BRIGHTLINE™
INITIATIVE

THE CHIEF STRATEGY OFFICER PLAYBOOK

HOW TO TRANSFORM STRATEGIES INTO GREAT RESULTS

THE VERY BEST THINKING AND INSIGHTS IN THE FIELD OF STRATEGY AND BEYOND

THINKERS 50

ABOUT THINKERS50

Thinkers50 (thinkers50.com) identifies, ranks and shares the greatest management ideas of our times. Its definitive global ranking of management thinkers is published every two years.

Since its launch in 2001, the ranking has been topped by Peter Drucker, Michael Porter, CK Prahalad, Clayton Christensen and Roger Martin. The Thinkers50 Distinguished Achievement Awards have been described by the *Financial Times* as 'the Oscars of management thinking'.

Thinkers50 has ten established criteria by which thinkers are evaluated – relevance; rigour; reach; resilience; influence; media coverage; presence; affiliations; communications skills; and tools and techniques.

Thinkers50 champions the latest management ideas worldwide. Thinkers50 Europe is a partnership between Thinkers50 and the City of Odense, Denmark. It hosts the annual Thinkers50 European Business Forum. Thinkers50 China is based in Qingdao and is a partnership with the Haier Group. It is home to the Thinkers50 Hall of Fame.

ABOUT THE BRIGHTLINE INITIATIVE

The Brightline Initiative is a coalition led by the Project Management Institute together with leading global organizations dedicated to helping executives bridge the expensive and unproductive gap between strategy design and strategy delivery.

Brightline Coalition: Project Management Institute, The Boston Consulting Group, Bristol Myers Squibb, Saudi Telecom Company, Lee Hecht Harrison and Agile Alliance.

Academic and Research Collaboration: MIT Consortium for Engineering Program Excellence, Technical University of Denmark, University of Tokyo Global Teamwork Lab and Blockchain Research Institute.

Brightline conducts thought leadership research and promotes best practices designed to improve an organization's ability to deliver on strategic intent.

The Brightline Initiative Thinkers50 Distinguished Achievement Award is given every two years to someone who has contributed significantly to how strategy is understood and put into practice.

THE CHIEF STRATEGY OFFICER PLAYBOOK

How to transform strategies into great results

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THE CHIEF STRATEGY OFFICER PLAYBOOK

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Preface

The book you have in your hand is part of something bigger. Much bigger. It is part of a global effort to tackle one of the greatest issues facing global organizations: the persistent failure to turn great ideas, brilliant plans and wonderfully ornate strategies into reality.

Our work at the Brightline Initiative is focused. First, we create and nurture thought and practice leadership by providing cutting-edge research and solutions. We facilitate the sharing and advancement of ideas through networking and capability building. And, through doing so, we help organizations enhance their ability to successfully manage strategic change.

Our work has spawned agenda-setting research – along with the Economist Intelligence Unit, *Harvard Business Review* Analytic Services, Quartz Creative, MIT-CEPE, Technical University of Denmark and University of Tokyo. It has involved us in events with TED, the World Economic Forum, Singularity University, the Thinkers50 European Business Forum, the Web Summit, the Global Peter Drucker Forum and many others. We have also launched a Massive Online Open Course in partnership with Coursera called "Turning ideas into results – bridging the gap between strategy design and delivery". This unique course combines insights into the Brightline Initiative's ten guiding principles with practical examples and experience from global leaders and experts.

The CSO Playbook is produced in collaboration with our long-term partners Thinkers50. It is a truly collaborative work, one which brings together a thought-provoking smorgasbord of great ideas about strategy and execution. To create the book we invited some of the world's leading business thinkers to contribute and share their experiences, research and insights. We think the end result is as unique as it is compelling.

The CSO Playbook is part of our continuing journey. We invite you to join us!

Ricardo Viana Vargas
Executive Director
The Brightline Initiative

'My choice in everything is to say nothing and go do it.'

LOUIS V. GERSTNER, JR

Taking action to turn ideas into reality

Despite all the progress made in the last few decades in strategy management, organizations are still failing to get things done. Many different studies prove it. According to the Economist Intelligence Unit survey conducted in partnership with the Brightline Initiative, 90 percent of the senior executives admitted they fail to meet all of their organization's strategic objectives. On average, organizations fail to meet 20 percent of their strategic objectives. Fifty nine percent of the respondents acknowledge there is a gap between strategy design and strategy delivery. And the needle has barely moved, because a similar survey in 2013 found that 61 percent of the respondents recognized the strategy implementation gap.

As the world's leading not-for-profit association for the project management profession, delivering value for more than three million professionals working to deliver strategic initiatives in nearly every country in the world, we know that ideas become reality through projects. It is a tough job. We have found that the main challenges related to strategy implementation are twofold: First, organizations don't recognize that strategy is delivered through projects; and, second, the essential importance of project management as the driver of an organization's strategy isn't fully realized.

These two factors have a profound impact on the organization's performance and competitive advantage. It is not only the waste of resources that is a major concern, but the negative effects on society and the economy, because this gap also affects NGOs and government institutions. The Project Management Institute Pulse of the Profession survey found that for every dollar invested in strategic initiatives, regardless of the industry sector, at least 9.9 percent of every dollar is wasted due to poor project performance – that's $99 million for every $1 billion invested

Urgent action is required. This book is the result of a unique collaboration among global thought leaders and executives to offer help. It has valuable recommendations and insights from over 30 contributors around the globe, to help organizations and senior leaders implement strategies more successfully, and bridge the expensive and unproductive gap between strategy design and delivery.

After reading this book, I urge you to take action by supporting these three main drivers that can help organizations save millions of dollars and sustain competitive advantage:

• Invest in executive sponsors. Inadequate sponsor support is a primary cause of the failure of strategic projects. You, as the CSO, need to support actively engaged executives to help the organization improve communication between influencers and implementers, and increase collaboration and support, to boost project success rates and reduce risks. If you do nothing else, do this – on every project, every time.

• Keep the scope clearly defined and under control. Every strategic initiative is subject to changes in scope, or "scope creep" – the uncontrolled expansion of product or project plans without adjustments to time, cost and resources. This is frequently caused by changes in an organization's priorities without proper assessment and coordination, change in project objectives, and errors during requirements gathering. This leads to resource waste, decreases satisfaction, and delays the delivery of project benefits. So, invest in gaining clarity by continuously improving project requirements, establish a consistent feedback loop with the customer to align needs and expectations, and adopt iterative approaches, allowing for changes during project execution.

• Develop value delivery capabilities. Consider the full landscape of competencies that help organizations to deliver their strategic projects and programmes. Being able to select the right delivery method for each project – and having trained professional staff to support them – reduces scope creep and allows for adaptation to customer and changing market conditions. It balances creativity and efficiency. Successful organizations use all approaches to project and product delivery based on needs and where each approach fits the needs of the project and the organization.

As the CSO, you are accountable for helping your project and programme teams turn ideas into reality. Let's take action. Now.

Joseph Cahill

Senior Vice President

Finance & Administration, and Acting Executive,

Project Management Institute

Resources

Economist Intelligence Unit and the Project Management Institute, "Why Good Strategies Fail", 2013.

Economist Intelligence Unit and the Brightline Initiative, Special Report, "Closing the Gap: Designing and Delivering a Strategy that Works", 2017.

Project Management Institute Pulse of the Profession – 10th Global Project Management Survey, "Success in Disruptive Times", 2018.

'Plans are only good intentions unless they immediately degenerate into hard work.'

PETER DRUCKER

How strategy got here

Everyone in business is eager – sometimes desperate – to find an edge, a way to outmanoeuvre their rivals and secure sustainable long-term profits. This is where strategy comes in. A strategy is a plan, or pattern of actions, that organizes the activities of the firm to meet its objectives. In doing so, strategy takes the resources of the firm, and the external environment it operates in, into account. In the case of a company, the overall strategic objective is primarily to attain competitive advantage, the more long-term the better.

Today, strategy taxes the minds of executives (and governments) the world over, as they weigh the forces railed against them, position their firms in markets, rally their resources, boost their capabilities, swim through blue and red oceans, and do their very best to secure long-term survival. There are a bewildering myriad of approaches to, and views on, strategy and what can make one company better than another.

Strategy is a multi-faceted and sometimes confusing part of any executive's life. Before we explore some of the contemporary takes on strategy let's rewind. The word 'strategy' derives from *strategia*, the Greek term for generalship, and the earliest studies of strategy are by military commanders. Even today, business executives and academics are fond of drawing on the work of military strategists. It is easy to see why, when a predominately capitalist, free market economy-driven world has promoted a mentality of win at all costs, defeat your rivals, and emerge victorious.

Strategic plans are couched in warlike notions. They exhort companies to seize competitive advantage, battle over market share, and struggle for differentiation. The trouble is that if the opposing army is doing the exact same thing, such strategies often cancel each other out or trigger immediate tit-for-tat retaliation. Strategy quickly reverts to tactical opportunism. As the German Field Marshall Helmuth Carl Bernard von Moltke memorably observed, "No battle plan ever survives contact with the enemy."

Perhaps the most celebrated work from a military strategist is Sun-Tzu's *The Art of War*, written several hundred years before BC slipped into AD, and 2,500 years or so before executives started hiring strategy consultants. The book's actual title is *Sun Tzu Ping Fa*, which can be literally translated as "The military method of venerable Mr. Sun".

The authorship of The *Art of War* remains uncertain. One suggestion is that it was authored by Sun Wu, a military general alive around 500 BC. The book is reputed to have led to a meeting between Sun Wu and his monarch, King Ho-lü of Wu. Sun Wu, unable to source a flip chart, apparently argued his case for military discipline by decapitating two of the King's concubines. Today's strategy consultants use less violent methods, but are still likely to get an audience at the very top of the organization, so revered is the field of strategy, and those people who might provide advantageous insights. To many in the business world, strategy remains the pinnacle of corporate endeavour.

Military exercise

Right next to Sun-Tzu's masterpiece on the bookshelf, perusers of the strategy section are likely to find a number of other strategy books with a military association. BH Liddell Hart's *Strategy* (1967), for example, Miyamoto Musashi's *A Book of Five Rings* (1974), or *The Prince* by Niccolo Machiavelli (1469-1527), a renaissance masterpiece of cunning, intrigue, and brutal opportunism. Machiavelli, a Florentine diplomat, certainly understood the perils of being the first mover in a market, for example. "It ought to be remembered that there is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things," he noted.

It was another soldier, Carl von Clausewitz (1780-1831), who emphasized the difference between strategy – the overall plan – and tactics – planning of a discrete part of the overall plan, such as the battle. Von Clausewitz also introduced the idea of overarching strategic objectives, which he labelled "grand strategy". The debate about what constitutes strategy and tactics rumbles on today.

Von Clausewitz was a Prussian general who fought in the Napoleonic Wars, including at Waterloo, after which he became director of the Prussian War College in 1818. His book *On War* was unfinished and published posthumously in 1831. Already, von Clausewitz was beginning to appreciate the value in drawing comparisons between the conduct of business and war. "Rather than comparing it [war] to art we could more accurately compare it to commerce, which is also a conflict of interests and activities; and it is still closer to politics, which in turn may be considered as a kind of commerce on a larger scale," he writes in *On War*.

The birth of strategic management

Fast forward 150 years or so and it was in the 1960s when managers discovered strategy and, under the guise of strategic management, identified it as an important subset of management. "It struck me that if you look at strategy as an intellectual construct, a framework, a set of ideas, it really didn't exist in a formal way much before the 1960s," observes Walter Kiechel in *The Lords of Strategy: The Secret History of the New Corporate World*.

In terms of intellectual first mover advantage, Peter Drucker claimed to get there first. Drucker, somewhat immodestly, noted that his book *Managing for Results*, published in 1964, was the "first book ever on what we now call strategy". Drucker chalked up many intellectual firsts. But, in reality, Drucker's book was preceded by Alfred Chandler's *Strategy and Structure* published in 1962. (And as Henry Mintzberg notes in his book *The Rise and Fall of Strategic Planning*, also by a 1962 *Harvard Business Review* article, "The Anatomy of Corporate Planning").

The business historian Chandler (1918–2007) saw strategy as "the determination of the long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals". Chandler's view, much disputed later on, was that strategy came before structure. Develop your strategy, construct the appropriate organizational structure to achieve that strategy.

Future contributions from the strategy community suggest that the strategy process is somewhat fuzzier than Chandler envisaged. In Chandler's world, companies would hatch flawless strategies, then manufacture structures and organizational maps to fit. A closer look at corporate reality suggests that strategy and structure mix more haphazardly. Still, Chandler must be credited with drawing attention to the importance of the link between strategy and structure.

Then, while the rest of the world was discovering Jimi Hendrix, the Beatles, free love, and hallucinogenics, managers were wrestling with the next developments in strategy, in particular *Corporate Strategy*, written by Igor Ansoff (1918–2002) and published in 1965.

The world, said Ansoff, was struggling to cope with relentless change (as it continues to do so today). Managers were wrestling with a "deluge of technology, the dynamism of the worldwide changes in market structure, and the saturation of demand in many major United States industries". In the face of such relentless change, many companies needed to "continually survey the product-market environment" for new opportunities, as no business could "consider itself

immune to threats of product obsolescence and saturation of demand".

What managers needed to do, Ansoff decided, was more analysis. There were, he suggested, four different but standard types of decision: decisions regarding strategy, policy, programmes and standard operating procedures. Of these, strategic decisions demanded the most management attention and energy. "The end product of strategic decisions is deceptively simple; a combination of products and markets is selected for the firm. This combination is arrived at by the addition of new product markets, divestment from some old ones, and expansion of the present position," Ansoff noted.

Strategic management was "the part of management which develops a firm's future profit potential by assuring that it does business in markets which have the potential of satisfying its objectives; that it offers products/services that these markets want; and that it offers them in a way which assures it a competitive advantage". As opposed to operating management which was "the part of management which, using the profit potential, optimizes a firm's profitability through efficient production, distribution and marketing its products/services generated by strategic management".

To help with the strategic type of decision-making, Ansoff offered the Ansoff Model of Strategic Planning. This focused on corporate expansion and diversification, rather than strategic planning overall. It was also analysis heavy, and a common criticism of the overly analytical approach to strategic management was that it led to "paralysis by analysis", where a lot of time was spent on the analysis of data that such strategic plans were founded on, so much so that the plans were made but rarely implemented.

The association of Ansoff with paralysis by analysis is unfortunate. Actually, in response he moved on to develop a broader theory of strategic management. These ideas were strongly rooted in the importance of the environment and the belief that an organization needs to respond appropriately to the environment it operates in. "In order to maximize return on investment, the aggressiveness of the firm's strategies and the responsiveness of the firm's management capabilities, must match the turbulence of the environment," said Ansoff. This, at least, has a ring of twenty-first century reality.

The smartest people in the room

In the early development of strategic management theory, consulting firms played an important role. While theories of strategy differ widely, most have at least one thing in common, the use of the diagram or model, often the ubiquitous

matrix. Yet prior to the 1960s, models were largely the playthings of economists. In the 1960s, however, one management consulting firm in particular popularized the use of the model in strategic management.

