

The Strategic Leader – Surviving Ambiguity in a Constantly Changing Business Environment

NCACPA

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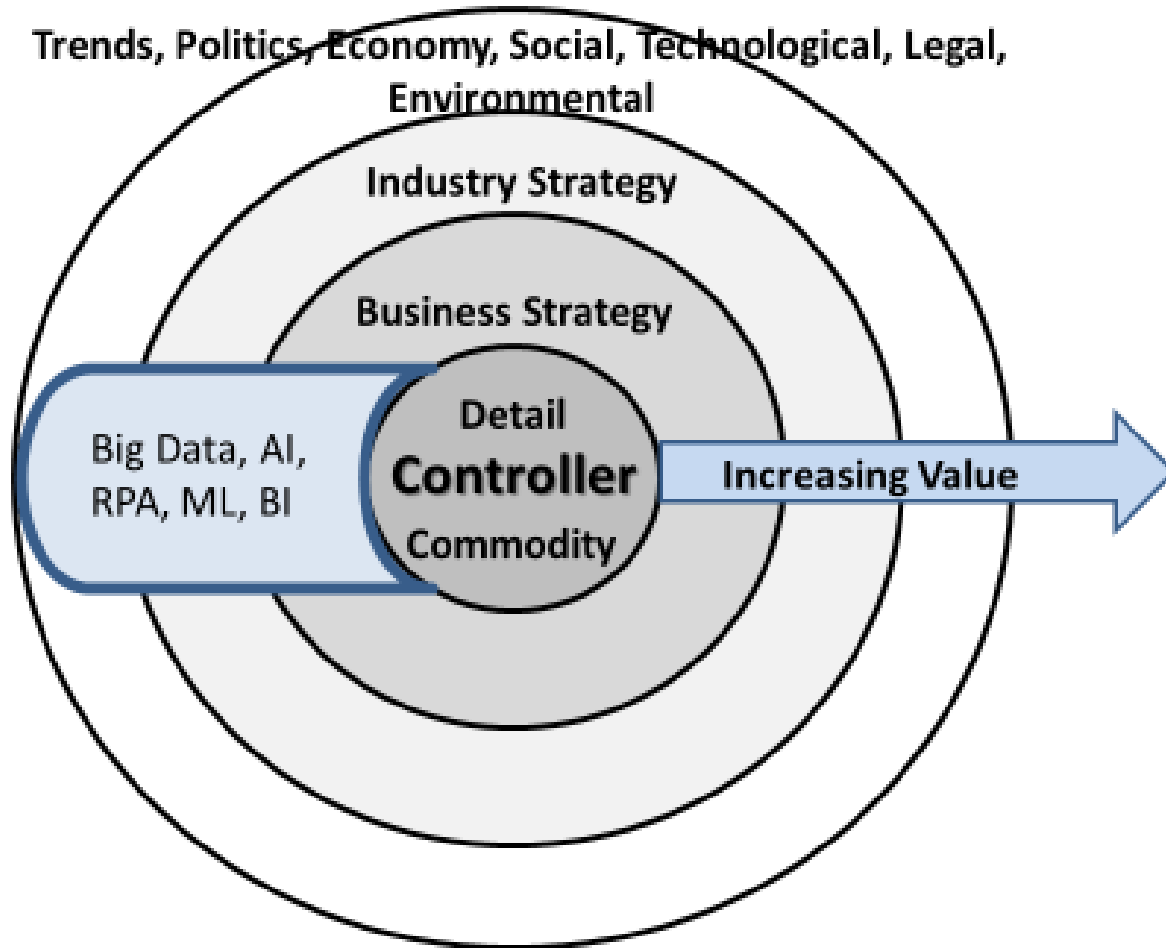


Objectives

- Identify current issues that impact profitability.
- Recognize how issues can result in business failure.
- Recommend a strategic culture that is adaptable to change.
- Identify opportunities in chaos.
- Monitor the changing business environment and potential impact on the organization.
- Recommend ways to inculcate visionary thinking.

Expanding Your Leadership Value

Expanding Controller Value

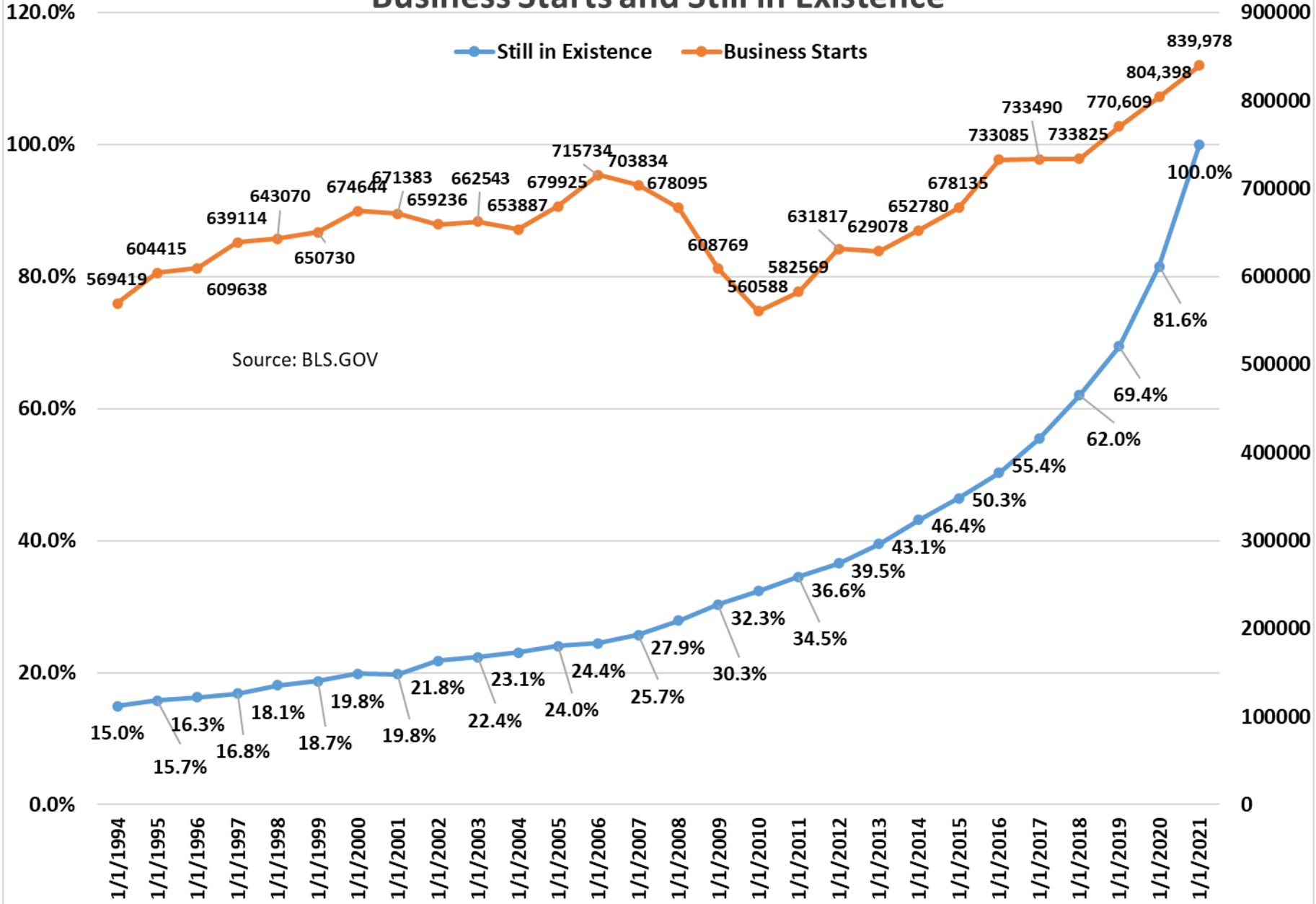


Current Issues Will Impact Profitability

- Inflation
- Interest rates
- Availability of staff
- Supply chain
- International conflicts
- Health: Obesity and drugs
- Remote work attitudes
- DEI, ESG, “Going Woke”



Business Starts and Still in Existence



Source: BLS.GOV

Ignoring Strategic issues can result in business failure



Where do businesses fail?



