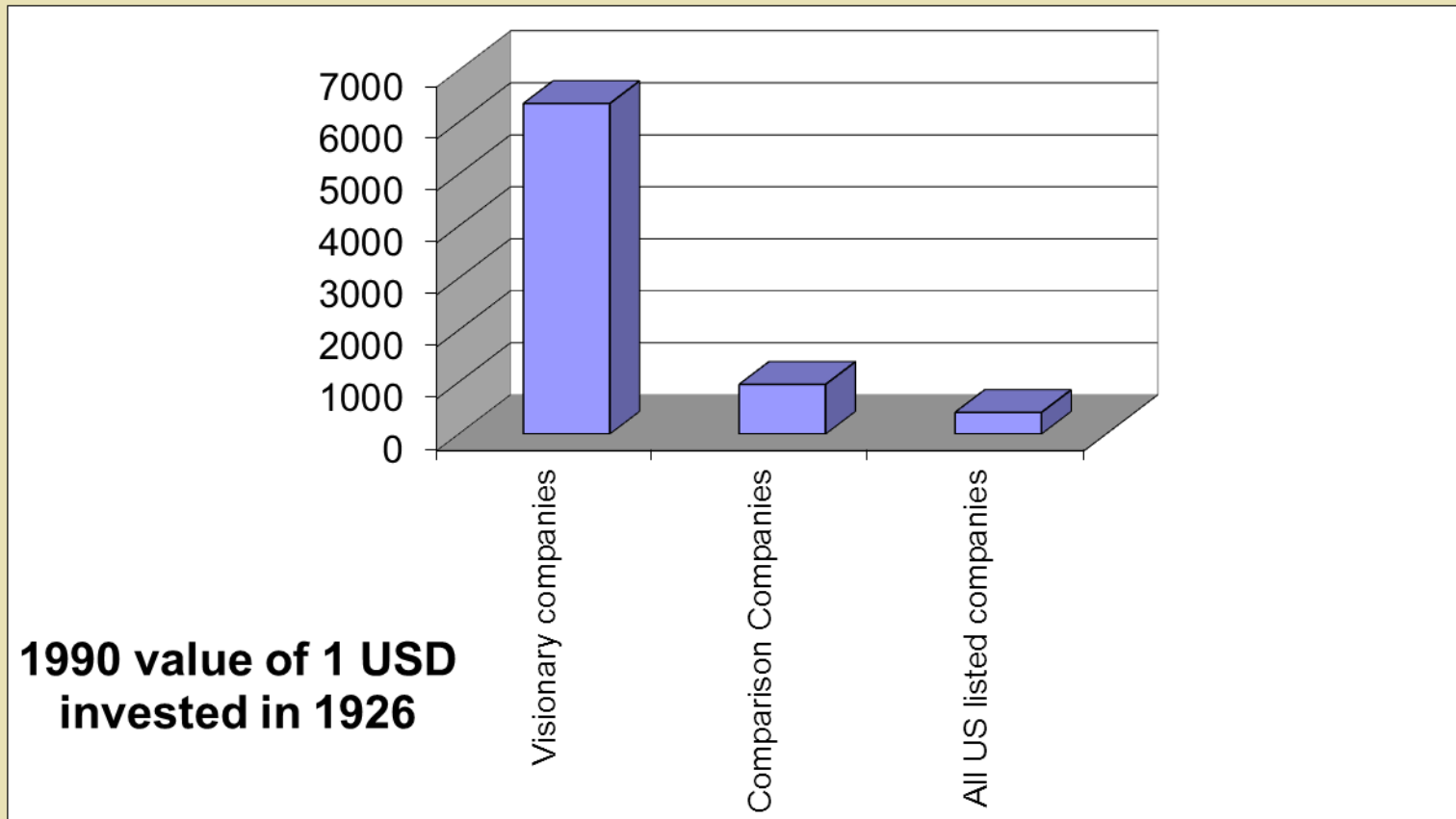
- ◆ „Business archaeologists” keeping up to old patterns: on the opposite, they can hang on audacious, far going and risky goals especially at turning points
- ◆ Wonderful working place for everybody: on the opposite, visionary MNCs remind religious orders, either you fully belong to them or you are rejected
- ◆ „Genuine warriors” destroying competitors: on the opposite, visionary MNCs focus on their relations to customers and themselves, beating competitors is just a by-product of pursuing core ideology
- ◆ Wonderful machines programmed by founders: on the opposite, visionary MNCs reached their vision working and making mistakes, though ultimately they spelled out one it had come after years of searching



What visionary MNCs never do? (Collins J., „How the Mighty Fall” ,The Economist, 12th December, 2009)

- ◆ Buy-out other big corporation to change main business
- ◆ Introduce a radical change questioning or neglecting previously created competences and successes.
- ◆ Undertake never-ending programs restructuring all key activities
- ◆ Believe in a success due to totally new, not really analysed and practiced, strategies (investments in new technologies or entering new markets)
- ◆ Hire an external star-CEO who even does not attempt to learn the company but strongly believes in his „idee fix”.

Corporate ideology - profitability



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