Bruce Henderson (1915–92) was an Australian engineer who had eventually found his way into the strategic planning department at General Electric. In *The Lords of Strategy*, Walter Kiechel describes Henderson as, "Extraordinarily, impossibly difficult but, at the same time, creative, just a fascinating guy". Leaving GE, Henderson joined management consultancy, Arthur D Little, before setting up his own consultancy – the Boston Consulting Group (BCG).

One of the first, possibly *the* first, pure strategy consultancies, BCG soon established itself. One of its earliest strategy models was the experience curve. The origins of the model go back to the idea of the learning curve, associated with a company called Curtiss Aircraft in the 1920s. Henderson modified the idea and extended it to strategy, rather than manufacturing. He coined the term "experience curve", which described the relationship between unit costs, cumulative production, and experience. As cumulative production increases, productivity costs decline. Why? Because the more often workers repeat processes, the better they get at doing their jobs, the more efficient the organization, the faster you get competitive advantage.

The concept came from observations of growth rates in the semiconductor industry in the 1960s. Using price data from the Electronic Industries Association, two patterns were detected; in one, prices remained constant for long periods before steeply declining over a long period; in the other, prices declined at a constant rate of some 25 percent each time accumulated experience doubled. This was dubbed the experience curve.

BCG went on to develop a toolkit of strategy concepts including sustainable growth, time-based competition, segment-of-one marketing, value-based strategy, and total shareholder value. The model that the firm is best known for, however, is the Boston Matrix, which measures market growth and relative market share for all the businesses in a particular firm – making it easier to know which are worth investing in, and which are likely to be waste of time and money.

Mapped onto a two-by-two matrix, measuring market share and growth rate, a portfolio of companies can be sorted into four types. They are either "cash cows" – dull, safe and highly profitable cash generators that need frequent milking; "dogs" – low market share, low growth breakevens, possibly needing rehoming; "stars" – stratospheric, high growth, high market share; and the risky "question marks" (or wildcats in some versions) where there is high growth and low market share.

From the business perspective the Boston Matrix was a great model – accessible, simple and useful. But it was also limited, reducing the competitive business world to two measures of success – growth and profitability – a view that held sway for decades after, and still does today to an extent. It encouraged a preoccupation with market share.

The new era of strategy

So far, so analytical. These early steps in the strategy field paved the way for the explosion in interest that followed. With corporations hooked on the notion that it was possible to achieve the seemingly impossible, long-term competitive advantage over their rivals, they were eager consumers of the torrent of material on strategic management that emerged over the following decades.

The next big breakthrough was led by Harvard Business School's Michael Porter, who translated an industrial economics framework into a business strategy context. Porter was big on seriousness and rationality. Highly researched and determinedly logical, Porter linked success to market positioning. He ground down the competitive environment into five forces that firms should attend to, and offered some thoughts about how firms might use an assessment of these five forces to adopt a strategy that would secure better commercial advantage. Porter also introduced the notion of the value chain, a common business concept today.

Porter's approach to strategy was decidedly analytical, founded on data and information gathering. Even so, Porter dominated the strategy theory landscape during the 1980s and it was not until the late 1980s and early 1990s that a major new school of thought began to gain traction – the resource-based view of strategy.

There was an early glimmer of the resource-based approach in the work of economists Edith Penrose and Birger Wernerfelt. However, it took two business school academics, CK Prahalad and Gary Hamel, to formulate and popularize the resource-based view of strategy for a wider business audience. Strategic positioning was inadequate, Prahalad and Hamel argued. The source of competitive advantage came from within, not from a detailed analysis of markets and some subsequent manoeuvring based on that analysis. What was really important, they said, was a company's core competencies. Every company had its core competencies. It was just a question of working out exactly what those core competencies were and then building and utilizing them to the best advantage.

If Porter was an incremental but nevertheless significant shift from static strategic planning, Prahalad's and Hamel's championing of core competencies was a big breakthrough. The challenge to the strategic positioning and data and analysis paradigm, made the strategy field more attractive to innovative thinkers. Not that data and analysis disappeared. Far from it – witness the recent interest in the power of Big Data. It was more a case that data and analysis became the tools of strategists rather than an end in themselves.

What followed was a dramatic increase, both from consultants and academics, in strategic theories and tools. Work by existing theorists gained wider recognition and new names became visible. Richard D'Aveni devised strategies appropriate for a fast-changing world of hypercompetition. Henry Mintzberg speculated about the strategy process itself, and how strategy was formed. W Chan Kim and Renée Mauborgne pondered the challenges faced by corporations swimming in what they described as red oceans and showed them how to chart a course to more temperate blue oceans. Most recently, we have seen Rita McGrath convincingly sounding the death knell for competitive advantage and Chris Zook recounting the challenges for corporations venturing beyond their core.

Thinkers have applied their minds to considering how strategy implementation works best, and the practice of strategy. Roger Martin and P&G CEO AG Lafley explore strategy in action in their book *Playing to Win*, while strategy guru Richard Rumelt considers the highs and lows of strategy practice in his book *Good Strategy/Bad Strategy*.

Finally, strategy has returned full circle to its ancient roots, looking at strategy in the context of governments and nations. This time, however, instead of applying strategy to military conflict, it is applied to the struggle for economic power and prosperity. Thus Porter, Hamel, D'Aveni, Pankaj Ghemawat and others have considered the competitive strategy of nations, and political and economic systems. The world is strategic.

What are the implications for managers? That is less clear. In fact, corporate strategy is currently experiencing another of its periodic crises of confidence.

As Columbia professor Rita McGrath told us: "Strategy is really struggling both in the field and in the real world. You are seeing a bit of a gap. Porter's Five Forces, the BCG Matrix, SWOT analysis, a lot of those tools came from an era when competition was much less vigorous. They are great tools in the context in which they were developed. If you've got a stable industry structure and you've got things that you can actually measure they still work. But, today we're seeing

industries competing with industries, different arenas where competition manifests itself," McGrath observes. "Strategy, entrepreneurship and innovation are all bleeding into each other."

And as they bleed into each other, so we are witnessing the emergence of new ideas and models of strategy.

About the authors

Stuart Crainer and **Des Dearlove** are the Founders of Thinkers50 (thinkers50.com).

Resources

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'Strategy doesn't come from a calendar-driven process; it isn't the product of a systematic search for ways of earning above average profits; strategy comes from viewing the world in new ways. Strategy starts with an ability to think in new and unconventional ways.'

GARY HAMEL

RITA GUNTHER MCGRATH

Why implementing strategy is like flying a kite

How can you tell, in advance, whether a strategy is positioned to be well implemented? It's a challenge. Our judgment is often influenced by the halo effect – the attribution of excellence to organizations after their success is known.

Let's take business school case studies as Exhibit A. If you piled up the case studies written about Enron, Nokia, Dell, The Body Shop, Toys R Us, and of course General Electric, you would have the makings for a very impressive bonfire.

Were all those companies excellent? Of course they were. For a moment, all the elements of their strategies were deeply aligned. Dell, for instance, was lionized for its operational excellence. As Erik Brynjolfsson observed in its heyday, "They're inventing business processes. It's an asset that Dell has that its competitors don't." One can't get more implementation savvy than being praised by Brynjolfsson for process depth!

And yet, by 2013, the strategic underpinnings of Dell's business had eroded badly. Competition had improved. Selling standardized boxes to enterprise customers had given way to the bring-your-own-device movement at work. Innovation had moved to consumer devices. The advent of the cloud era meant corporate spending on things like servers fell drastically. Even longtime partner Microsoft went into competition with Dell in hardware.

Dell eventually went private, in order to take a new direction, providing digitalization services to enterprise clients. Dell now embraced an idea that former CEO Kevin Rollins had proposed (but which Michael Dell rejected), to acquire EMC to offer a suite of services as Dell renamed itself "Dell Technologies". Today, Dell is once again trading on the public markets and enjoying a bevy of flattering articles about how well it pulled off the integration and how bright its prospects are.

The dilemma of alignment in a transient advantage context

Firms at the peak of their success achieve that high performance holy grail: alignment between all the essential elements of their business model. Those are the periods when they can seemingly do no wrong, and observers credit the high degree of alignment in their activity systems as the cause.

This is true, but importantly, it isn't true forever. As with Dell, systems that are well designed to deliver high levels of performance in one context can be a tremendous barrier when that context changes.

Consider the life stages of a competitive advantage. It starts with insight and innovation. In Dell's case, the famous dorm room flash of insight was that since personal computers were more or less off-the-shelf items, they could be made and sold far less expensively than extant practice. There is then a growth or scale-up phase. Successfully surmounting this phase leads to the "exploitation" period. This is the nirvana of steady-state advantage beloved of strategy scholars. This is the point at which business school cases are written! However, technologies change, customer needs change, competitors catch up, offerings become commoditized and eventually the system starts to erode in its ability to deliver results.

The central leadership challenge is to pull apart the carefully designed and aligned systems, to replace them with different ones that are capable of supporting the next generation competitive advantage. The period in between advantages is a fraught one – the old aligned system is no longer there, but the new one is not yet in place. Having a simple way of thinking about what the new form of alignment will take can be helpful in navigating through this period.

Keeping it simple: The kite framework

I'm going to assume that a choice of strategy in a changing context has been made – as Dell has in becoming an enterprise services provider. Next up: re-aligning the organization.

A metaphor I like to use to describe this process is that of flying a kite. A kite isn't going to respond to yelling, incentives or your levels of charisma. To fly, a kite needs to be built with its various elements in balance. It needs to be launched into the right environment. And it can be guided, but not driven. You can think of the discrete elements that need to be aligned in terms of building a kite that can fly. It is important here to think holistically – getting just one or another of these elements right, but leaving out the others, won't get you an implementable strategy, just as leaving out an element of a kite's structure will inhibit it from flying.

Agenda: Aligning the organization literally starts with your agenda. Your agenda, meaning how you spend your time, is how you marshal energy, demonstrate to others what your priorities are, create focus and otherwise direct the attention of the organization. It's incredibly powerful. And yet, I see leaders all the time who leave their agendas to chance, filling in their diaries willy-nilly with requests, travel, events and other activities that dilute the impact of their time.
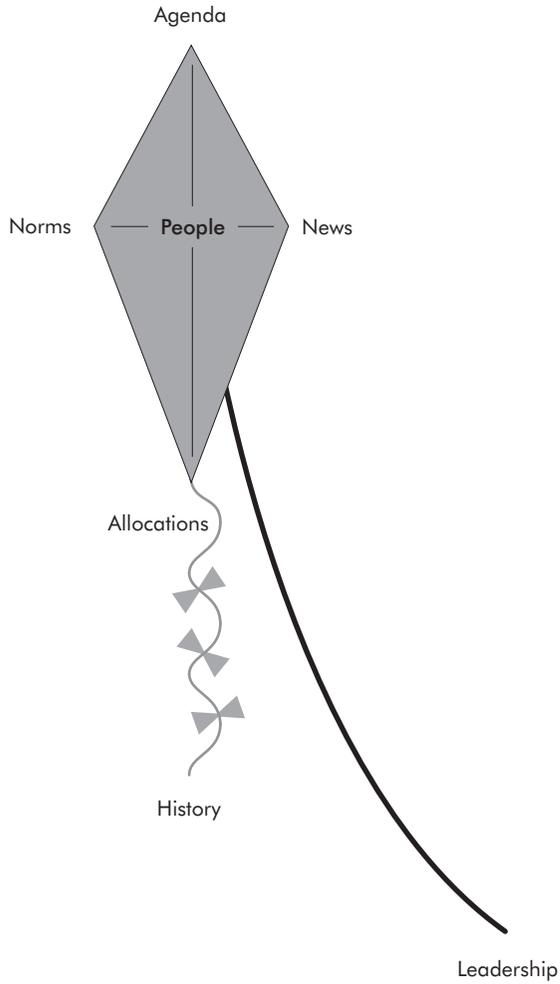
Figure: The Kite Model

If you think of organizations that are excellent implementors, you will see proactive agenda management at the centre. Alan Mulally famously used his weekly "business plan review" meeting to keep his management team on track as they turned around Ford. General Stanley McChrystal used a daily Operations and Intelligence (O&I) briefing that eventually connected thousands of people every day in real time as the U. S. army battled Al-Qaeda. Sharon John used the principle of regular meetings to harmonize her turnaround team at Build A Bear Workshop.

The way to start is with the clear strategic choice that informs your point of view about the future. Now – look at your meetings and your calendar. If you have really thought it through, your top priorities at every meeting and in every conversation will be #1, #2 or #3. And they will be there consistently. Eventually, the organization will learn that you really mean it. Even better, the agendas of those around you will begin to respond.

Norms: Norms, or culture, represent the unspoken beliefs that inform action. Culture really does eat strategy for breakfast! So, what culture do you need in the new environment?

For example, when Satya Nadella was named CEO of Microsoft (only the third CEO in that company's history), the culture was routinely lampooned as being internally hyper-competitive. A cartoon circulating at one point showed Microsoft's culture as a circle with people pointing guns at one another. Nadella's strategy, however, was to shift the focus for Microsoft from the declining PC business and away from its unsuccessful efforts in phones to the cloud and to devices users would love. Profits, he explained to his team, were the outcome, not the goal. A prime, leading indicator was "customer love". That in turn required empathy – a radical shift in attitude that Nadella has been demanding throughout employees' relationships, not only with customers but also with one another.

News: The "news" part of the kite refers to what information (news) you gather, how you interpret it, and how you communicate your conclusions to others. If you can't measure it, you can't use it to drive the future. The more you can get others on track with the news you are paying attention to, the better.

For instance, Jack Stack, a well-regarded CEO and author of *The Great Game of Business*, evangelizes teaching everyone in his organization to learn about the numbers that make a business work – or don't – and apply them. As he says, if people can learn the rules and draw conclusions about their favourite sports teams, they can do the same about business. He is well known for the practice of "open book" management, which lets employees self-manage those parts of the operation they can influence.

Allocations: The allocations portion of the kite has to do with where your resources are being spent. Those could be how you allocate resources across a portfolio of opportunities. It can also be how you provide incentives to your people. If there isn't alignment between the budget and the strategy, you can guess what is going to happen.

I was recently at a management meeting of a group of very senior leaders in a firm whose top leadership is hungry for innovation. They've been encouraging their executives to send people to innovation boot camps and training classes. "No way am I going to do that," one of their middle managers said to me later, privately. "Given the way my bonus is calculated, 20 percent of that expense will come right out of my pocket at the end of the year." Sad, but true – you can imagine where the innovation efforts are going to end up.

People: At the centre of the kite, we have the formal and informal structures into which people are organized. A big mistake is to try to implement a new strategy with a structure that was built to support the old one. Structural transformation is almost always necessary in light of a strategic inflection point.

Further, the formal organizational structure provides often quite limited information about how real work gets done. In most organizations, the informal structure, the "who knows and talks to whom" is where real flows of influence reside. Angela Ahrendts famously put her informal, authentic style to work in a turnaround at Burberry, and more recently as the head of retail at Apple.

History: You can think of your organization's history as the tail of the kite. An organization with no tail flails around. A bit of history is valuable – it provides balance. But history that is too big and heavy will almost certainly hold you back. So, a key element of leadership is determining what of your history you want to keep and honour and what needs to be left behind.

Although the brand has suffered recently, Wells Fargo's logo, featuring a stagecoach, recalls its early days delivering mail throughout the American West, offering a distinctive brand positioning for the firm.