- Lack of cash
- Not monitoring Collections
- DSO gets out of whack
- Overdependency on specific customers
 - Over 25% informal management team
 - Over 50% informal owner
- Growing too fast
 - 20% per year
 - Double in 4 years
- Not monitoring key

information

- Not knowing the warning signs - ratios Z-scores
- Financials
- Business Cycles



Where do businesses fail?



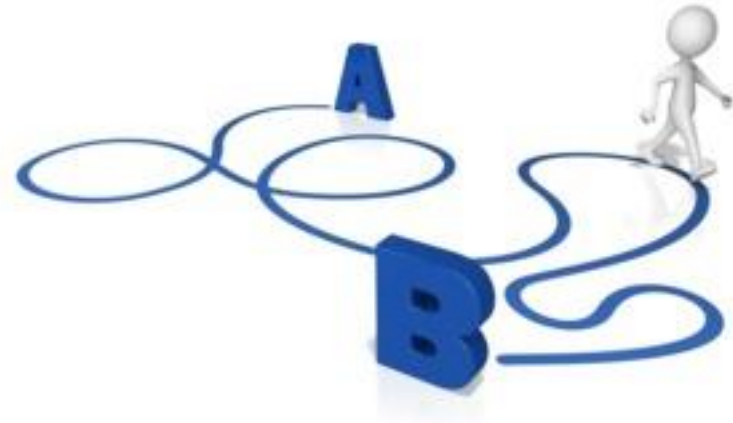
- Overtrading
- Ignoring Competition
- Ignoring Trends
 - Industry
 - Environment
 - Social
 - Technology
 - Customer preferences
- Complacency
- Unwilling to deal with tough issues
- High level of bureaucracy
- Failed expansion into other markets



Where do businesses fail?



- Poor employee selection
- Incompetent management
- Inadequate working capital
- Inadequate financing
- Unaware of the need for WC for growth
- Lack of planning
 - Business
 - Strategic
 - Budget
- Planning Tools
 - PESTLE
 - SWOT
- Subscribe to external sources
- Unethical
- Not transparent



Where do businesses fail?



- Unethical
- Don't know how to price product
- Don't know how to sell a product
- Over dependency on one vendor
- Owners pull too much out of the business
- Family business - successive generations not interested in business
- Choice of wrong products or services
- Lack of contingency plans
- Not developing staff
- Inadequate technology
- Lack of R&D



Other attributes of failing companies:

- The management is not well educated in business matters (30.3%)
- High level of bureaucracy (27.3%)
- Failed expansion into other product markets (21.2%)
- No transparency (18.2%)
- Liquidity problems (18.1%)
- Not enough investment in future products or technologies (18.0%)
- Ineffective marketing (12.1%)
- Not enough new customers (12.1%)
- Decentralized organization (9.2%)
- Wrong investments (9.1%)
- Poor customer service (9.0%)
- Insufficient product quality (9.0%)
- Failed expansion into other countries (9.0%)
- The buying department did not reach its full potential (6.1%)