Leadership: Like the string of a kite, leaders guide and influence where it flies, without being able necessarily to make it go in any particular direction. With respect to this influencing activity, perhaps the most important element of leadership is the realm of symbolism.

Symbols give activities in organizations meaning. Everything you do as a senior leader has both substance (the rational reason you're doing something) and symbolism (the meaning people make when observing your activities).

Indra Nooyi, the outgoing CEO of PepsiCo is brilliant at marshalling effective symbolism. Confronted with an organization that had long focused on fun and snack activity, she sought to introduce a shift toward what she calls "performance with purpose", moving the company toward healthier options that are also more popular with younger consumers than Pepsi's traditional brands. To illustrate the importance of purpose, she uses the example of growing up in an environment in which water was scarce, because a local company was using the bulk of the water supply. She tells this story to reinforce the importance of corporations being not only about profit but about good corporate stewardship.

Flying the kite

When your organization is in the exploitation phase of a competitive advantage, you should strive for tight alignment across all the elements of the kite. As the situation shifts, however, you will need to start shifting the way the elements are aligned. This is likely to feel uncomfortable, as change will take place unevenly across kite elements, across people and over time. You'll feel out of alignment while undergoing a shift. This is one of the reasons why fundamental transformation can be so difficult – having built and aligned a system, it is quite natural for people to prefer to stay in it, particularly since the changes you'll be making in the early days feel like a drop in performance.

Having a simple framework to use to both make choices about how and where your kite should be aligned and how it might need to be changed can accelerate your own thinking and help you bring others along on the journey.

About the author

Rita Gunther McGrath joined the faculty of Columbia Business School in 1993. Prior to life in academia, she was an IT director, worked in the political arena, and founded two start-ups. McGrath is one of the most widely published authors in the *Harvard Business Review*, including the best-selling "Discovery driven planning" (1995), which was an early articulation of today's "lean" start-up philosophy. Her related book, *Discovery Driven Growth* (2009), looks at to how to put the technique to work. She is also the author of *The End of Competitive Advantage; MarketBusters* (2005); and *The Entrepreneurial Mindset* (2000).

This article is taken in part from Rita McGrath's forthcoming book *Seeing Around Corners: How to Spot Inflection Points Before They Happen*.

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'Do you have the organizational structures in place to be world-class at executing, but also at churning out new growth engines? On one hand your execution engine will need to be world-class at managing factories and tolerating zero failure; and on the other hand, your innovation engine will need to be world-class at experimenting, failing, and learning to shape new ideas.'

ALEX OSTERWALDER & YVES PIGNEUR

ERIC REBENTISCH & GEORGE ROTH

Engineer strategy as a system

What is the yield on your strategy efforts? In classic terms, yield is a measure of the efficiency of a process or a system. For instance, in a manufacturing setting yield is the ratio of outputs to inputs, typically the finished goods output relative to the raw materials or purchased components input. Low yields reveal waste and inefficiency, often leading to poor financial results or competitiveness.

How does yield relate to strategy? Most simply, yield on strategy efforts is the ratio between strategically important objectives and the measurable outcomes resulting from efforts to achieve those objectives. In essence, it is a measure of how well the organization is able to implement its strategy. (Contemplating the yield of the strategy process in this manner implies that the strategy itself is correct. A flawed strategy that is implemented perfectly may nevertheless produce poor outcomes – low yield of intended outcomes.)

What is a typical yield on strategy efforts? In the Economist Intelligence Unit's 2017 survey of over 500 senior executives from large, global multi-sector companies, 90 percent of managers admitted that they fail to reach all their strategic goals. On average, 20 percent of strategic objectives were not met because of flawed or incomplete implementation; over a third of the organizations indicated that they had failed to achieve between 21 percent and 40 percent of their strategic objectives in the prior three years because of poor implementation. These results are consistent with those of other studies that have explored the success (or yield) of strategic-level initiatives. In general, most organizations fail to fully obtain the desired results from their strategy efforts.

The strategy system

Improving yield is important enough to productive activities that it should become a specialized discipline for the design and improvement of those activities. For instance, in manufacturing, several management movements emerged over the past decades to improve overall performance. They included the fields of scientific management, industrial engineering, lean, and quality. Over time, the leaders in these fields came to focus on improving the overall manufacturing system and its operating context as they realized that solving

local problems seldom led to breakthrough or system-level performance improvements. The emerging systems approach to improving manufacturing produced theories, an extensive knowledge base, and design tools to improve and optimize overall manufacturing performance at the system level. The systems level approaches brought similar improvement and innovation to business process and administrative work.

Unfortunately, strategy is often at a stage where manufacturing was in an earlier time – viewed as localized functions or activities, carried out by specially educated and qualified people, and not as an element in an integrated system. A fundamental challenge with focusing only on the parts rather than the whole in the strategy process is that the boundaries, connections, relationships, and interactions between the different system elements (e.g., the people, processes, and methods involved in the formulation of strategy through to its implementation) go unspecified, underappreciated, or unaddressed. As a consequence, breakthrough improvements in strategy performance are rare (as confirmed by studies that show consistent and mediocre overall yield performance from strategy efforts). Ideally, it is possible to engineer (design, build, and evaluate) strategy systems in a way that allows them to be measured, continuously adapted, and improved through deliberate processes.

But where to start and how to get there? Three major areas of theory and practice to draw upon for designing and managing strategy as a system are: 1) Systems theory; 2) Sociotechnical systems theory; and 3) Organizational learning. The primary principles from each area are summarized in Table 1.

The principles in action

The successful implementation of the BMW Group strategy Number ONE in its engineering division (E-Division) from 2006 through 2012 illustrates how the principles for engineering of strategy systems apply in a complex organization. In 2007, the BMW Group laid out a strategy for the future (called Number ONE) that identified actions needed to continue to grow and remain a strong and independent auto manufacturer. The strategy was translated into goals and targets, including increasing sales volume to more than two million units per year by 2020, up from 1.3 million units in 2007.

The E-Division was required to contribute significantly to meeting those targets, particularly through new product offerings. It set its own targets that within five years it would:
- increase the number of development projects by 1/3
- reduce the development lead time by 1/3

Table 1. Principles for engineering of strategy systems

Systems theory

Relationships: Consider the influence of relationships among system elements as well as characteristics of those elements
Nested systems: Use the system as the unit of analysis and examine the influence from system hierarchy levels above and below
Open systems: Examine the interchange among organization and environment
Feedback: Pay attention to information flows generated by activities
Representation: Create and use visual models of the system

Sociotechnical systems

Responsible autonomy: Involve and empower stakeholders to help define and direct implementation
Adaptability: Evolve implementation approach through local adaptation
Meaningfulness of tasks: Define peoples' roles to include attention to their work and involvement in changes

Organizational learning

Learning leader: Leader as steward, teacher and designer
Means AND outcomes: Emphasize both learning and performing
Multi-level learning: Enable individual and collective learning
Generative and adaptive orientation: Use an aspirational and reactive approach to create the desirable future
Promote common understanding: Teach, learn, and use shared methods to develop new knowledge/learning communities

- improve product quality by 1/3
- stay within the current budget and staffing levels

By 2012, the E-Division had met or exceeded all of these goals and several others. Sales exceeded annual records every year for several years running. In short, the yield on their strategic intent was 100 percent and continues today beyond the period studied. How did BMW achieve this impressive strategy yield and outcome?

The E-Division used a multi-layer approach that included the principles for engineering strategy systems as shown in Table 1. The primary approach to implement strategy was the E^3 programme. E^3 is an acronym that represents three pillars of the strategy implementation approach: Exhilarating products; Efficient processes and structures; and Emotions and team spirit. The primary elements of the E^3 programme included:

- Linking corporate strategy to E-Division transformation goals
- Developing the leadership and governance team to steer the transformation through the E^3 programme
- Defining and executing large top-down transformation projects to drive global changes in the engineering organizations (E^3 projects)
- Enabling small bottom-up transformation projects to drive local changes in the engineering organization (Value Orientation, or "WO")
- Creating a climate for structured engagement for every employee to explain the need for strategic transformation and to motivate individual change (E-Change LIFE).

Senior management actively led the E^3 programme through the E-Circle (the top governance body in the E-Division, consisting of the head of the E-Division, the main engineering department heads, and leaders from HR, controlling, quality, and the engineering strategy department). Their engagement included translating the BMW Group strategy for specific application within the E-Division, identifying strategic change projects, collectively reviewing the progress of the E^3 programme, communicating the E^3 priorities throughout the E-Division, serving as executive leaders of strategic change projects, participating in local improvement activities, and deploying E^3 programmes and activities within their own departments.

Supporting the implementation of the E^3 programme was the E^3 programme management office (PMO), the engineering strategy department, and the change management consulting department from the human resources division. These supporting organizations provided coaching for executives, training for

employees, and expertise, coaching, and resources to support implementation projects. These boundary-spanning organizations helped create common understanding, methods, and resources that bridged the gap between the statement of the strategy and its execution.

The top-down E^3 initiatives addressed high-impact strategic objectives, and were staffed by hand-picked, high-status project teams. The bottom-up initiatives were designed to engage the entire workforce ("E^3 for everyone"). Together they spanned a range of activities that could be aligned with the strategy.

A series of events and workshops communicated the strategy across the company. The BMW Group held "Number ONE on Tour" events that eventually communicated the strategy to 6000 upper and middle managers. The E-Division created E-Change LIFE workshops with a similar purpose, eventually discussing the E-Division strategic objectives and E^3 programme to all 8000 engineering division members. All senior and eventually mid-level managers were responsible for leading these workshops.

The strategy system created by the BMW E-Division to implement the Number ONE strategy included the principles for engineering of strategy systems shown in Table I. The multi-layered approach (top-down, bottom-up) to implementing the strategy, the boundary-spanning nature of the top-down E^3 projects, with the governance and reporting structure providing multiple avenues for feedback, aligned with systems theory. The direct engagement of the engineering workforce through E-Change LIFE workshops and encouragement of individual improvement WO projects were consistent with principles of sociotechnical systems. The governance structure and role played by E-Circle members and managers in the E-Change LIFE workshops with on-going feedback is reflective of an organizational learning approach.

Deliberate design improves strategy yield

Strategy efforts are often beset with poor yields. We found that strategy is inherently the product of a complex sociotechnical system. Poor strategy yields may result in part from a fundamental failure to acknowledge and manage strategy activities as a complex sociotechnical system with multiple elements, layers, and activities.

The successful case of the BMW E-Division demonstrates what a deliberately designed sociotechnical systems approach to strategy produces. It required considerable planning, design, organization, and effort, the engagement and learning across thousands of engineers and managers, and, ultimately produced

a sustained and successful outcome. Other examples similar to this exist and have been documented, but they are not widespread. BMW illustrates that a deliberate approach to engineering the strategy system can lead to a better yield.

The MIT Strategy Implementation Research Project (see http://cepe.mit.edu/) is documenting case examples, applying physical and social science principles, and developing tools and methods for strategy and its implementation. The systems principles are being used to develop the tools to allow organizations to engineer and manage their strategy systems in new ways to enable high performance, adaptability, and continuous improvement through deliberate and systematic methods.

About the authors

Eric Rebentisch (erebenti@mit.edu) and **George Roth** (groth@mit.edu) are research scientists in the Sociotechnical Systems Research Center at the Massachusetts Institute of Technology.

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'You can't think your way out of a box, you've got to act.'

TOM PETERS

RICARDO VIANA VARGAS & EDIVANDRO CONFORTO

Ten questions to help you turn strategy into reality

Sustainable growth depends on delivering the right strategies the right way. Yet this is something that organizations appear ill-equipped to do. Our work at the Brightline Initiative is examining what causes the gap between strategy and implementation and how it can be closed. Our research suggests that business leaders need to answer ten key questions for their strategies to more effectively make the leap from design to delivery.

1. Is delivery as important to you as design?

Strategy design can be an exciting process. It is cerebral, based on marshalling facts and figures, views and opinions, hunches and suggestions. Creating a coherent and persuasive strategy is part art and part science. It is demanding, difficult and vitally important, but without implementation it is nothing.

In a 2017 Economist Intelligence Unit global survey of 500 senior corporate executives, over 90 percent admitted they failed to reach all of their strategic goals because of flawed implementation.

2. Does the leadership team take responsibility for delivery too?

Once you have defined and clearly communicated the strategy, your responsibility shifts to tracking implementation. You need to know where in your organization change happens and who manages the programmes that drive change. You should proactively address emerging gaps and challenges that may impact delivery. Without this discipline, your strategy has little chance of success.

3. Do you mobilize the right resources?

Consulting firms and more fluid organizations are adept at ensuring that their best people are working on the projects that need them most. In contrast, hierarchical and other organizational structures can limit mobility and many organizations struggle to release their best minds to become involved with implementing key strategies. "Always put your best talent on critical initiatives

and make sure that you reward them accordingly, but more importantly make sure that they will have roles after the completion of the assignment," advises David Marlow, company transformation lead at Bristol-Myers Squibb.

4. Do you leverage insights on customers and competitors?

Organizations atrophy when they lose touch with their customers, whereas the best leaders are constantly seeking insights from customers and competitors. In the EIU survey, 53 percent of companies said that changing customer expectations/demands impeded implementation. As a result, the majority monitored customer trends. But only one in five reported having effective feedback loops to use all of this data in strategy delivery. In a *Harvard Business Review* article, Amy Edmondson and Paul Verdin argue that customer input – at all stages – is a vital lubricant of strategy and execution. It creates what they call "strategy as learning".

5. Is your implementation bold, focused and as simple as possible?

Delivery is complex – often global, always interconnected. To succeed, the constant emphasis must be on boldness, focus and simplicity. The Boston Consulting Group talks of "smart simplicity". This involves empowering people sufficiently for the requirements of their jobs by giving them the right resources, removing unnecessary constraints, and aligning interests by consequences to actions and results.

6. Do you promote team engagement and cross-business cooperation?

Support and understanding of the strategy throughout the organization is vital: Middle and line managers must be engaged and activated as strategy champions rather than just as managers and supervisors. In the EIU survey, 62 percent of respondents said that lack of buy-in from middle managers, line managers or both created a significant barrier to strategy implementation at their organizations.

Second the understanding that teams are the means by which strategies are delivered. The Boston Consulting Group refers to performance integrity. By this it means a highly motivated and thoughtful project team with a bias for action, clear on its objectives, with a strong leader and sufficient member resources, plus the right mix of skills for the effort.

7. Do you own the decisions you make?

Commit to making strategic decisions rapidly. Move quickly to correct your course, reprioritise, and remove roadblocks. Accept that you likely won't have all the

information you want, and rely on those you can trust to deliver sufficient reliable input to allow thoughtful decisions. Consider and address risks and interdependencies explicitly – both upfront and regularly throughout delivery. Build a lean and powerful governance structure to reinforce accountability, ownership, and a bias towards action, based on agreed metrics and milestones.

8. Do you check ongoing initiatives before committing to new ones?

Organizations tend to overburden people with strategic initiatives of one form or another, creating change fatigue. You must regularly evaluate your portfolio of strategic initiatives. Add new initiatives in response to new opportunities, but first be sure you understand both the existing portfolio and your organization's capacity to deliver change. Agility, the organizational capability to quickly adapt strategy in response to external and internal changes, plays an important role in both the governance and management of any portfolio of strategic initiatives.

9. Do you develop robust plans but allow for missteps?

We live in fast-moving times. Even the most far-reaching and elaborate strategies must contain room for learning and realignment. Strategy planning cycles are more rapid, dynamic, and agile than in the past. Delivery teams must be able to experiment and learn in an environment where it is safe to fail fast. In practice, this means you must discuss challenges openly, and adjust the plan as needed for success. Learn to reward failure, or at least accept it as a valuable input.

In agile organizations it is common to have frequent interactions between teams and leaders, to review and understand what went wrong, what worked well and what needs to be improved. It is a powerful iterative process. This is not simply about communication, it is about interaction up, down and across the company.

Interestingly, what appears to be evolving is acceptance of the need for a hybrid approach to strategy. The intention is to manage the current business and operations while dynamically seeking out the next disruptive idea. This can be seen at Volkswagen Group. The company's chief strategy officer, Thomas Sedran, talks of a "two-speed organization" – "One part goes with proven processes that lead to reliable products. This is necessary for those developing vehicles because delivering an unsafe one can cost you the company. For the other part, where you need to be much quicker, but where the impact of a failure is less severe, you need to be agile and have different planning and execution processes."

10. Do you celebrate success and recognize those who have done good work?

Success in organizations is often whispered rather than celebrated. If strategy delivery is to become embedded in any organizational culture, successes must be widely and wildly celebrated. It is notable how adept the best business leaders are at acknowledging good work. They tend to have developed a personal means of communicating great work – a handwritten note, a phone call.

Any leader who can answer these ten questions in the affirmative is well placed to translate strategy into delivery. Even failing to deal with the issues raised by one of the questions can fatally handicap even the most brilliant strategy.

About the authors

Ricardo Viana Vargas is Executive Director of the Brightline Initiative (brightline.org).
Edivandro Conforto is Head of Strategy Research for the Brightline Initiative.

This article was originally published in the *LSE Business Review*.

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'What issues should senior executives consider in thinking about a new strategy? Despite the apparent simplicity of this question, it is one of the most controversial in the field of management. When one probes below the surface, the apparently divergent points of view are in fact amazingly similar. Rather than one perspective, good strategies encompass elements from all the different points of view.'

COSTAS MARKIDES

MARTIN REEVES, SIMON LEVIN, JACK FULLER & FABIEN HASSAN

Your change needs a strategy

Companies frequently need to change themselves, in more or less dramatic ways. If change is ambitious we often call it "transformation". This is a difficult process. Our research shows that even with modest criteria, only about one quarter of transformations succeed.

The standard approach to organizational change is linear project management: define the target state of the organization, determine the logical sequence of action, then execute. In reality, there are many different kinds of change, each with its own requirements and risks. There are different types of transformations and different components of change within each.

General advice on "how to do transformation well" risks ignoring this variety. A better approach is to de-average transformation into its different components and ask, what does it take to succeed in each?

Change can be understood as movement across a "landscape of possibility", where each point corresponds to a possible state of an organization. Higher organizational performance corresponds to greater "height" in the landscape. As the economy and competitive conditions change, new peaks may rise up (perhaps enabled by new technologies or patterns of demand), or new clear paths might open (perhaps enabled by new practices).

Using this framework we can investigate the various strategies for pursuing organizational change, the context in which each is appropriate, and the tactics required to succeed. In particular, we can consider change strategies along two axes: the clarity we have about the ends (the target state for the organization), and the clarity we have about the means to get there (see Exhibit 1, page 40).

Change strategy 1: "Planned itinerary"

Perhaps the most familiar strategy is the "planned itinerary". This is premised on a clear idea of the end and the means. Driven by a vision of a destination, we aim to follow a precisely planned path towards it. For example, in 2016 Staples cut costs. There was a clear target: save $250 million. And familiar means: assess the inventory, request bids, negotiate to reduce

"Scouting and wandering"
Maximize future options: no target org state; experimental with means, open possibilities

"Planned itinerary"
Plan and execute: you know the target org state and the actions / mechanisms to get there

"Hill climbing"
Engineer the mechanism not the outcome: target state open-ended; pursue 'upward moves'

"River crossing"
Target state clear, experiment with means, 'cross the river by feeling for the stones'

"Escape the swamp"
Urgently get away from where you are now — even if you can't see higher ground yet

Exhibit 1

costs[1]. This kind of "planned itinerary" is appealing, comprehensible, and easily communicable to employees and investors. Yet we often delude ourselves that we have certainty. In uncertain circumstances, the confidently crafted plan becomes detrimental. We should be careful to apply this approach only when we know we know what we want and the reliable steps to get it.

The tools here are familiar:
- Describe the overall vision in a compelling way
- Define the key success metrics that follow from this vision
- Set milestones and create Gantt charts
- Delegate and define clear accountabilities
- Manage the process centrally from a programme office against the plan.

The leader should be focused on efficiency in this case: we need a single-minded focus on the target state of the organization, and the toughness to cut off anything not helping in pursuit of this end. Internal communication can be largely one-way: the focus is on clarity, to define roles and align intentions, rather than maximizing openness to new initiatives and ideas from below. And external communication is straightforward: one can explain the proposed goal and actions to secure buy-in from stakeholders.

Change strategy 2: "River crossing"

In other situations, we know what we want but not how to get there. In such cases the appropriate change strategy is "river crossing". The end state is clear, but we need an exploratory approach to the path, taking one step at a time while keeping an eye on our destination. As Deng Xiaoping put it, we need to "cross the river by feeling for the stones".

For example, when Howard Schultz set out to transform Starbucks in 2008–2009, he knew where he wanted the organization to be – he needed to restore loyalty, to "make each store the heart of the local neighbourhood". But he didn't know how to get there – they would just "have to find a way". They did this via experimenting and scaling up[2].

The organizational tools required in this strategy are:
- Pilots, with a focus on potential for scaling
- Systematic assessment of experiments
- Flexible resource reallocation toward the most promising ideas
- Culture that values experimentation and learning

1 http://fortune.com/2016/05/10/staples-office-depot-merger-2/
2 https://www.hbs.edu/faculty/Pages/item.aspx?num=47471

- A case study team to identify and learn from other organizations that have taken similar journeys.

The leadership mindset here must combine the poles of openness to experiment and a focus on efficiency. An exploratory mind is required to dream up initiatives, but these experiments should not obscure the goal. Leaders must constantly ask both expansive and focusing questions: Are we experimenting in the right directions? Which of these efforts might get us there and which should be stopped?

Communication is trickier here than in "planned itinerary", because this approach requires us to admit our ignorance – that we don't (yet) know how to get there. Yet the open-ended aspect of the task can also be used to spur creativity and participation.

Change strategy 3: "Hill climbing"

In "hill climbing" we start with the means, not with a predetermined goal. We engineer a particular mechanism, but we are open-minded about how this will change the organization – either because we can't know, or because it is useful to leave this open-ended.

Such an approach is often applicable to an evolving technology. John Deere, for example, has been investing in Internet of Things (IoT) technology. They don't know how this will change their company (the peak they are aiming for); they are just trying to take one uphill step after another. "[With products] that are doing well, you build from those and create a broader service around them."[3] In this case, trying to tie the company to a tightly defined target state would be detrimental; keeping the change open-ended allows the business to take advantage of unpredicted ideas and opportunities as they arise

"Hill climbing" is not directed by an overall goal, so it involves a fundamentally different toolkit and mindset. The most basic difference is that instead of asking, "Are we on track?" we ask, "What effect is this having?" Rather than developing criteria and metrics to determine if the overall target state has been achieved, we watch to see what we can learn from how it is changing. Upward communication is crucial: leaders should want to hear from the developers and front-line teams about how things are going and what opportunities they uncover.

Progress reports, under this strategy of change, should therefore not start with an assessment of progress against a plan, but with exciting observations, which may spur us to think of new "uphill moves".

3 https://www.networkworld.com/article/3071340/internet-of-things/john-deere-is-plowing-iot-into-its-farm-equipment.html

Change strategy 4: "Scouting and wandering"

There is another strategy for change, odd as it may seem, which is organized around neither a clear end state nor clear means. This change is not driven by immediate moves that seem obviously good, nor by any target state, but by curiosity, of a kind that will be useful in the long run. We can call it "scouting and wandering".

"Wandering" sounds somewhat illegitimate in business. This is partly because we are conditioned to always drive towards clear outcomes. In R&D, however, we frequently see the value of a more open-ended approach. Google Labs was a forum for testing and tinkering with product ideas – wandering around the landscape of possible offerings.[4] We can take a similar approach to organizational change: a company can invest in small experiments – in ways of working, technologies, HR policies, or any aspect of the business – with the aim of discovering directions for change for the business as a whole. Wandering is not pre-planned, but there are some ways to wander effectively. An effective pattern is to explore mostly nearby options, with an occasional leap into some far away territory – called a "Lévy flight". The local moves ensure that nearby, accessible opportunities are scouted, while the more radical moves ensure that one also searches the broader territory. Experiments should involve a mix of tinkering and radical moves.

The leadership mindset for this strategy is similar to the one used when playing. One aspect of this is the ability to improvise: to try out some low-cost, low-regret action simply to see what might happen and to foster unexpected learning. When pursuing this strategy of organizational change, leaders should give permission to their teams to improvise – to run their own set of interesting experiments exploring different hunches and leads about ways the business could work.

Change strategy 5: "Escape the swamp"

The fifth kind of change strategy is one driven by the need to get away from where you are now. The only clear aspect of the goal is that it must involve substantial and urgent change. We can call this "escape the swamp".

Here, the essential organizational tools are concerned with fast action and orchestrating dramatic levels of change. Many people will be invested in the current state, but there is often not enough time to persuade people widely of the need for a drastic move. Instead, the change should be driven by a core group that does see the urgency.

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4 https://www.hongkiat.com/blog/google-labs-experiments/

The decision-making in this strategy is about trading off between the risk of wasting time (sinking further into the swamp), versus making a disastrous move (inadvertently jumping into something worse). Nevertheless, under time pressure, often both of these risks will be high and there is a strong element of luck in such situations.

Leaders pursuing this strategy must be skilled at communicating urgency to the relevant stakeholders, while also maintaining resolve and not spreading panic. It requires a judicious mix of honesty (enough to create necessary alarm) and diplomacy (to hide one's true feelings, when necessary, to avoid spreading unproductive panic). It also requires courage, because tinkering will generally not be enough to remove one from the situation.

Competition and cooperation in change

Your change strategy is affected by what other players are doing. Attempts to optimize the best route, when others are doing exactly the same, can make things worse for everyone.

To continue the analogy of the "landscape of possibility" in Exhibit 1 (page 40), we can picture companies as foragers, moving in groups across the landscape, looking for high performing spots. If there is a large territory, then it makes sense to pay less attention to what others are doing and focus instead on moving there as fast as possible.

On the other hand, areas of the landscape become crowded over time, we are then faced with the question of whether to collaborate or compete. In nature, this choice depends on the "exploitation potential" of a particular location. If a business can extract a large amount of value, now and in the future, it should design its change strategy to exclude others and entrench itself.

In other situations, it may be more beneficial to cooperate with others in the "crowd". Cooperation tends to occur when value is hard to exploit. We can see this in the current efforts of multiple companies to change themselves to exploit the potential of driverless cars, ranging from Samsung to Volkswagen to Baidu. Cooperation is also beneficial when resources are patchy, when it is hard to identify where the good opportunities will be. One example in business is app development: Apple and Facebook saw the potential in apps, but couldn't identify in advance what the successful apps would be. So, they cooperated, sharing profits with smaller developers to explore the space. The current prevalence of ecosystems in business is a testament to these effects.

Sequencing change

Change can be a comparatively simple process that requires only one of the five approaches outlined above. Or it may be complex, requiring multiple change strategies to be combined in parallel or serially. One corporate transformation might involve multiple change strategies. It might begin with a strategy of "escape the swamp" and, after a few dramatic moves to head off disaster, move into a "planned itinerary" strategy to drive cost savings, and then a "river crossing" strategy for a long-term experimental effort to evolve the company's core business model.

Combining strategies is especially important in scenarios that involve "hill climbing". Pursued alone, this strategy may lead to getting stuck on local peaks, if one is guided only by making immediate good moves "upwards". Sometimes, you need to come down off a small hill to find a larger one. It thus makes sense to sequence "hill climbing" with "scouting and wandering". In the study of optimizing complex systems, this is called "simulated annealing – interspersing random exploration to ensure you don't get stuck.

Leaders and organizations need to master the art of diagnosing situations and combining change strategies. Crucially, they must also develop capabilities to drive multiple kinds of change, often at the same time across different parts of the business. We can call this capacity "change ambidexterity". The starting point for this is effective diagnosis. There are seven questions leaders should ask:

1. What is the urgency to move away from the current situation?
2. How clear is the end state?
3. How clear are the means to get there?
4. Should we go it alone, collaborate or compete towards our goal?
5. What stages of change do we need to move through?
6. What is the optimal strategy for each, and what does this imply at the level of tactics?
7. Do we have the required capabilities, and if not, how will we build them?

When it comes to transformation, it is tempting to seek simplicity. We generally adopt a single approach to change, which is more often than not, a "planned itinerary". But changing a complex system while also keeping it running is never so simple. A better approach is to acknowledge the complexity, risks and unknowns, and to deploy tailored change strategies suited to the different parts of the journey.

About the authors

Martin Reeves (Reeves.Martin@bcg.com) is the Director of the BCG Henderson Institute and Senior Partner and Managing Director at the Boston Consulting Group.

Simon Levin is the James S. McDonnell Distinguished Professor in Ecology and Evolutionary Biology, Princeton University.

Jack Fuller (Fuller.Jack@bcg.com) is a BCG Consultant and an Ambassador to the BCG Henderson Institute.

Fabien Hassan (Hassan.Fabien@bcg.com) is a BCG Consultant and an Ambassador to the BCG Henderson Institute.

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'The invisible assumption of management is the focus on doing. People are selected because they get things done. But, while doing is variable, being is constant. The trouble is that the being of people and organizations is hard to move. As long as people's radar are tuned into doing, you have no place to get hold of the underlying issues.'

RICHARD PASCALE

ANIL K. GUPTA & HAIYAN WANG

Five traps to avoid in strategy execution

According to a Brightline Initiative survey, 59 percent of senior executives admit that their organizations often struggle to bridge the gap between strategy design and its practical day-to-day implementation. Our own consulting experience with dozens of companies suggests that this is almost certainly an understatement. Many executives often do not even know the extent to which their strategies are floundering.

The gap between strategic intentions and actual outcomes represents a massive failure of corporate leadership. Five traps bedevil many senior executives:

Trap 1: Assuming that creating strategies is easy and that it's just implementation which is hard

In reality, contrary to the popular cliché, developing sound strategies is at least as hard as implementing them. Many executives mistake dreams and fantasies for strategies. They assume that articulating a goal such as "we will increase our market share from 22 percent to 28 percent" is strategy. No matter how worthy the goal may be, it is anything but a strategy. Do you really believe that your competitors are deliberately planning to lose market share to you?