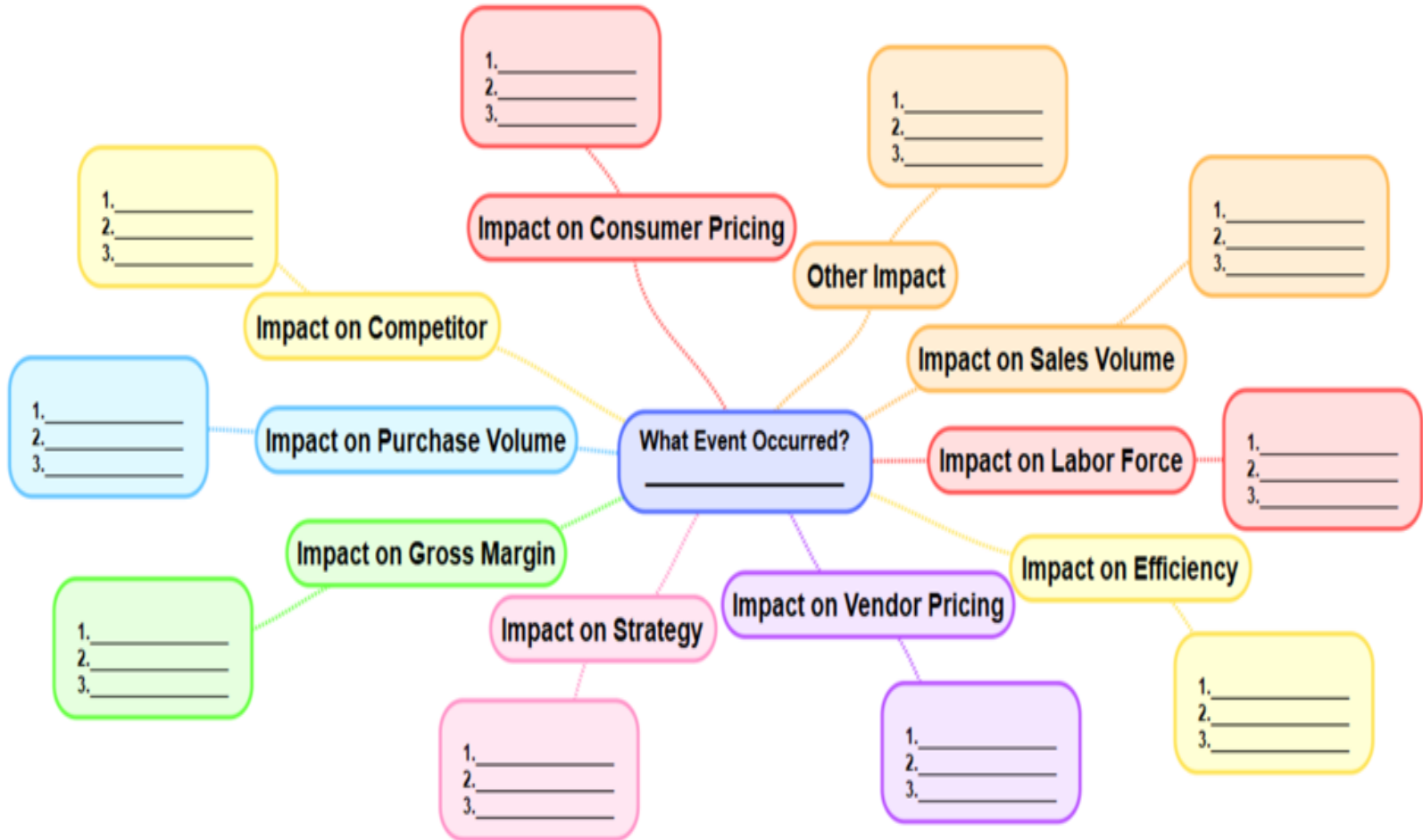


Chaos as an Opportunity

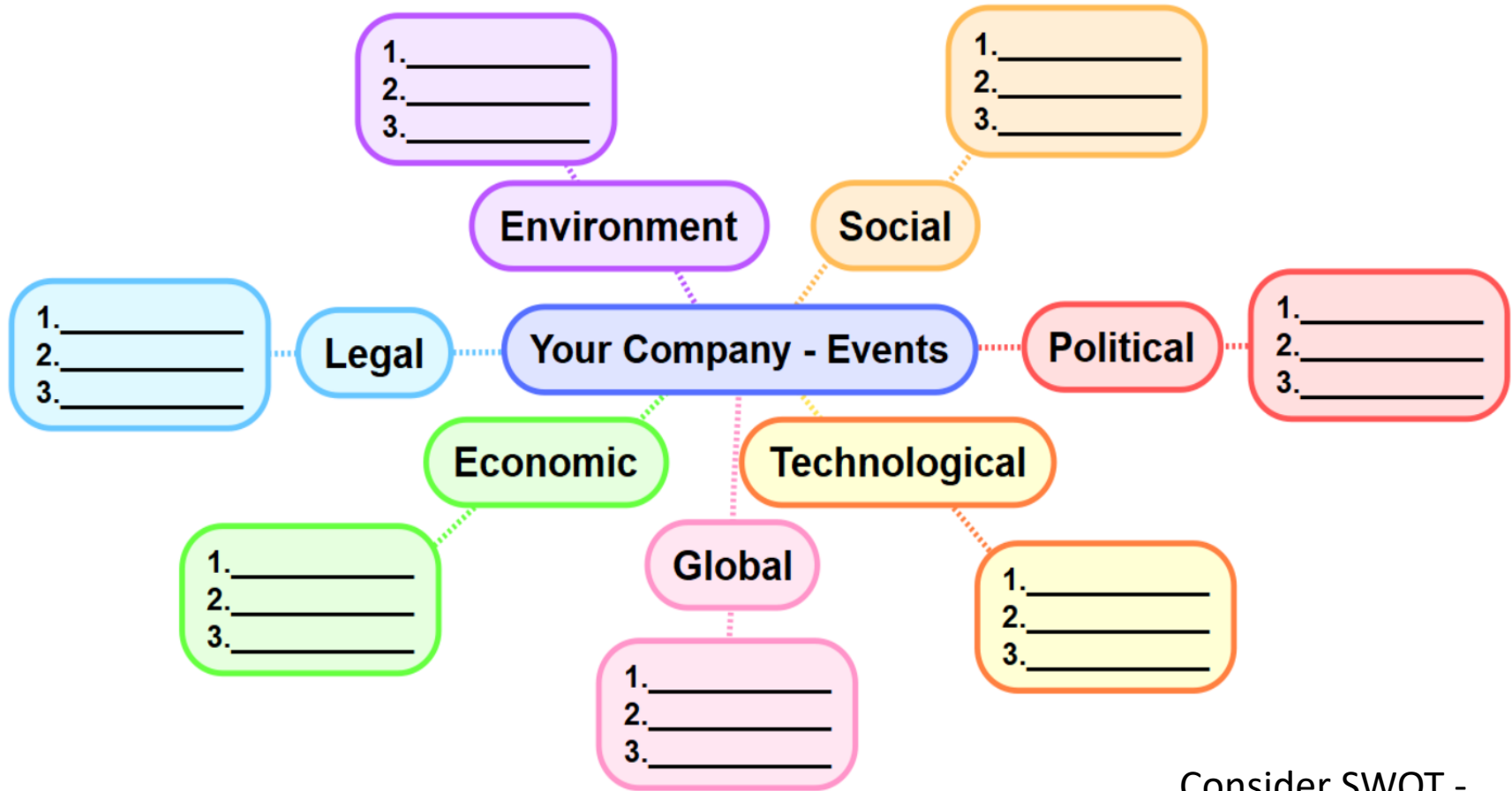
- Awareness
- Control of Biases/paradigms
- Everything is assessed –
 - What can I learn?
 - What could I leverage?
 - How could I make money given this situation?
 - How is someone else making money from this situation?



Controlled Mind Map



PESTLE Mind Map



Consider SWOT -
Revised

Constantly Monitoring Environment

- Google Alerts
- Signup for Newsletters
- Favorite Web Sites
- Favorite Podcasts
- Charge all employees with data and story gathering
 - Formalize collection and interpretation of data
- Invest in R&D
- Access SEC reports competitive information and management discussion of risks/opportunities
- Access key consulting and educational publications
- Monitor customer experiences
- FRED
- MIT



Alerts

Monitor the web for interesting new content

🔍 Business Intelligence



How often	At most once a day	⌵
Sources	Automatic	⌵
Language	English	⌵
Region	Any Region	⌵
How many	Only the best results	⌵
Deliver to	thorrugger@gmail.com	⌵

Create Alert

Hide options ▲

Alert preview

NEWS

How Cloud Computing Is Influencing **Business Intelligence**: Part 1 - Forbes

Forbes

Cloud computing has had a tremendous impact on **business intelligence** (BI) applications. In fact, Gartner found that leading organizations are now ...

File Edit View History Bookmarks Tools Help

FRED Data x 10-Year Treasury Constant Matu x +

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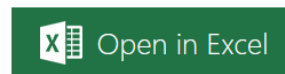
[Apps](#) > [FRED Data](#) > Launch



FRED Data

Federal Reserve Bank of St. Louis

Get started with the add-in:

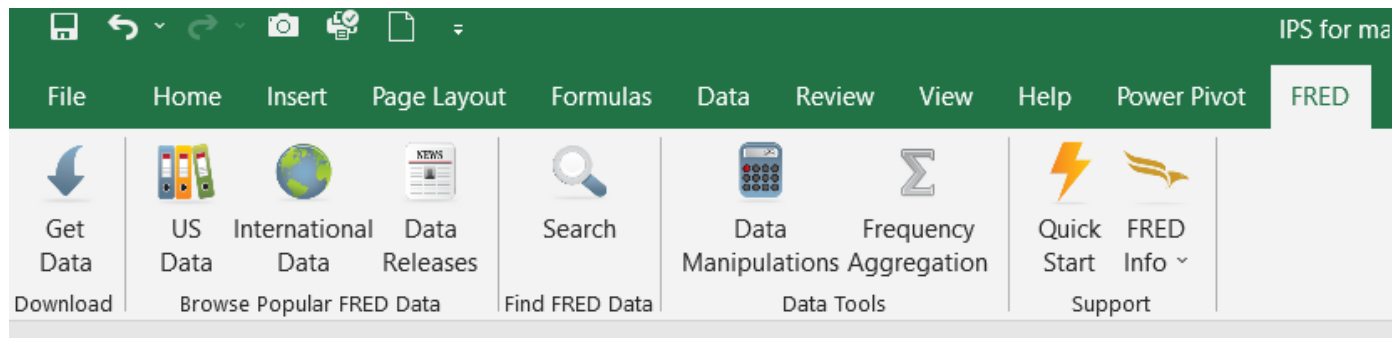
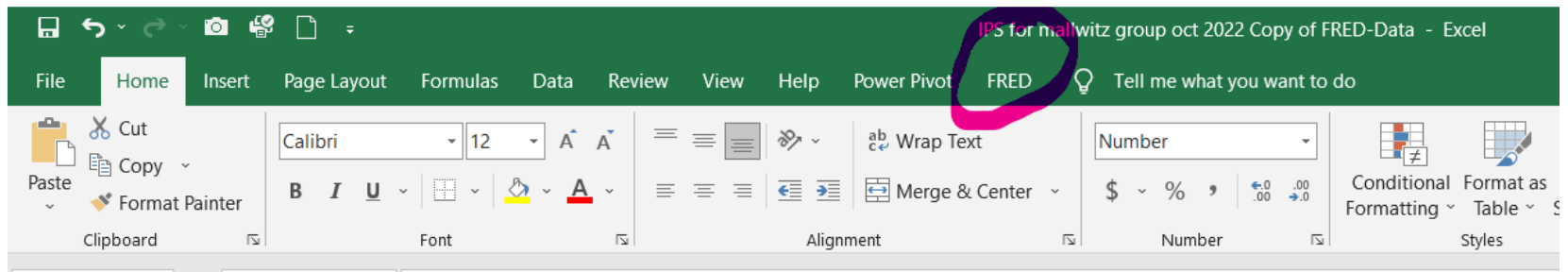


This add-in works in: Excel 2016 or later on Mac, Excel 2016 or later on Windows, Excel on the web.

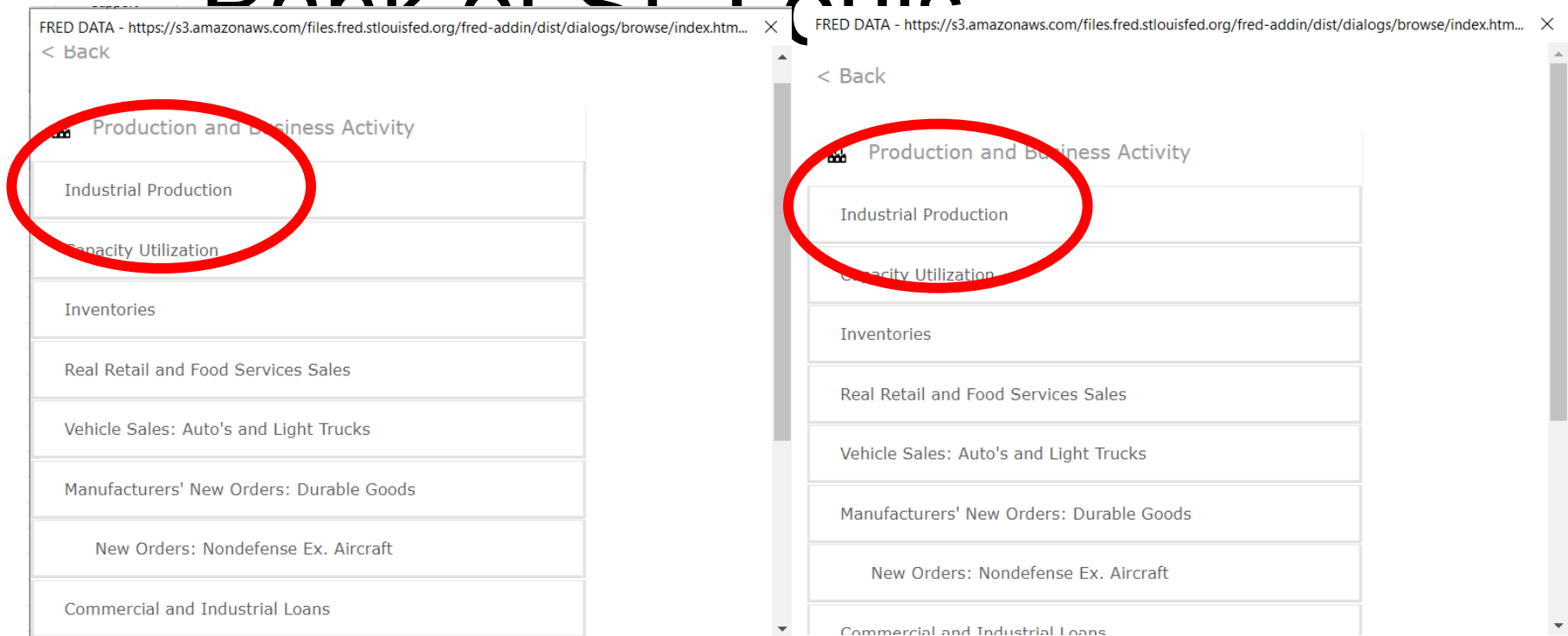
If you don't have the above, [try using Office Online](#).

Accessing Data: Federal Reserve Bank of St. Louis

Ch. 7



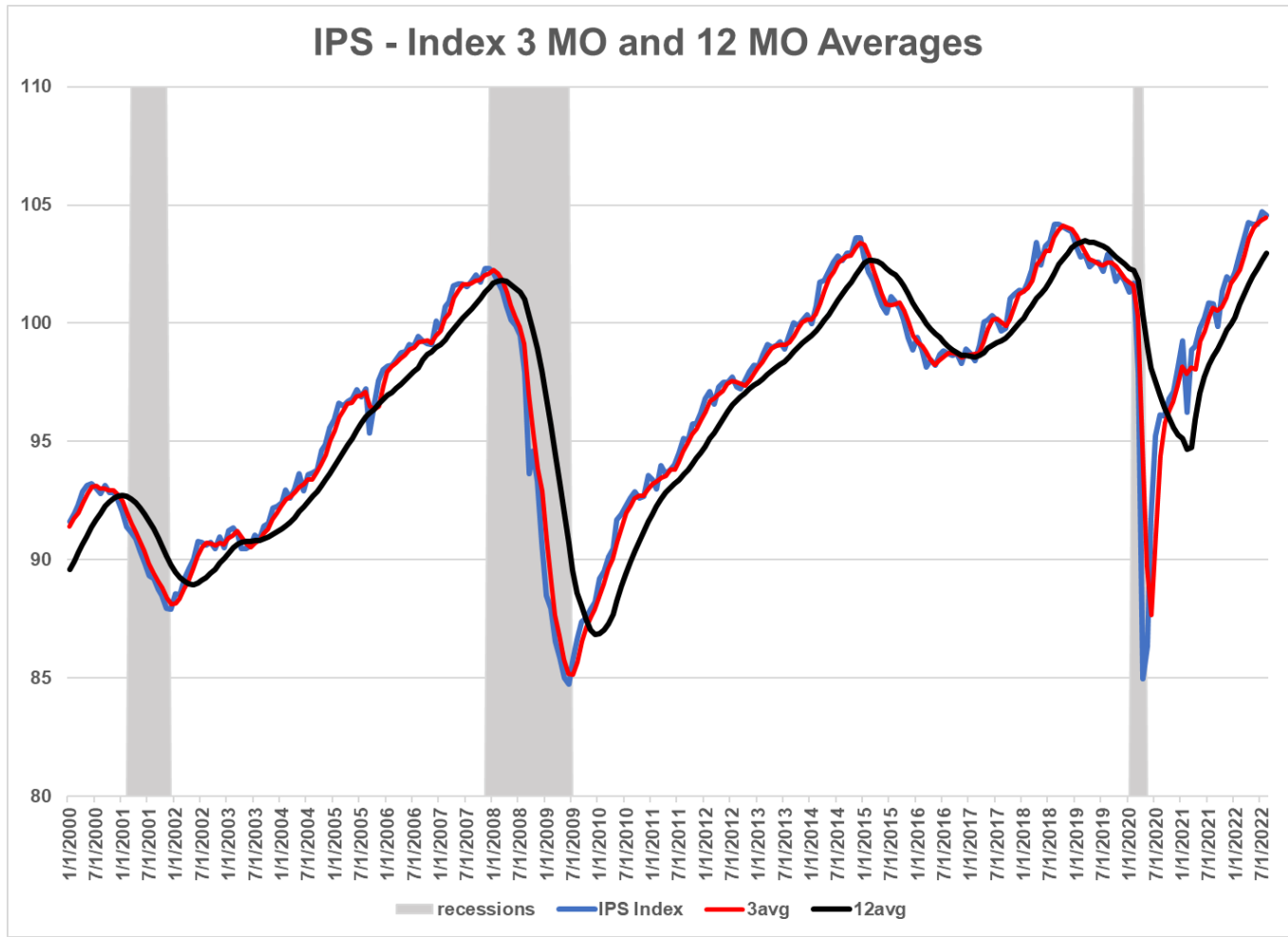
Accessing Data—Industrial Production Federal Reserve Bank of St. Louis