A complete articulation of strategy must include all of the following: goals and outcomes for some specified future; planned changes if any in targeted customer segments, the needs of these customers that you plan to address, product and service offerings, your company's geographic scope; what "onstage" competitive advantage you plan to offer to these customers i.e., why they should prefer your products and services over your competitors'; and what "backstage" competitive advantages i.e., core capabilities, you will build – and how – in order to neutralize your competitors' strategies.

Even when completely articulated, the strategy may be totally bonkers i.e., based on faulty assumptions. However, it at least has the merit of being detailed enough that people on your team can drill down into each aspect of the strategy and figure out which is sound and which is not.

Trap 2: Ignoring the fact that competitors exist and are trying to defeat you

Take any industry. Assume that you could be privy to the strategic ambitions of all key competitors. Now, add up all of their targeted market shares. Unless everybody is colluding, the sum cannot be 100 percent. And, unless they are all aiming for the graveyard, it cannot be less than 100 percent. In short, you can bet your last dollar that the targeted market shares add up to over 150 percent, maybe even over 200 percent.

Since the actual sum of all players' market shares will always be exactly 100 percent, it's a given that a majority of players will see their dreams shattered. Actually, that's not the worst possible news. If you hope to increase your market share over the next three to five years, you've to make upfront investments in R&D, engineering, operational capacity, and marketing/sales efforts now. If you make all of these upfront investments and the hoped for revenues do not materialize, you'll be even worse off because there'll be an even bigger hit to your profitability and cash flow.

The wise course of action is to anticipate what competitors may be planning and to factor these anticipated plans into designing your own strategy. You need to be clear about how it's your competitors rather than you who end up frustrated.

Trap 3: Ignoring fundamental uncertainty about the external environment

Some time ago, the CIO of a Fortune 500 company shared with us a presentation about likely developments in IT technology that he had given at a CIO conference in 2002. Interestingly, not even half of his predictions had turned out to be valid. Moreover, neither he nor other CIOs had anticipated the emergence of key developments such as smartphones and social media.

In short, unless you're omniscient, it's a given that many assumptions (about market demand, identity of competitors, competitive behaviour, technologies, etc.) that underpin your strategies will turn out to be wrong. Thus, it's crucial to remember that the design of business strategies must be very different from that of five-year plans in yesterday's state-dominated economies. Given massive uncertainties, design and implementation must often be simultaneous processes. Such an approach enables companies to learn at a rapid rate and make the needed adjustments on an ongoing basis.

We don't mean to suggest that companies should not engage in long-term thinking. Companies like Google would never have made long-term multi-billion dollar investments in driverless cars without long-term thinking. What companies such as Google do is the following: even as they develop long-term strategies, they revisit these

strategies frequently (even every quarter) – to test the validity of their assumptions and make all warranted mid-course corrections. This way, one can operate simultaneously in both the long-term and the short-term timeframes.

Trap 4: Assuming that needed capabilities can be built "on demand"

Core capabilities are fundamental to the implementation of any strategy. Take the case of American car companies such as GM, Ford, and Chrysler. They've been losing share to Japanese competitors for decades. They've also known that the primary reason is the quality and reliability of cars. Yet, knowing what one needs to do is hardly the same thing as being able to do it.

The necessary capabilities can rarely, if ever, be built on the fly. Often it can take a very long time. Amazon's capabilities to deliver most goods to customers in two days or less (that too, at an extremely low cost) depends on its network of automated warehouses and the data analytics that combine the customer-facing website with accurate real time information about exactly what's in stock at each warehouse. These capabilities take years to build and become a formidable barrier to the strategic ambitions of competitors who did not plan ahead the way Jeff Bezos and his team did.

True, some capabilities can indeed be built "on demand". In the case of Amazon, an example would be adding one or more additional warehouses to accommodate expected growth in demand. In this and all such cases, it's important to remember that, notwithstanding the importance of these "on demand" capabilities, they are almost always secondary to the company's competitive advantage.

Trap 5: Ignoring the importance of corporate culture or assuming that the required culture can be created relatively quickly

Peter Drucker quipped that "culture eats strategy for breakfast." A more precise statement might read "culture eats strategic intentions for breakfast."

As a concept, corporate culture is not the same as corporate capabilities. The latter also require investments in technology, operations, etc. That said, corporate culture plays a foundational role in the company's ability to build the needed capabilities. Some of the primary reasons why U.S. car companies have never been able to catch up with their Japanese counterparts in product quality include an adversarial relationship between management and workers, a win-lose relationship with their suppliers, and an excessive focus on marketing as opposed to production. All of these shortcomings pertain to aspects of corporate culture.

Even in the best of circumstances, corporate cultures take a long time to change. Thus, as early as possible, it's crucial for senior executives to become clear about what aspects of corporate culture will continue to play a central role in shaping corporate behaviour even decades from now. For a company such as Amazon, these appear to be customer obsession and constant experimentation. While these elements of corporate culture are almost "strategy free," they play a central role in enabling Amazon to beat competitors as well as grow in new directions such as Amazon Web Services. In our view, this is precisely what Peter Drucker meant when he made the quip about culture versus strategy.

Strategies, without implementation, are not worth even the paper they were written on. Of the many factors that get in the way, the biggest is that many business leaders think of strategy as largely a game of their company versus nature. So, they assume that, as long as they have a good understanding of where the market and technology are headed (a big if), their strategies will be easy to implement.

In reality, strategy is a game of your company versus your competitors. Everybody is dealing with the same environment. However, the winners will be those who can exploit the opportunities and counter the threats better than others. Thus, you have to factor in your competitors' ability to implement their strategies (and neutralize yours) as you go about designing your own strategies.

The challenge is even greater for multinational companies. In a global environment, companies often have a poorer understanding of their foreign competitors than they do of their domestic ones. Thus, the risk of being blind-sided is even greater. As Intel's legendary former CEO Andy Grove often noted: "Only the paranoid survive."

About the authors

Anil K Gupta is the Michael Dingman Chair in Strategy, Globalization & Entrepreneurship at the Smith School of Business, the University of Maryland.

Haiyan Wang is Managing Partner of the China India Institute. They are the coauthors of *The Quest for Global Dominance* and *Getting China and India Right* and are Thinkers50 ranked thinkers. Anil Gupta is also a member of the World Economic Forum's Stewardship Board for the Initiative on the Future of Consumption. Haiyan Wang is a Deputy to this Board.

'I have always thought the actions of men the best interpreters of their thoughts.'

JOHN LOCKE
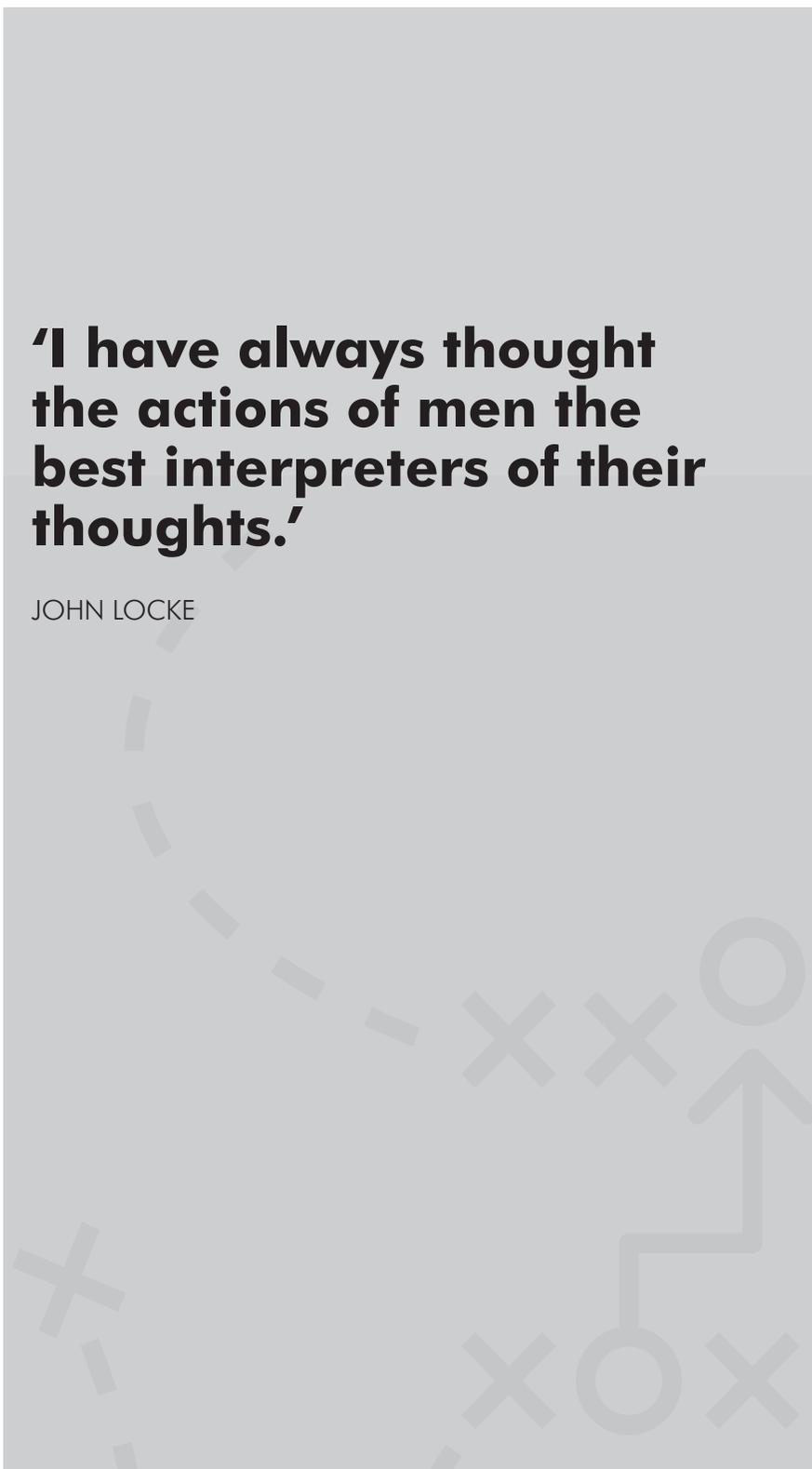
PERRY KEENAN, JEANNE KWONG BICKFORD, MICHELLE RUSSELL, GREG MEYDING, TAPIO SCHREY & CONNOR CURRIER

Leading change in turbulent times

Across virtually all industries, fundamental change has become the new normal. Yet, by its very nature, such change is frequently painful. While the intellectual and logistical challenges may be daunting, the resulting emotional confusion and chaos can also place a very heavy burden on an organization. However, in today's turbulent environment, fundamental change is not optional. Organizations face rapid digital innovation, challenging trade relations, destabilized geopolitical environments, and increased customer activism. These shifts require companies to rethink their missions, strategies, structures, technologies, and even their values. While major change may energize some employees, most find it unsettling – especially when accompanied by disruption of business models, potential elimination of roles and professions through digitization and artificial intelligence, dramatic shifts in workforce demographics, and what seems like a new "normal state" of business uncertainty. The toll of uncertainty, fear, and anger can create major distress in any organization, drastically undermining planned change efforts.

Farsighted leaders, however, endeavour to use times like these to sprint past their less nimble competitors and create real advantage. In order to capitalize on potential new opportunities, such leaders are able to harness the latent power of their organization by strengthening connections with their people, powerfully adapting to meet the needs of the ever-changing business environment and, sometimes, fundamentally changing that environment themselves. When delivering major change – whether through reorganization, end-to-end digitization of customer journeys, supply chain transformation, or a merger or acquisition – farsighted leaders also follow five fundamental tenets of catalytic leadership:

Elevate the importance of engaging the extended leadership team

You are not alone as a leader. Bring in your broader leadership group to understand the opportunities, risks and challenges, participate in the planning, and cascade the changes throughout the organization. There is power in

numbers. The members of a broader team will provide complementary skills and multiply the people-power and brain-power available to tackle critical issues. These leaders can also be mobilized to create and sustain an environment that enables the broader organization to change.

Senior leaders often worry that difficult pending changes, if leaked, will "paralyze" the organization, and opt for secrecy across the extended leadership team. They may even withhold project information from the extended team until well after launch of a major change effort. As a result, midlevel and upper-midlevel leaders may hear major announcements only hours – or even minutes – before their teams and are expected to pick up and run under new circumstances and mandates with little advance notice. These leaders almost invariably feel responsible for and take pride in their people. They have often been with the organization longer than the more senior leaders. Many of them are capable of brilliantly navigating their teams through turbulence, if they have advance (and confidential) notice of the changes – and even if they themselves may not have a future within the organization. By respecting, trusting, and properly engaging the broader leadership team, you also set a positive example for how these leaders should treat employees and customers – whose loyalty is crucial during major change.

When business realities limit the number of people who can be "in the know" prior to very sensitive announcements, it is imperative to have a process to rapidly engage and support the extended leadership team immediately after the announcement. Fully clarify the situation, what it means going forward, and why it was important to maintain secrecy. Don't expect these discussions to be easy, but understand they are essential.

None of this happens accidentally. In order to properly mobilize managers, companies should devote effort to "activate" the team as transformation leaders, ensuring they understand their role and are equipped to lead through the change. Aligning the rank and file with the change programme requires a critical mass of extended leadership to be on board – 70 percent or more in our experience. Deliberate action is required.

To be truly effective, extended leaders must have a vested interest in the programme's success and an understanding of what it means for them personally. They must speak with one voice to the organization and be held responsible for programme results. When empowered and included early, the extended team will help build the momentum to garner support for the programme amongst the broader organization – by engaging personally with their teams and ensuring that employees are motivated to fully participate.

Set clear expectations for your team and yourself

Provide clarity about the most critical elements of the change by explicitly spelling out the implications and your expectations for the team. Reducing ambiguity obviously helps people focus and reduces "organizational noise", but it can also increase morale and soften distracting emotions. Where there is potential for ambiguity, a simple communication construct can make a world of difference. Leadership can create and publicize two explicit lists: 1) what they know and can commit to; and 2) what has not yet been finalized, and what are the plans and timing to finalize it.

To further focus on what is most important, consider selectively killing or postponing nonessential projects. Your team may need to defer or reduce its noncore and discretionary responsibilities in order to accomplish the heavy lifting associated with major change. As a leader, step back to assess current workloads and objectively challenge how people's time is spent and could be rebalanced over the coming six to 12 months to create capacity for the change effort. Focus people on doing both what is necessary to run the business, and most likely to make the change successful. Similarly, be clear about what people can expect from their leaders and ensure that these expectations are communicated throughout the organization.

Be human – be real

Employees want to know that their leaders have a heart. People will rarely go the extra mile for someone who is all logic and no emotion – especially during difficult times. Be prepared to openly share with your team what the changes mean for you personally. This requires an honest evaluation of your feelings and willingness – even the courage – to let your guard down. Your tone and delivery can and will influence how your people interpret and internalize the coming changes, so pay attention to both the content and context of your messages. If employees see that their leader is treating people with respect as they fundamentally reshape the organization for future success, they are more likely to reward the organization with their best efforts.

Recognize that some of your people may have hidden reactions and feelings, such as shock, fear, loss of confidence, anger, and depression. And sometimes these individuals can be some of your key staff members. For many experiencing such reactions, they largely exist below the surface but can manifest themselves quite surprisingly and adversely. People experience turbulent times in different ways, and leaders must work to align individual interests to those of the larger

organization. Some will quickly accept the need for change; others will take a while; and some may never accept it – and that's okay. Encourage them to talk about what they're feeling. Articulate a personal vision of the future and listen with empathy. Try to understand their motivations if they seem resistant to change. Often those who are seen as blocking change are really just unsure and need more time to internalize what's required. Hold team and one-on-one meetings to address, or to at least acknowledge, their concerns. Although your people may initially feel extremely low, encourage them to try to make the best of the situation. If you address these emotional dimensions of change, your team will be focused more on creating a better future than on dealing with an "unfair" reality.

Drive results through accelerated ways of working

Running day-to-day business operations can be a significant challenge during times of major change and upheaval. Even more so, in today's environment as society has changed the rate at which companies have to get things done. Customers want products delivered overnight; leaders need to make decisions faster; and competitors pop up more frequently. The accelerated pace of business demands a more sophisticated model for change programmes – a more agile model that includes forward-looking indicators, allows for early course corrections, encourages creative and cooperative cross-department solutions, and keeps senior management appropriately involved. Leaders can utilize these strategies to increase the capabilities of their organization during times of extreme change and evolving market conditions. Agile ways of working also provide teams with the leeway to work more autonomously within specific structures or processes, simplify decision making, and operate with a measure of controlled freedom to increase innovation and boost engagement. Moving in this direction is not easy but provides organizations with the infrastructure necessary to create teams focused on speed, iteration, and adaptiveness – all of which are required to manage change in today's business landscape.

In conjunction with these ways of working, leaders must also increasingly focus on transparency and defining the measures of success, both for the immediate objectives and for the future. Ensure that specific new initiatives have clearly established milestones and metrics – as well as unambiguous owners – in order to reinforce individual and collective accountabilities. Leaders should rigorously track progress against those metrics and milestones through frequent check-ins to address potential problems early on and to ensure future success.

Strengthen relationships and maintain lines of communication

During turbulent times, a significant number of people are at risk of feeling demoralized and disconnected, so it's important to strengthen the bonds across the company and particularly within teams. As a leader, look out for your people, interact with them, and do your best to support them – collectively and individually. These actions are easy to overlook or treat as optional, but they help pave the way for employees to be as effective, cohesive and loyal as possible.

One way to build engagement is to foster employee co-creation by moving away from traditional top-down communications and leveraging a multi-directional technology-driven approach. Digital technologies allow leaders and employees to share information in open, social ways to generate employee recognition and engagement. Now more than ever, employees are demanding technology inside the workplace to support vibrant two-way communication, similar to how they interact outside of the office. Leaders should utilize digital tools such as internal corporate communications applications, group text messages, and crowd sourcing to stimulate dialogue and generate ideas to ultimately increase people's investment in the change.

During times of uncertainty, people are hungry for information and leadership – and this need will increase exponentially over the course of the change effort. In an information vacuum, people will connect the dots in the worst ways imaginable and demand clarity from their leaders. It's important to reach out to them repeatedly through any and all means: office-wide "town hall" events, internal corporate communication apps, digital polls, webcasts, blogs, and hallway conversations. Effective leaders are highly visible in both formal and informal ways.

Although it is an over-simplification, we find that the rule of "three and nine" frequently serves as a powerful rubric in communication effectiveness. Specifically, leaders should communicate three times more than seems instinctively reasonable to them in order to logically land a message to staff. And, employees usually need to hear a message nine times for it to sufficiently land. Leaders tend to shy away from over-communicating, but repetition can make the change initiative ubiquitous and a regular and accepted part of the business.

Remember that managing change today requires an ongoing, adaptive focus. More than ever, emotions will ebb, flow and evolve. One size does not fit all; people who initially accept the new direction may regress as change progresses and new events occur. But leaders who recognize and address the emotional dimensions of change, while ensuring accountability for results, can truly transform their organizations and – even during turbulent times – win the unwavering commitment of their people.

About the authors

Perry Keenan is a Senior Partner and Managing Director in the Chicago office of the Boston Consulting Group.

Jeanne Kwong Bickford is a Senior Partner and Managing Director in the New York office of the Boston Consulting Group.

Michelle Russell is a Senior Partner and Managing Director in the Chicago office of the Boston Consulting Group.

Greg Meyding is an Associate Director in the New York office of the Boston Consulting Group.

Tapio Schrey is Principal in the Helsinki office of the Boston Consulting Group.

Connor Currier is Lead Knowledge Analyst at the Boston Consulting Group.

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'Find out what practices or procedures are blocking your people from doing their best work – what rules are causing frustration – and get rid of them or at least one of them. We often think of new management innovations as things to be added, adopted, implemented, and the like. But many of the most innovative workplaces got that way because leaders saw what was blocking people from reaching their potential and they eliminated it.'

DAVID BURKUS

RON CARUCCI

Why executives struggle to execute strategy

Experts have opined for decades on the reasons behind the spectacular failure rates of strategy execution. In 2016, it was estimated that 67 percent of well-formulated strategies failed due to poor execution. There are many explanations for this abysmal failure rate, but a ten-year longitudinal on executive leadership conducted by my firm showed one clear reason: a full 61 percent of executives told us they were not prepared for the strategic challenges they faced upon being appointed to senior leadership roles. It's no surprise, then, that between 50–60 percent of executives fail within the first 18 months of being promoted or hired.

Appointing that many unprepared leaders into roles directly responsible for crafting and executing strategy only fuels the risk of executional failure. Here are four of the most common signs that an executive will likely fail when attempting to bring the organization's strategy to life:

They lack depth in their competitive context. Taking on broader leadership roles usually results in greater insularity for leaders. Their focus is pulled on internal issues – resolving conflicts, reconciling budgets, managing performance. Consequently, they pay less attention to external strategic issues like competitor moves, customer needs, or technology trends. One study reports that 70 percent of leaders spend on average one day a month reviewing strategy, and 85 percent of leadership teams spend less than an hour per month discussing strategy. When leaders fail to understand the competitive context of their organizations, they sometimes hide behind unrealistic goals to overcompensate. When I ask executives to see their organization's strategy, they often hand me a strategic plan that has product quotas and market share growth targets, or they show me the mission and values statement with some lofty statements on one page. But they rarely show me a clear market identity that articulates who they will serve and who they won't, what capabilities they will be disproportionately better at than their competitors, and why their target customers would choose them over competitors.

In a global food company I worked with, the new head of marketing announced that 40 percent of the coming year's revenue would be generated from new product launches. Nobody in the organization took her seriously because their new product launch efforts had been failures for the past several

years. What their consumers really wanted was higher quality products with healthier ingredients in more convenient packaging. But she failed to learn the fundamental competitive dynamics of this segment of the food industry, so was defaulting to principles from her past experience in an entirely different market. Too many executives fail to learn the basic competitive and financial context of their own organizations prior to assuming senior level jobs. One executive in our study confessed in his interview, "We all fake it till we make it."

They are dishonest or naïve about trade-offs. Strategy, at its most basic level, is a set of choices and trade-offs about where an organization will invest, compete, and win. That means for more complex organizations, every "yes" to an idea or initiative requires multiple "no's" to others in order to secure the success of the initiative you said yes to. Limiting the number of commitments requires focusing all resources on a narrowed set of priorities, intentionally de-prioritizing other efforts. Despite this, most executives struggle to understand the implications of not making effective trade-offs. In companies that poorly execute strategy, a staggering 60 percent of companies do not even link their strategies to their budgets, guaranteeing a disconnect between commitments and resources. By contrast, in companies that successfully execute strategy, 76 percent limit the number of strategic initiatives they focus on, and 64 percent actually do build their budgets around their strategy.

Diluting the focus of an organization by overcommitting resources institutionalizes mediocrity and cynicism. People feel set up to fail. Saying "no" is one of the greatest gifts an executive can give their organization. Too many leaders overestimate the capacity of their organizations under the ruse of "stretch goals" or "challenge assignments" to justify their denial of the organization's true limitations. In one of the largest global retail companies I worked with, executional capacity was unusually constrained for an organization of its size and margins. I asked the CEO to estimate how many global initiatives (multi-country, more than $1 million in scope and budget) he believed were active at the enterprise level. He guessed somewhere between 20 and 25. We did a comprehensive inventory for him, and stopped counting after we reached 147. Failure to make intentional, hard trade-offs when executing your strategy ensures that all efforts will likely fall short of expected results.

They leave old organizational designs in place. An organizational design is the living embodiment of the company's strategy. You should be able to look at how the organization is put together and instantly detect what it is trying to accomplish. For many leaders, the only organizational lever they know to pull is

the org chart. They shift pieces of the hierarchy around as if that could shift performance. But great executives become organization architects, taking a systemic look at capabilities – processes, governance, culture, competencies, technologies – and build them into the organizational machine expressly designed for a particular strategy. Research confirms the importance of this. In successfully executing companies, 77 percent effectively translate their strategy into operational mechanisms and monitor day-to-day progress.

The CEO of a fast-growing alternative energy company inherited an organization built to be a holding company over five disparate acquisitions that served different segments of the energy market. The strategic play was intended to be an end-to-end provider of energy solutions for private and utility sector customers. The only way for that to happen was to fully integrate the five companies into one enterprise built to deliver integrated solutions. The CEO intelligently, and courageously, took on the hyper-entrepreneurial cultures of the smaller companies. He chartered a design team comprised of leaders from all five, and built a ground-up enterprise design that integrated the best capabilities of each. Lesser CEOs would have naively tried imposing standardized core processes or aggressive incentive systems over the holding company design as a way to force cohesion, and would have ultimately failed. He knew that the only way to successfully execute the bold strategy was to overhaul and align the organizational design.

They can't handle the emotional toll. For many leaders, the taxing nature of enterprise-level leadership is too great. Being sufficiently knowledgeable about context requires a huge tolerance for ambiguity and the acceptance of a perpetual learning curve. Making hard trade-offs means saying no to people, and facing the many dysfunctional ways people deal with being disappointed by their leader. Shifting organizational designs means having to address the harsh realities of instigating major change – organization-wide anxiety, intensified political dynamics, and sometimes having to part ways with those not prepared for the new world you are creating. It's no surprise that mental and physical stress-related illnesses are high among executives. While some executives thrive on the challenges inherent in the trail-blazing work of strategy, many simply collapse under the emotional toll it takes. In our research, 38 percent of executives said they didn't expect the loneliness and isolation that accompanied their jobs, and 54 percent said they felt they were being held accountable for problems outside their control. Given the ruthlessly unforgiving nature of executive jobs, I encourage all my clients to have a "team" of professionals

around them – an executive coach, a licensed therapist, a personal trainer, and a nutritionist. That kind of "scaffolding" helps leaders bear the harsh realities of strategic leadership in healthier ways.

The work required to effectively craft and execute a company strategy is extraordinarily difficult. It's no surprise that many try to over-simplify it, or dilute it to match whatever level of competence they have. But if organizations actually invested in preparing executives for the real requirements of these roles, we would see failure rates decline and companies more consistently adapting and thriving.

About the author

Ron Carucci is a Managing Partner at Navalent and a former faculty member at Fordham University Graduate School. He has also served as an adjunct at the Centre for Creative Leadership. He is the author of eight books, including *Rising to Power: The Journey of Exceptional Executives* (2014, with Eric Hansen); *The Value-Creating Consultant* (2000); *Relationships That Enable Enterprise Change* (2002); *Leadership Divided*, *What Emerging Leaders Need and What You Might Be Missing* (2006); and *Bridging the Leadership Divide* (2010).

'Knowing is not enough; we must apply. Willing is not enough; we must do.'

JOHANN WOLFGANG VON GOETHE

NIRMALYA KUMAR

The CSO in a diversified conglomerate

After a lifetime as an academic, I was hired as Chief Strategy Officer at Tata, a colossal $100 billion group with more than a hundred companies and 650,000 employees worldwide. At first sight, the job of being strategy head for the Tata Group may seem rather different from my academic role, with implementation responsibility and ability being the key difference. But, it did not require much of an adjustment for two reasons.

First, I was not the typical academic. For 20 years, as an external consultant, I had been working with top executives and helping them think through their strategy. This had taken me to around 60 countries working for over 50 Fortune 500 companies as well as many other smaller firms. The only difference was that now all my thought partnerships were going to be within one group.

Second, my job was not to be responsible for execution. In fact, that is why Cyrus Mistry, the chairman, had asked the headhunter to explicitly consider only academics rather than ex-consultants or former corporate executives. An academic, he believed, was less likely to be tempted to interfere with the strategy or the running of the independent Tata companies. The latter was the responsibility of the CEOs and the boards of the individual companies. Good corporate governance required us at the group centre to ensure that minority rights were not being trampled in any oversight that we had as promoters.

In our strategy discussions, we thought hard about what the role of group centre should be when our stakes in the operating companies was often less than 50 percent. We finally concluded that in any diversified conglomerate such as Tata, the group centre could add value in essentially three ways:

Optimizing the portfolio by deciding which companies to fund, which to exit, and which new areas to enter. This was the most important aspect of my role. Supporting Cyrus, and through him the Tata Sons board, on the portfolio decisions to be made over the coming decade was where the greatest value creation potential lay.

Orchestrating greater synergies between the companies provided the initiatives would be a win-win for all companies since the minority shareholders for the different companies were not identical. While one could spend

considerable energies on this at the group centre, the relative upside was limited compared to the effort required. Rather than convincing all companies of the need to participate, the approach we adopted was to go with a coalition of the willing. With success, other companies would join the initiative over time.

Nurturing the companies was essential as it was how value was added to existing companies on a regular basis. This is what allowed group companies to use the Tata brand as well as access various stakeholders and enter new countries using group resources. Beyond this, because they were part of the Tata group, a company could access assistance from the group centre experts, myself included. Here I adopted a policy of providing advice to group companies only under one of three scenarios: I was on the board of the company as the Tata Sons representative, the CEO requested me to come and help, or if Cyrus asked me to go and see what was happening with the individual company.

Of the three value creation opportunities above, the first was where most of the energies went. To make portfolio choices required developing a strategy for the Tata Group and Tata Sons in concert with the board of Tata Sons. Cyrus and I spent countless hours developing this strategy, taking feedback from the board, and then revising it. We had adopted a ten-year horizon with explicit goals for 2025 on what the group should look like. Once the board of Tata Sons bought into that, then we could examine different paths that would get us there and allow us to pursue a long-term stakeholder value creation approach.

In summary, I saw the CSO role at Tata as "thinking" rather than "doing", or more accurately that "thinking" is "doing" in such a position.

In my role, I did get to observe many of the group CEOs closely, and their CSOs. The Chief Strategy Officer (CSO) is a curious position. Some companies have them, while in other companies such a position does not exist. In the latter, when you enquire why there is no Chief Strategy Officer in the organization, the CEO will dismiss the idea that such a position would add any value. As one CEO observed to me, if there is a Chief Strategy Officer, then what do I do? As a result, many CEOs are ambivalent, and some even downright hostile, to having a CSO.

Can CEOs develop strategy?

Most CEOs see, and should see, themselves as having the responsibility for formulating the organization's strategy. In fact, it is central to the role definition. Some CEOs feel that having a strategy head would compromise their position in the eyes of the stakeholders. If a strategy was presented by the Chief Strategy

Officer, observers, especially the board of directors, may question whose strategy it was – the CEO's or the CSO's?