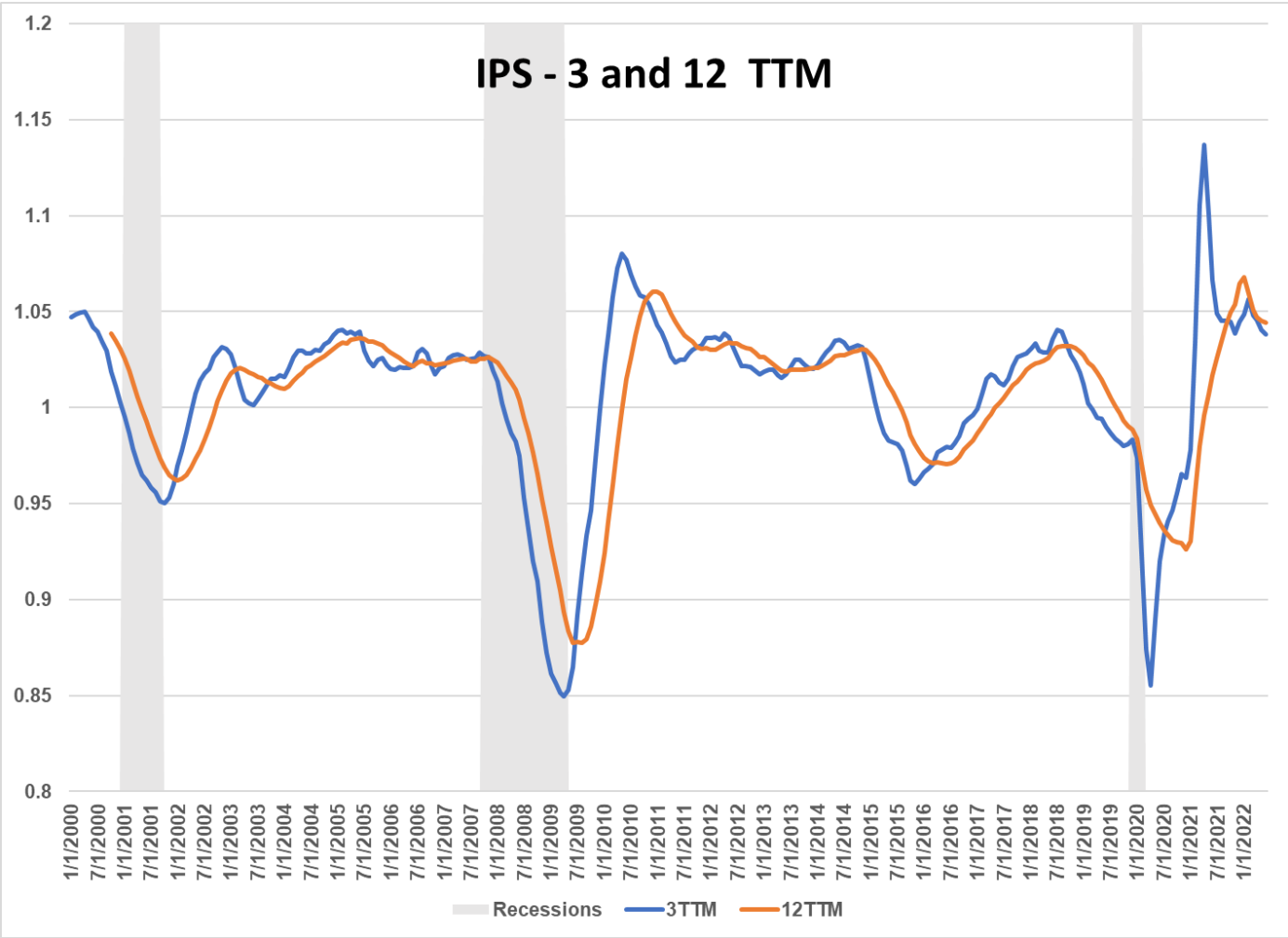


Data—
Industrial
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Index
Federal
Reserve
Bank of St.
Louis

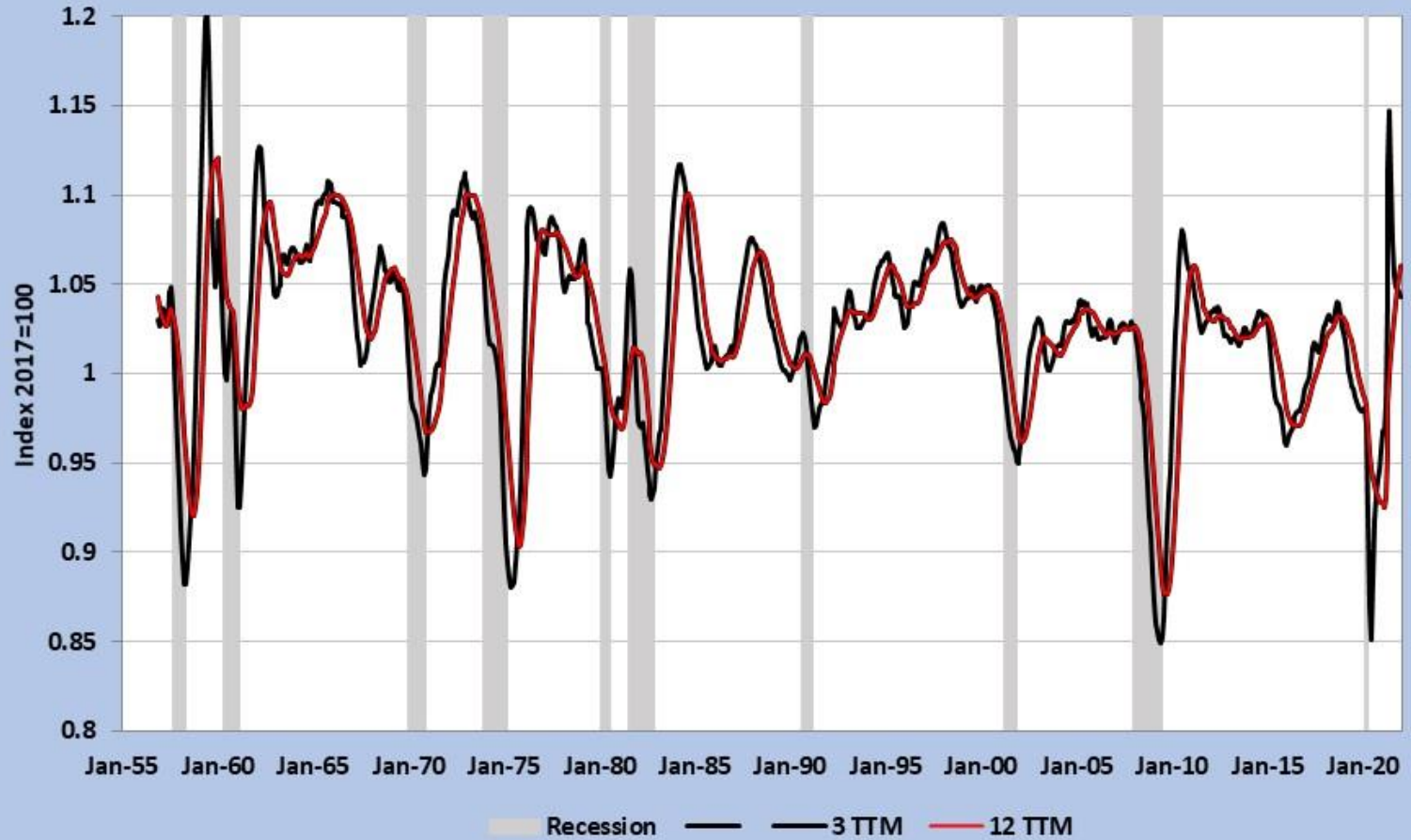
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	A	B	C	D	E	F	G	H		A	B	C	D	E	F	G	
1	INDPRO		INDPRO						267	8/1/2020	96.1173	94.37117	96.95883	0.920088	0.940064	0	
2	lin	Index 2017=100, Seasonally Adjusted								268	9/1/2020	96.0711	95.81077	96.41651	0.934166	0.936006	0
3	m	Monthly								269	10/1/2020	96.825	96.3378	96.0038	0.9406	0.933714	0
4	1/1/1999	1999-01-01 to 2022-08-01								270	11/1/2020	97.1183	96.67147	95.58883	0.946354	0.931084	0
5	Industrial Production: Total Index									271	12/1/2020	98.138	97.36043	95.28673	0.955643	0.929731	0
6	Board of Governors of the Federal Reserve System (US)									272	1/1/2021	99.2645	98.1736	95.11686	0.965123	0.929559	0
7	date	value	3avg	12avg	3ttm	12ttm	recessions		273	2/1/2021	96.2231	97.8752	94.66013	0.963433	0.925934	0	
8	1/1/1999	87.4252					0		274	3/1/2021	98.8621	98.11657	94.74243	0.978291	0.93055	0	
9	2/1/1999	87.926					0		275	4/1/2021	99.0246	98.0366	95.91456	1.033642	0.955692	0	
10	3/1/1999	88.1101	87.82043				0		276	5/1/2021	99.7785	99.22173	97.03489	1.105871	0.980072	0	
11	4/1/1999	88.3106	88.11557				0		277	6/1/2021	100.1923	99.66513	97.73823	1.136667	0.996266	0	
12	5/1/1999	88.8487	88.42313				0		278	7/1/2021	100.8724	100.2811	98.20727	1.100656	1.006998	0	
13	6/1/1999	88.7978	88.65237				0		279	8/1/2021	100.837	100.6339	98.60058	1.066363	1.016932	0	
14	7/1/1999	89.3119	88.98613				0		280	9/1/2021	99.8498	100.5197	98.91547	1.049149	1.025918	0	
15	8/1/1999	89.7109	89.27353				0		281	10/1/2021	101.3602	100.6823	99.2934	1.045097	1.034265	0	
16	9/1/1999	89.3331	89.45197				0		282	11/1/2021	101.961	101.057	99.69696	1.045365	1.042977	0	
17	10/1/1999	90.4924	89.84547				0		283	12/1/2021	101.7587	101.6933	99.99868	1.044503	1.04945	0	
18	11/1/1999	90.965	90.2635				0		284	1/1/2022	102.146	101.9552	100.2388	1.03852	1.053849	0	
19	12/1/1999	91.6804	91.04593	89.24268			0		285	2/1/2022	102.8987	102.2678	100.7951	1.04488	1.064811	0	
20	1/1/2000	91.6261	91.42383	89.59275			0		286	3/1/2022	103.5717	102.8721	101.1876	1.048469	1.068028	0	
21	2/1/2000	91.9626	91.75637	89.92913			0		287	4/1/2022	104.2577	103.576	101.6237	1.056504	1.059523	0	
22	3/1/2000	92.3118	91.96683	90.27928	1.047215		0		288	5/1/2022	104.1868	104.0054	101.991	1.048212	1.051076	0	
23	4/1/2000	92.8872	92.3872	90.66066	1.048478		0		289	6/1/2022	104.1778	104.2074	102.3232	1.045576	1.04691	0	
24	5/1/2000	93.162	92.787	91.0201	1.049352		0		290	7/1/2022	104.7189	104.3612	102.6437	1.040687	1.045174	0	
25	6/1/2000	93.2168	93.08867	91.38835	1.050042		0		291	8/1/2022	104.5464	104.481	102.9528	1.038229	1.04414	0	
26	7/1/2000	93.04	93.1396	91.69903	1.046675		0		292								





Industrial Production: Total Index



Source: Board of Governors of the Federal Reserve System (US)/FRED

☆ Industrial Production: Total Index (INDPRO)