Many CEOs can think strategically about their industry, critically understand their firm's capabilities, as well as keep on top of the changes unfolding in important related domains such as competitors, technology, environment, and public policy that will impact the firm's future fortunes. Some of these CEOs are also disciplined enough to devote the needed time to developing and updating strategy in between fighting the inevitable daily fires, that occur in any organization, which demand immediate attention. But after applying these two filters, probably only a minority of CEOs have both the ability and motivation to continuously engage in the time-consuming process of formulating strategy and keeping it updated.

On the other hand, by and large, CEOs are great executors. They have consistently delivered results previously since this is how they rose into their current position. But, how much experience they have had in formulating strategy depends on their experience prior to becoming CEO. Did they have to formulate strategy or just execute a given strategy?

Recognizing their limitations, especially with respect to the time available, many CEOs outsource strategy to the thriving profession of strategy consultants. However, can one really outsource strategy making? While accepting that in some circumstances there may not be another good option, there are at least two reasons why outsourcing strategy making to consultants is a bad idea.

First, strategy is the essential conversation among the top management team (TMT). It is how the TMT develops a shared view of what the firms' strengths and weaknesses are, competitor strategies, where the opportunities and threats exist, and how the social, political, and technological environment is evolving. As reasonable people can, and often do, disagree, strategy making is a messy process. But it is through these intense and continuous conversations that a common understanding emerges within the TMT. The outcome of this should be a strategy that will deploy the organizations resources towards a mutually agreed goal (vision) in a pre-defined pattern.

Second, implementing strategy requires that the TMT "own" the strategy and are the shills for it. To effectively explain, and convince the organization to execute, the strategy, the TMT must believe that it is their strategy or they will not be effective promoters of it. The responsibility for selling the strategy to the entire organization so that each employee understands their role cannot be abdicated.

Being an effective CSO

Being a CSO is testing for a number of reasons, but primarily because it is hard to demonstrate differential competence vis-à-vis other members of the TMT, especially the CEO. This is in contrast to those who head specialized functions such as finance (CFO), technology (CTO), information (CIO), operations (COO), or even marketing (CMO). Therefore, to be effective, the CSO must bring some unique experiences, skills, opinions, and/or ability to the table. And hopefully, these are acknowledged by the CEO and the other members of the TMT.

As I have often observed, the CEO is a lonely position. An effective CSO will have built a reservoir of trust with the CEO. To have this trust, the CSO must be a honest broker of information and not be seen as seeking the CEO's job. The CEO must never feel under threat from the CSO.

A major role of the CSO is to be a sparring partner to the CEO with respect to formulating strategy. By contesting the CEO's thinking, the probability of developing a sound organizational strategy increases. My own observation is that being an effective CSO is challenging for two reasons:

- How do you add value to the organization and the CEO without taking away the limelight from the CEO?
- How to be adequately deferential to the CEO, yet to push the CEO's thinking on strategy?

Failing the above, the CSO ends up simply being an expensive resource making power point slides for the CEO. In which case, it is better to replace the CSO with an executive assistant.

About the author

Nirmalya Kumar is Lee Kong Chian Professor of Marketing at Singapore Management University and a Distinguished Fellow at the INSEAD Emerging Markets Institute. He was previously a member of the GEC (Group Executive Council) at Tata Sons, responsible for strategy and reporting to the chairman. His latest book is *Thinking Smart: How to Master Work, Life and Everything in Between*.

'You must not be hampered by yesterday's myths in concentrating on today's needs.'

HAROLD GENEEN

CLAUDIO GARCIA

People are your strategy

Over the last two decades, the world has changed almost beyond recognition. Economic, political and technological transformations have had a huge impact. But one thing has not changed: strategy implementation remains stubbornly challenging, with failure rates between 65 to 90 percent (depending on the source). These stark statistics apply to all kinds of organizations around the world – for-profit or not-for-profit, governmental and private. If we include false successes, where an organization's good fortune is explained more by economic and social circumstances than by effective strategy execution, the picture is even more depressing. The simple fact is that the vast majority of organizations predictably fail to execute on their strategies.

The executives I talk to, and the literature I read on this subject, attribute this failure rate to so many different factors that it's difficult to separate the wheat from the chaff. In almost every case, there are processes, theories, and practices to avoid failures and mitigate the adverse effects of people on the implementation of the strategy. Yet, despite the billions of dollars spent every year on management consulting and training, the problem persists, and does not appear to be reducing. This leads me to believe that fundamental issues are being neglected or ignored.

There is plenty of evidence to suggest that we are looking at the problem with the wrong paradigm.

Organization as an extension of the human condition

Organizations are essentially human creations. As such they are not purely cognitive machines, but also emotional communities. They are affected by, among other things, the passion and ambition of their founders and leaders, the bonds developed with clients, the experiences they offer, and the engagement of their employees. As human creations, too, they carry a lot of the capabilities and fragility found in individuals and groups. These include the ability to: dream and imagine futures; create new products and services; engage with groups; and influence, be influenced and transform over time. These organizations contain possibilities that would be unimaginable even a few decades ago. However, all this creative and prosperous power coexists with our human limitations – such is the nature of the human condition.

A good analogy about how our limitations can interfere in the way we define and act in the world comes from the advent of behavioural economics. The work of Nobel laureate psychologists Daniel Kahneman and Amos Tversky has raised questions about the fundamentals of economic science. Human beings can no longer be seen as predominantly logical entities seeking to maximize utility in their decisions (something most people already knew intuitively). We carry as a result of our evolution several biases in our behaviours and decision-making processes. For example, we are often risk-seeking in dealing with improbable gains and risk-averse in coping with unlikely losses; we make complex decisions based on remembered outcomes of entirely different situations and contexts; we are overconfident about our judgments and capabilities more than any objective analysis; we interpret risk and benefits as negative correlates.

The list of our inherent human biases is extensive, and we are continually applying them when we interact with the world. That includes how we approach strategy execution. It is easy to imagine each of the biases above, for instance, interfering in strategy success. Just as the dominant economic theory does not yet incorporate these concepts, so the current practices of management, including those related to strategy, have some catching up to do.

People have concerns that go beyond helping the execution of an organization's strategy to achieve its goal. Our interests are diverse and mutant. We want to belong, to grow, to gain more, to take care of our children, to save the world, and those interests change throughout our lives as we discover or face new realities. People act predominantly in their own self-interest (even if it is in pursuing an altruistic purpose). It is difficult to perfectly align those interests with those of the organization. Moreover, their actions are influenced by positive emotions – joy, desire and passion – as well as negative ones like anger, fear and anxiety.

The simple reality is that as human beings, we are much more diverse, unpredictable and complex than strategies would like us to be. Our capabilities, as well as biases and emotional condition, affect our successes or failures.

As we clearly need to protect ourselves from our "design failures", we also have massive opportunities to leverage our potential as human beings, something that current practices still limit us to do.

Seizing potential in a non-existent predictable world

Today, we live in an increasingly globalized world, in which more variables imply an increasing rate of complexity, volatility and consequently uncertainty. This is not new.

The term VUCA (Volatile, Uncertain, Complex and Ambiguous) was first coined in 1988. Given that the idea has been around for thirty years now, it is remarkable that the practice of strategic planning has survived to the present day.

In *The Fall* and *Rise of Strategic Planning*, Henry Mintzberg lampooned the traditional notion of strategic planning. "The world is supposed to hold still while a plan is being developed and then stay on the predicted course while that plan is being implemented," observed Mintzberg. "One can just picture competitors waiting for the board's approval."

Henry Mintzberg offers clues as to why so many organizations are still failing at strategy execution. He reinforces the concepts of strategic thinking and strategy making, contrasting them with the practice of strategic planning. "Strategy thinking is an integrated perspective of the enterprise, a not-too-precisely articulated vision of direction," he writes. "Strategy making needs to function beyond the boxes, to encourage informal learning that produces new perspectives and new combinations."

Strategy thinking and making happen as people, under the "umbrella" of organizations, interact with the world, guided by semi-structured visions, iterating with inputs and outputs of customers, suppliers, competitors, economic, political and social dynamics. It's essentially a human effort that requires our best social, creative, analytical and synthesising skills.

Looked at from this perspective, strategy formulation and execution resembles much more an acting learning journey than an analytical exercise full of assumptions far removed from the real world, which top leaders need to make it work for the sake of their political survival.

Plans are still dominant influencers in guiding action in organizations. They are underpinned by the prominent role of CFOs who struggle against uncertainty, transferring the pattern of formality and predictability from the role they play as financial controllers to the strategy thinking and making. In doing so, strategy becomes a rigid plan that risks undermining the organization's adaptability and creativity in an uncertain world. "Decades of experience with strategic planning have taught us about the need to loosen up the process of strategy making rather than trying to seal it off by arbitrary formalization," observes Mintzberg.

Organizations, somehow, have been adapting to this unpredictable context. Diversification of business portfolios drives the allocation of resources to areas where trends are more evident and the future appears more predictable. In doing so they fragment the risk. Venture units identify and invest in new business models and technologies that may put the business or part of it at risk. However,

on closer inspection these practices still attempt to control uncertainty. For example, acquiring ventures with attractive business models avoids the potential business risk that innovative models could exert.

Often the businesses are acquired thriving, with great potential for growth, but do not find a fertile environment to sustain their trajectory. Over time they are sacrificed by the need to conform to traditional management practices. The control paradigm is still the predominant one. Although we have lived in an uncertain world for many years, leaders have not yet fully realized that we must accept and incorporate uncertainty into our management and leadership models. That means dealing with thousands of small failures to create something that is transformative. This is a difficult challenge for cultures where (the illusion of) certainty is promised and failure is penalized.

In the end, we push people to reduce their best features when we most need them.

Putting uncertainty at the core of strategy thinking and making

An unpredictable world is nothing less than the consequence of the diversity and unpredictability of human nature. At the same time, we are continually being influenced by this unpredictable world. As a society we become more diverse, uncertain and unpredictable – we are part of a living system with strong reciprocity.

Strategy thinking and making should navigate this reality and not try to predict and control it. That means accepting the diversity of thought and action available and engaging it in a journey of learning and achievement. Welcoming diversity means recognizing that in a complex world answers will never come from just one leader or a small group of them. Navigating uncertainty means exploring possibilities that will come from different minds, with varying experiences of life and worldviews.

However, our management practices still have limitations that allow this to happen. For example, declarations of corporate values and definitions of organizational cultures, as well as competency frameworks, are hidden licenses to kill diversity in the organization. Of course, it is much easier to manage a group of equals. Reducing complexity makes everything faster – but loses the essential capacity for adaptation and reinvention. Efficiency comes at the expense of adaptability.

Another example is the extreme emphasis on development programmes with a strong focus on leadership but with little attention on the equally important practice of following. Leading is and will continue to be an essential capability in the organizational world, but not at the cost of ignoring the ability to follow

others. Even top leaders have to allow themselves to follow people from their teams who are more knowledgeable, to deal with specific contexts that they are not good at coping with. Different perspectives allow us not only to achieve different points of view and agree on actions for different challenges but also, if well cultivated, reduce the risks associated with human frailties and biases. Of course, creating the right environment for all of this to work is not simple or easy. The diversity of thinking, feeling, and acting brings conflicts that can turn into confrontations.

The core ability to make all this work is social and emotional maturity. Developing social and emotional maturity in organizations is challenging. It does not follow simple rules. It does not follow Moore's Law as technology does. Human attributes do not evolve exponentially.

It is a long and inconsistent process, which makes it a long-term endeavour. With years of management practices, aimed at controlling uncertainty, the required maturity of people for the current business environment is rare in the talent market. That puts pressure on the methods of selection, career management, incentives, and performance management, especially in an era of constant technological and business transformations, where structures, as well as business models, are more volatile.

All this means that strategy thinking and making, as well as management practices, need to reinvent themselves to incorporate uncertainty into their core. Human nature is at the heart of this reality. People are at the centre of organizational dynamics. Processes, technologies and management models should exist to preserve and augment and not to condition and limit our human capabilities. Successful strategies are, ultimately, human accomplishments.

About the author

Claudio Garcia is Executive Vice President of Strategy and Global Transformation at Lee Hecht Harrison, which operates in more than 60 countries.

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'To start the journey of becoming the next version of yourself, ask three deceptively simple questions. Who are we today? Who will we become tomorrow? How do we start making the change? Remember that the biggest risk is not the action you take, it is trying fruitlessly to cling to the status quo as the world changes around you.'

SCOTT ANTHONY

PHILIPPA HARDMAN & CHRIS NICHOLS

Creating the future, together

Participative strategy is a way to involve teams in strategic thinking, based on the power of invitation and creative ways of accessing strategic data and collaborative insight. Our experience shows how to use this approach to create compelling strategies and clear ownership of the actions required to translate them into reality.

Over the last ten years, we have worked on creating and executing participative strategies in 15 organizations across ten sectors, involving over 5,000 leaders. Most recently, we have worked in developing and implementing a participative strategy process at the High-Performance Materials (HPM) operation of the industrial group Saint-Gobain. This involved over 200 of the organization's most senior leaders.

HPM is the materials science division of Saint-Gobain, its parent company, based in Paris, France, with nearly 180,000 employees and a 353-year history. With an eye for innovation, Saint-Gobain has invested in branded technologies that support products in sectors from construction to aerospace, automotive to industrial applications and life sciences.

The HPM division had grown strongly over many years with one in three of its current products not existing five years ago. But, its executive team realized that being constantly at the technical frontier places limits on organic growth. They wanted to engage the company's leaders in addressing the question of finding new growth. They asked: How can HPM harness the insight of these leaders most effectively?

Participative strategy is ignited by such questions.

What matters is both the nature of the strategic question and the attitude of the senior team. So, the starting point of participative strategy is to ask yourself honestly: Is this a question that will benefit from the application of collaborative insight?

Participation isn't a panacea for all situations. There are instances where it just won't work, where it's unsuited to the team or the task. It is no use asking 200 people a question that requires a forensic, expert answer. The participative process is suited to the exploration of genuine unknowns, where no single source of expertise will hold the complete solution.

The HPM situation was perfect for a participative approach. The company had expertise in depth, separated by branded divisions. There was a track record of selective inter-team collaboration. Creating the circumstances for greater participation appeared likely to lead to new ideas and action to further accelerate growth.

Of course, participation doesn't in itself guarantee new outcomes. It's all too easy to create processes and events that reinforce existing ideas and ways of seeing. Our experience suggests that for participative strategy to work it requires the following elements:

Top team readiness

Using a participative approach is an act of leadership. It signals that the top team knows that it doesn't hold all the strategic answers. That requires them to be honest and be willing to accept their vulnerability.

In the case of HPM, the top team had not done this before, so they were cautious. The crucial strength they brought was a willingness to explore what might be possible beyond their common practices. It took several weeks, and many conversations, to reach agreement that a participative approach was the right way forward. This was new ground and the top team could not afford to fail.

In bringing this process to a conclusion, it is vital to have an internal champion within the top team. At HPM, HR Senior Vice President Valerie Gervais played this crucial role: "I know what we can achieve by working more closely together, and I recognize that doing it might feel unfamiliar for colleagues. It's not that people aren't willing to work together across brands, it's that we haven't asked them to work like this before."