DOWNLOAD 

Observation:
Mar 2022: 5.4235 (+ more)
Updated: Apr 15, 2022

Units:
Change from Year Ago, Index
2017=100,
Seasonally Adjusted

Frequency:
Monthly

1Y | 5Y | 10Y | Max

1989-01-01

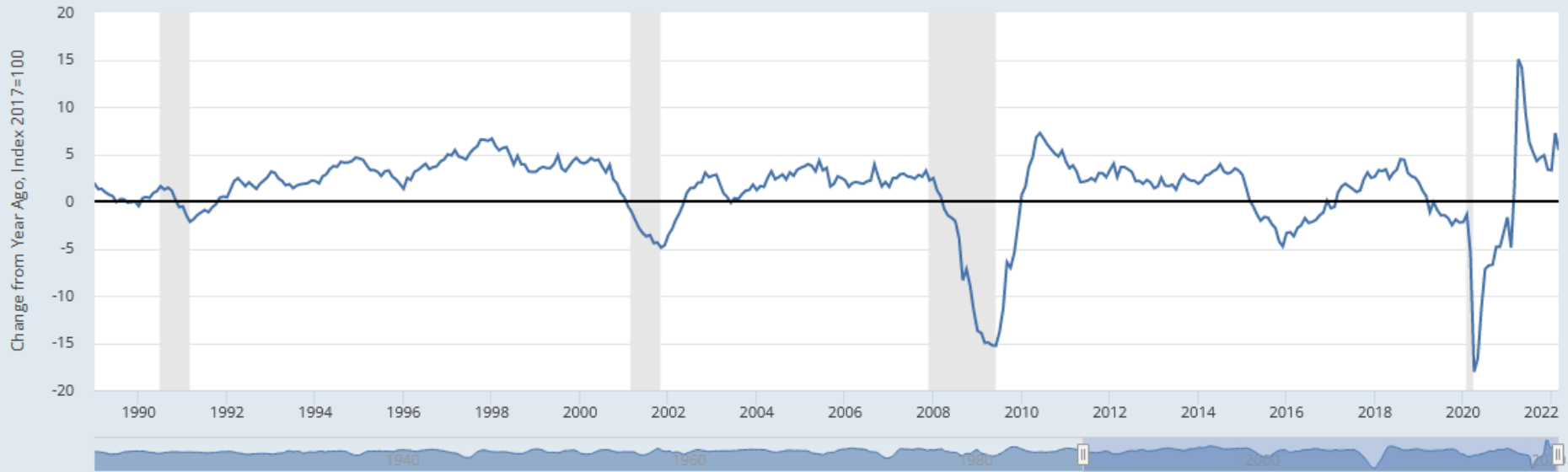
to

2022-03-01

EDIT GRAPH 

FRED 

— Industrial Production: Total Index



Shaded areas indicate U.S. recessions.

Source: Board of Governors of the Federal Reserve System (US)

fred.stlouisfed.org



FRED Graph

DOWNLOAD 

1Y | 5Y | 10Y | Max

1980-01-01

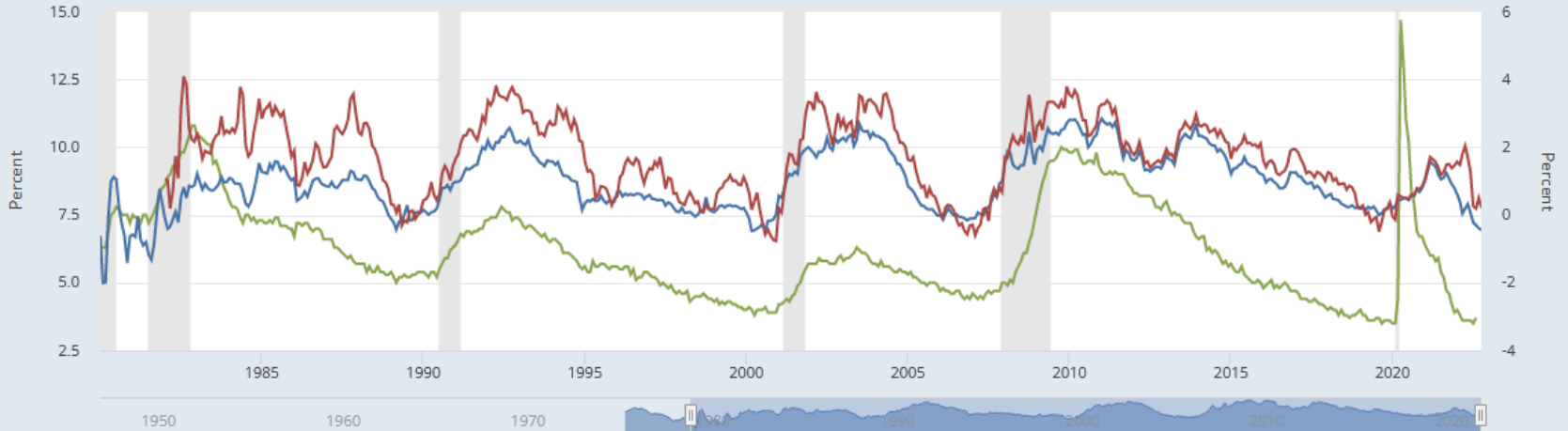
to

2022-09-30

EDIT GRAPH 

FRED 

- 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity (right)
- 10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity (right)
- Unemployment Rate (left)





Shaded areas indicate U.S. recessions.

Sources: St. Louis Fed; BLS

fred.stlouisfed.org




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Account Tools 



★ Consumer Price Index for All Urban Consumers: Purchasing Power of the Consumer Dollar in U.S. City Average (CUUR0000SA0R)

DOWNLOAD 

Observation:
Aug 2022: -7.7 (+ more)
Updated: Sep 13, 2022

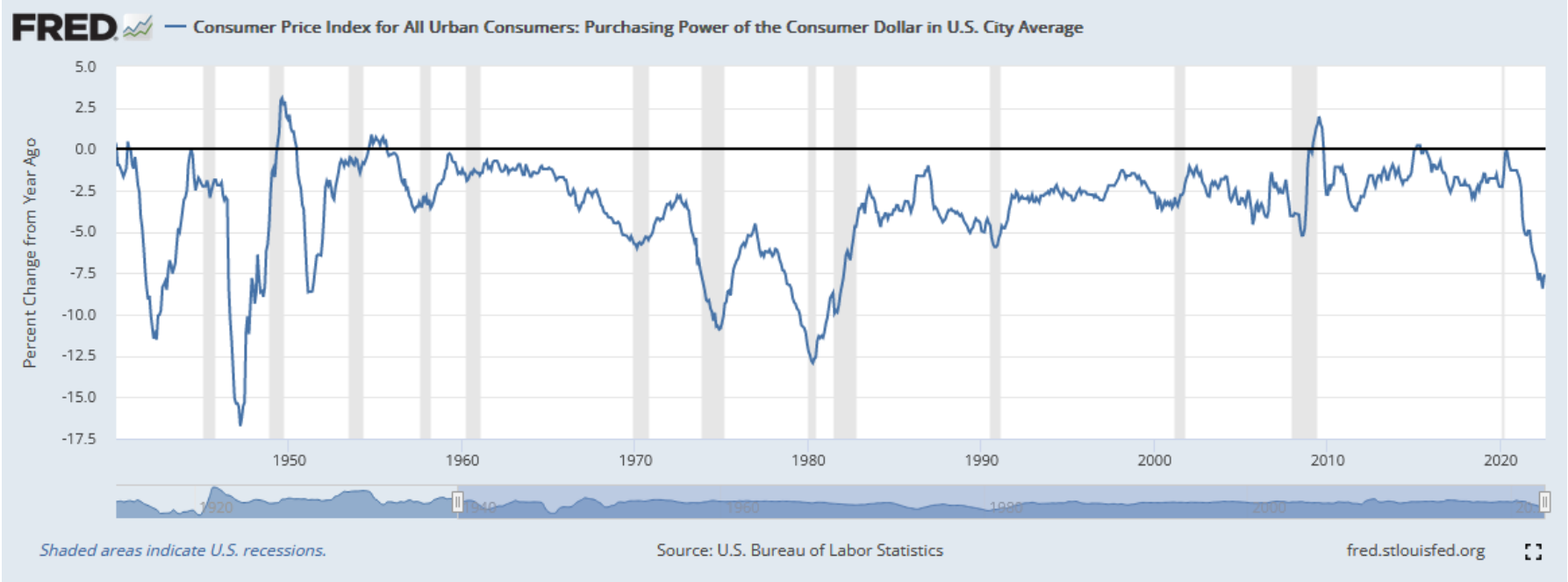
Units:
Percent Change from Year Ago,
Not Seasonally Adjusted

Frequency:
Monthly

1Y | 5Y | 10Y | Max

1940-01-01 to 2022-08-01

EDIT GRAPH 



FORD 10-Q Oct. 2022

- ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
- **KEY TRENDS AND ECONOMIC FACTORS AFFECTING FORD AND THE AUTOMOTIVE INDUSTRY**
- **COVID-19 and Supplier Disruptions.** The impact of COVID-19, including changes in consumer behavior, pandemic fears and market downturns, and restrictions on business and individual activities, has created significant volatility in the global economy. Outbreaks in certain regions continue to cause intermittent COVID-19-related disruptions in our supply chain and local manufacturing operations. We also continue to face supplier disruptions due to labor shortages and other production issues, in addition to the continuing semiconductor shortage. Our inconsistent production schedule has been disruptive to our suppliers' operations, which, in turn, has led to a limited availability of certain parts and delivery delays. Further, actions taken by Russia in Ukraine have impacted and could further impact our suppliers, particularly our lower tier suppliers, as well as our operations in Europe. For additional information on the impact of supplier disruptions, see the Outlook section on page [59](#).
- **Commodity and Energy Prices.** Prices for commodities remain volatile but spot prices have recently diverged somewhat, as anticipated weakening in global industrial activity mitigates price increases for base metals such as steel and aluminum, while precious metals (e.g., palladium), and raw materials that are used in batteries for electric vehicles (e.g., lithium, cobalt, and nickel for batteries) remain at historically elevated price levels. The net impact on us and our suppliers has been higher material costs overall. To help ensure supply of raw materials for critical components (e.g., batteries), we, like others in the industry, have entered into multi-year sourcing agreements and may enter into additional agreements. Similar dynamics are impacting energy markets, with Europe particularly exposed to the risk of both higher prices and constraints on supply of natural gas due to the ongoing conflict in Ukraine. Such shortages may impact facilities operated by us or our suppliers, which could have an impact on us in Europe and other regions. For additional information on commodity costs, see the Outlook section on page [59](#).
- **Inflation and Interest Rates.** We continue to see near-term impacts on our business due to inflation, including ongoing global price pressures in the wake of Russia's invasion of Ukraine, driving up energy prices, freight premiums, and other operating costs. Inflation in the United States peaked at a year-over-year rate of 9.1% in June, before moderating to a still-elevated 8.2% in September as gasoline prices eased. In Europe, energy price pressures and inflation have remained on an upward path, with September U.K. inflation rebounding to 10.1% and Euro Area inflation at 9.9%, both on a year-over-year basis. Interest rates have increased quickly and substantially as central banks in developed countries raise interest rates in an effort to subdue inflation, while government deficits and debt remain at high levels in many global markets. The eventual implications of higher government deficits and debt, tighter monetary policy, and potentially higher long-term interest rates may drive a higher cost of capital for the business.

Ford (cont.)

- Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued)
- Cautionary Note on Forward-Looking Statements
- Statements included or incorporated by reference herein may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on expectations, forecasts, and assumptions by our management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including, without limitation:
 - Ford and Ford Credit’s financial condition and results of operations have been and may continue to be adversely affected by public health issues, including epidemics or pandemics such as COVID-19;
 - Ford is highly dependent on its suppliers to deliver components in accordance with Ford’s production schedule, and a shortage of key components, such as semiconductors, or raw materials can disrupt Ford’s production of vehicles;
 - Ford’s long-term competitiveness depends on the successful execution of Ford+;
 - Ford’s vehicles could be affected by defects that result in delays in new model launches, recall campaigns, or increased warranty costs;
 - Ford may not realize the anticipated benefits of existing or pending strategic alliances, joint ventures, acquisitions, divestitures, or new business strategies;
 - Operational systems, security systems, vehicles, and services could be affected by cyber incidents, ransomware attacks, and other disruptions;
 - Ford’s production, as well as Ford’s suppliers’ production, could be disrupted by labor issues, natural or man-made disasters, financial distress, production difficulties, capacity limitations, or other factors;
 - Ford’s ability to maintain a competitive cost structure could be affected by labor or other constraints;
 - Ford’s ability to attract and retain talented, diverse, and highly skilled employees is critical to its success and competitiveness;
 - Ford’s new and existing products, digital and physical services, and mobility services are subject to market acceptance and face significant competition from existing and new entrants in the automotive, mobility, and digital services industries;

Ford (cont.)

- Ford's new and existing products, digital and physical services, and mobility services are subject to market acceptance and face significant competition from existing and new entrants in the automotive, mobility, and digital services industries;
- Ford's near-term results are dependent on sales of larger, more profitable vehicles, particularly in the United States;
- With a global footprint, Ford's results could be adversely affected by economic, geopolitical, protectionist trade policies, or other events, including tariffs;
- Industry sales volume in any of Ford's key markets can be volatile and could decline if there is a financial crisis, recession, or significant geopolitical event;
- Ford may face increased price competition or a reduction in demand for its products resulting from industry excess capacity, currency fluctuations, competitive actions, or other factors;
- Inflationary pressure and fluctuations in commodity prices, foreign currency exchange rates, interest rates, and market value of Ford or Ford Credit's investments, including marketable securities, can have a significant effect on results;
- Ford and Ford Credit's access to debt, securitization, or derivative markets around the world at competitive rates or in sufficient amounts could be affected by credit rating downgrades, market volatility, market disruption, regulatory requirements, or other factors;
- Ford's receipt of government incentives could be subject to reduction, termination, or clawback;
- Ford Credit could experience higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles;
- Economic and demographic experience for pension and other postretirement benefit plans (e.g., discount rates or investment returns) could be worse than Ford has assumed;
- Pension and other postretirement liabilities could adversely affect Ford's liquidity and financial condition;
- Ford and Ford Credit could experience unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, services, perceived environmental impacts, or otherwise;
- Ford may need to substantially modify its product plans to comply with safety, emissions, fuel economy, autonomous vehicle, and other regulations;
- Ford and Ford Credit could be affected by the continued development of more stringent privacy, data use, and data protection laws and regulations as well as consumers' heightened expectations to safeguard their personal information; and
- Ford Credit could be subject to new or increased credit regulations, consumer protection regulations, or other regulations.

How to Create Visionary Thinking

- Scenario Planning
- Mastermind Group
- Identify restrictions/limitations and “step around them”
- Identify customer needs from social media (remember the success of post-it notes from a failed product)
- Find futurist thinkers
- Foster Entrepreneurial thinking
- Incentivize employees for new ideas



Questions, Comments & Follow-up

- *Questions*
- *Comments*
- *Follow-up*
- **Contact Jim**
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 - jim@thorstenconsulting.com
 - <http://www.linkedin.com/in/jimlindell/>

Thank you