The rules of invitation must apply

People have to sense that the participation is genuine from the outset. How you invite people is an important step. Psychological safety is vital to all participative strategy processes. People must genuinely feel that they can join in fully, to know that alternative voices, with sometimes difficult and unwelcome messages, will be heard.

Getting the invitation right depends on context and chemistry. The HPM team is made up of scientists and engineers who test things out. They would step into participative strategy only if convinced there was a genuine intention to make a difference. This started with the CEO seeking out respected individuals from across the business to join an interview – or inquiry – group to gather input from colleagues. This form of invitation to become involved itself signalled a change.

Don't design in the dark

HPM leaders responded enthusiastically and a team of nine emerged, keen to step into this different role. Indeed, more than 60 people were eventually involved in some way in the inquiry and design process – talking to colleagues, seeking customer input, and brainstorming process design options.

"The process and style needed to match the purpose we set – to unleash growth. People really seized on this invitation – which allowed our teams to unleash their energy. The process needed to be a live demonstration of the change we were creating," says Valerie Gervais.

The involvement of so many people in the inquiry stage was important. The dozens of people covering the ground understood the complexity of the business and the stakeholders who needed to be brought fully into the process. The initial invitation created an immediate sense of community. Valerie Gervais talks about the importance of "misfits that fit". Securing the involvement of these internal free radicals helped bring the process fully to life.

Actively seek different viewpoints

Strong companies have powerful stories, and these narratives can strangle new insights. A participative process needs to seek out, promote and protect different ways of seeing the world. At HPM this started with the active inquiry process and the involvement of "misfits that fit", but it didn't end there.

Customer views became very powerful in the process. The inquiry and design group asked colleagues to gather their customers' views on the "strengths that HPM bring to us" and "the advice we'd offer to HPM". These became the catalyst for powerful conversations within, and across, brand and market teams during the process. Says Valerie Gervais: "We always say we never have a wasted conversation with a customer, and so it proved. Their comments were illuminating."

Pay attention to process

Shifting the dynamics of participative processes is key to making participative strategy reality. There is a balance between changing the process to signal a changed intention and those involved having sufficient familiarity to create a safe place to allow the work to happen effectively.

HPM balanced a radically different process with executive team members playing new roles, while constantly reminding leaders – many of who were materials science specialists – of the importance of reaching practical, tangible, and actionable outcomes. For HPM's leaders this was largely unfamiliar language.

An important part of HPM's process was a three-day meeting of its top 200 leaders labelled the "Unleash Growth Forum". The CEO didn't open the event. The executive team joined in as participants. All conversations were hosted by volunteers from the inquiry process, who were passionate about making sure issues were well explored. The willingness to experiment with a new power dynamic in conversation was important in stirring up the sharing of possibility.

Find different ways to record and share outcomes

To share the Unleash Growth Forum beyond the people in the room, HPM worked with a team of artists, using a 50-foot graffiti wall built along the back of the arena. After the Forum, the artwork and edited films became part of the ongoing communications process as the work of the Forum moved back into – and across – business units.

In another example, an engineering company used photographs of its strategy workshops, involving around 100 people out of 1,000 in its division, to accompany the briefing note from the managing director about the resulting decisions. He also encouraged everyone involved in the process to go out and speak to colleagues about the work they'd been doing to supplement the more formal road shows he and the management team were due to make. As he acknowledged: "If everyone here speaks to around ten people, then just about everyone will be better informed about what we're trying to do with our business, and they'll hear it directly from colleagues who've been directly involved."

Don't assume elephants can dance

A successful participative process involves temporarily suspending some everyday leadership rules and norms. This requires top leaders to be briefed so that they are prepared for specific situations and dynamics. At HPM, each member of the executive team received extensive briefing notes about how the process would work as well as individual coaching.

The more emergent and explorative the process (especially where it's large and complex), the more important it is that the boundaries and the structure are very clear and maintained throughout. The choreography of an event isn't to control what happens but to control the space within which positive things can happen.

Maintain disciplined action over time

It's easy to get hooked on creating workshops or some kind of Big Event during a participative strategy process. Because of the scale of preparation and

risk involved, these can easily become ends in themselves. Used well, they have a unique and valuable role to play, but they are never the whole story. Much of the success lies in the preparation for, and the follow up to, large showcase interventions.

At HPM, the CEO Laurent Guillot asked the Inquiry Group to form an advisory board, to work alongside the Executive Team to keep up the global momentum created at the Forum. Over the following months four global initiatives were developed, tested in specific business units, and the learning shared and implemented. This ensured that the participative approach continued to live beyond the initial work, with tangible outcomes shared across the group.

Think of designing and investing in the post-event process as being akin to physiotherapy appointments after surgery: it's not an optional extra. If you don't do the follow up, the surgery won't be successful. Much of your investment may be lost.

We have never, in ten years, seen an under-invested project deliver well. Harnessing collective energy and insight requires choreography, skill and process. It is in itself usually a statement of transformation, and it must be respected as such an investment.

Done well, participative processes realize energy and insight that no traditional strategy consulting work or engagement process can deliver – and can be a powerful and elegant way of inviting people into making a new, shared strategic story. But it is essential to respect the process as what it is – an investment in strategy making and in the creation of a future.

About the authors
Philippa Hardman is Cofounder of the consulting firm GameShift. She was a chartered accountant at PwC and was previously Co-leader of the Strategy Engagement Group and a Director of Ashridge Consulting.
Chris Nichols is Cofounder of GameShift. He was previously Professor of Practice in Systems Leadership and Innovation at Ashridge-Hult Business School.

'If you relentlessly focus on the excellence of the product or service and the excellence of the staff that designs it, delivers it, and constantly re-imagines it, on the whole good things are likely to follow.'

TOM PETERS

ALESSANDRO DI FIORE

Agile planning

Planning has long been one of the cornerstones of management. Early in the twentieth century Henri Fayol identified the job of managers as to plan, organize, command, coordinate, and control. The capacity and willingness of managers to plan developed throughout the century. Managing by Objectives became the height of corporate fashion in the late 1950s. The affluence and security of the 1950s eased gently into the 1960s. Corporations rolled powerfully on. The world seemed predictable. The future could be planned. It seemed sensible, therefore, for executives to identify their objectives. They could then focus on managing in such a way that these objectives were achieved. They could then set some more objectives.

This was the capitalist equivalent of the Communist system's five-year plans. MBO provided a framework to express managerial certainty. One management theorist of the 1960s suggested that the best-managed organizations in the world were the Standard Oil Company of New Jersey, the Roman Catholic Church and the Communist Party. The belief was that if the future was mapped out, it would happen. In an era of steady growth, technological maturity and opening markets, Management By Objectives was an expression of confidence.

Later it evolved into strategic management. Corporations developed large units dedicated to planning. They were deliberately detached from the day-to-day realities of the business and emphasized formal procedures to gather data and make decisions. The fundamental belief was still that the future could largely be predicted. Henry Mintzberg defined planning as "a formalized system for codifying, elaborating and operationalizing the strategies which companies already have".

The oil shocks of the early 1970s and the rise of competing powers, such as Japan, suggested that this confidence was misplaced. Undeterred, companies invested in scenario planning, a means of preparing for a variety of eventualities. Bets were hedged.

Now, planning has fallen into disrepute. Corporate planning teams have long been dismantled. In the face of relentless technological change, disruptive forces in industry after industry, global competition, and so on, planning seems like pointless wishful thinking.

And yet, planning is clearly essential for any company of any size. Look around your own organization. The fact that you have a place to work that it is equipped for the job, and you and your colleagues are working wherever they may be today, requires planning. Plans have to be made about the use of a company's resources all of the time. Some are short-term, others stretch into an imagined future.

So, planning is alive and well. But, planning twenty-first century style can be best described as agile planning. This has a number of characteristics:

Understanding that the future will be different. Obvious, I know, but corporate decision making over the last century has taken data from the past and extrapolated it into the future. The future, it was largely assumed, would bring more of the same.

In reality, the past is a very partial guide to the future. And that is being generous to the past. Instead, companies must become more attuned to small changes in their marketplaces. They must have the ability to tune into changing customer needs and aspirations. They must continually connect with customers, suppliers and other stakeholders in their business. They must look beyond the current reality to identify and track future competitors.

Shifting horizons. Agile planning is built on the knowledge that circumstances change. Its timescales are a moveable feast, shifting focus from tomorrow to next month to next year. Plans can be scheduled but, like all schedules, the future is subject to change.

Adaptive responses. "To be practical, any plan must take account of the enemy's power to frustrate it; the best chance of overcoming such obstruction is to have a plan that can be easily varied to fit the circumstances met; to keep such adaptability, while still keeping the initiative, the best way is to operate along a line which offers alternative objectives," wrote the military theorist B.H. Liddell Hart. Plans are measured not by achieving 100 percent adherence to them, but by the organization's ability to respond to change.

Utilizing hard and soft data. Planners have traditionally been obsessed with gathering hard data on their industry, markets, and competitors. Soft data – networks of contacts, talking with customers, suppliers and employees, using intuition and using the grapevine – have all but been ignored.

From the 1960s onwards, planning was built around analysis. Now, thanks to Big Data, the ability to generate data is pretty well limitless. This does not necessarily allow us to create better plans for the future. Paralysis by analysis is alive and well.

There has to be realization that soft data is also vital. Championing the case that strategy is either an "emergent" pattern or a deliberate "perspective", Henry Mintzberg has argued that strategy cannot be planned. While planning is concerned with analysis, strategy making is concerned with synthesis. Today's planners are not redundant but are only valuable as strategy finders, analysts and catalysts. They are supporters of line managers, forever questioning rather than providing automatic answers. Their most effective role, says Mintzberg, is in unearthing "fledgling strategies in unexpected pockets of the organization so that consideration can be given to (expanding) them".

"While hard data may inform the intellect, it is largely soft data that generate wisdom. They may be difficult to 'analyze', but they are indispensable for synthesis – the key to strategy making."

Roger Martin is among those arguing the case for the importance of soft data in senior level decision-making. Says Martin: "CEOs need to use the only methodology that has ever been useful in making decisions about the future: first, imagine possibilities and second, pick the one for which the most compelling argument can be made. In deciding which is backed by the most compelling argument, CEOs should indeed take into account all data that can be crunched. But in addition, CEOs should also use imagination, judgment, and experience of numerous data points from the past that the data analysts wouldn't consider 'objective data' to decide in what way to shape the future – like all the great CEOs in the history of business have done."

Interlinked with strategy. The business historian, Alfred Chandler, defined strategy as "the determination of the long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals." Strategy and planning are dynamically interlinked.

About the author
Alessandro Di Fiore (adifiore@ecsi-consulting.com) is the Founder and CEO of the European Centre for Strategic Innovation (ECSI) and ECSI Consulting (www.ecsi-consulting.com).

'Leaders that catch disruptive changes early and respond appropriately will have the ability to thrive in the years to come. Those that don't, well, Darwin has a way of taking care of them.'

SCOTT ANTHONY

JULIAN BIRKINSHAW & JONAS RIDDERSTRÅLE

Dear CSO

We realize you have a lot of things on your plate, so the last thing you need is another new strategic initiative to work on. But please bear with us: the proposal outlined below is actually going to make your life a whole lot easier. Of course, the multitude of issues that your company has to address is going to remain as complex and multi-faceted as ever, but if you take our advice you will be able to spread the load a bit more, and get focused more quickly on the important stuff.

You have heard the expression "teaching an elephant to dance". In fact, you have probably used a version of it at some point. Like most of your peers, you wish your company was more nimble and responsive, more like some of those Silicon Valley start-ups that are featured in business magazines all the time.

In fact, we would suggest that increasing your "strategic agility", your capacity to adapt quickly to changes in your business environment, could be the most important and difficult challenge you face right now. We were talking just last week to managers in one of the largest consumer products companies in the world, and they said their biggest barrier to change is their over-engineered formal processes – things like the budgeting process, the performance evaluation system, the stage/gate methodology for reviewing new products. These were high calibre, highly motivated people, all trying their best to make the company a success. And yet the "system" was holding them back.

Why does everything take such a long time in big companies? We see two linked problems. One is the invisible stranglehold of bureaucracy – everything gets done according to rules and procedures. Of course, the rules aren't always wrong. These management processes were designed by thoughtful, well-intentioned people. But over time they take on a life of their own. They metastasise to address all eventualities, and their linkage to the company's overall goals becomes ever more tenuous.

Many company executives have said they want to move away from bureaucracy towards a "meritocracy" which puts people and ideas first. This isn't a bad idea. We can all agree that knowledge, or human capital as it is sometimes called, is central to success in today's Information Age. But it turns out that a

meritocracy can be just as slow and internally focused as a bureaucracy. We work in the oldest form of meritocracy – the university – and while we hate rules, we love to argue and discuss every issue, and we believe strongly in consensus. Many professional service firms, and indeed quite a lot of traditional business organizations too, have moved in this direction, thanks to this belief that knowledge and learning are the only sustainable sources of competitive advantage. Yet, the sad result is often a form of analysis paralysis where people are highly knowledgeable and can "talk the talk" but nothing actually gets done.

So what you actually need is not a focus on rules and procedures, nor is it a focus on knowledge and insight – you need a focus on action. We call this model the adhocracy, as distinct from bureaucracy or meritocracy. In practice, it means simplifying your formal processes, reducing the number and size of your cross-functional committees, and eliminating some of the centres-of-excellence sitting in headquarters, and putting in their place a light-touch, fleet-footed model where small teams are empowered to take action quickly and in direct response to the needs of their users. If you like analogies, think in terms of the special forces units used by the military when operating in enemy territory. It is said that no plan survives contact with the enemy, so adaptability and thinking on your feet is at a premium. In a business context, this means breaking work up into small projects, doing experiments and market tests, and adapting quickly to feedback.

We know this change in emphasis will be difficult for many of your managers. When faced with uncertainty, most people default back to what they are comfortable with – typically either a standard operating procedure (bureaucracy) or a review committee (meritocracy). You need to have the courage to push against these instincts. And there are some handy examples you can draw inspiration from in the business world today. For example, the agile movement in software development, and in particular the scrum methodology, is entirely consistent with our notion of adhocracy. Other examples are the beyond budgeting movement and the holacracy organizing model.

This more action-focused approach to organizing, by the way, requires some pretty big shifts in management style for you and your team. You have to give up some of your traditional sources of power, and you need to start promoting people who challenge the status quo. Ultimately, the adhocracy isn't really an organizing model, it's a state of mind. And if you want to make your company agile and competitive in today's business environment, it should be at the centre of your change agenda.

About the authors

Julian Birkinshaw is a Professor of Strategy and Entrepreneurship at London Business School and has written twelve books, including *Becoming a Better Boss, Reinventing Management*, and *Giant Steps in Management*.

Together, he and Gary Hamel founded the Management Innovation Lab (MLab), a unique partnership between academia and business that seeks to accelerate the evolution of management.

Jonas Ridderstråle is the coauthor of the international best-sellers *Funky Business* and *Karaoke Capitalism*. He has been included in the Thinkers50 on six occasions. Birkinshaw and Ridderstråle are the authors of *Fast/Forward: Make Your Company Fit for the Future* (2017).

'However beautiful the strategy, you should occasionally look at the results.'

SIR WINSTON CHURCHILL
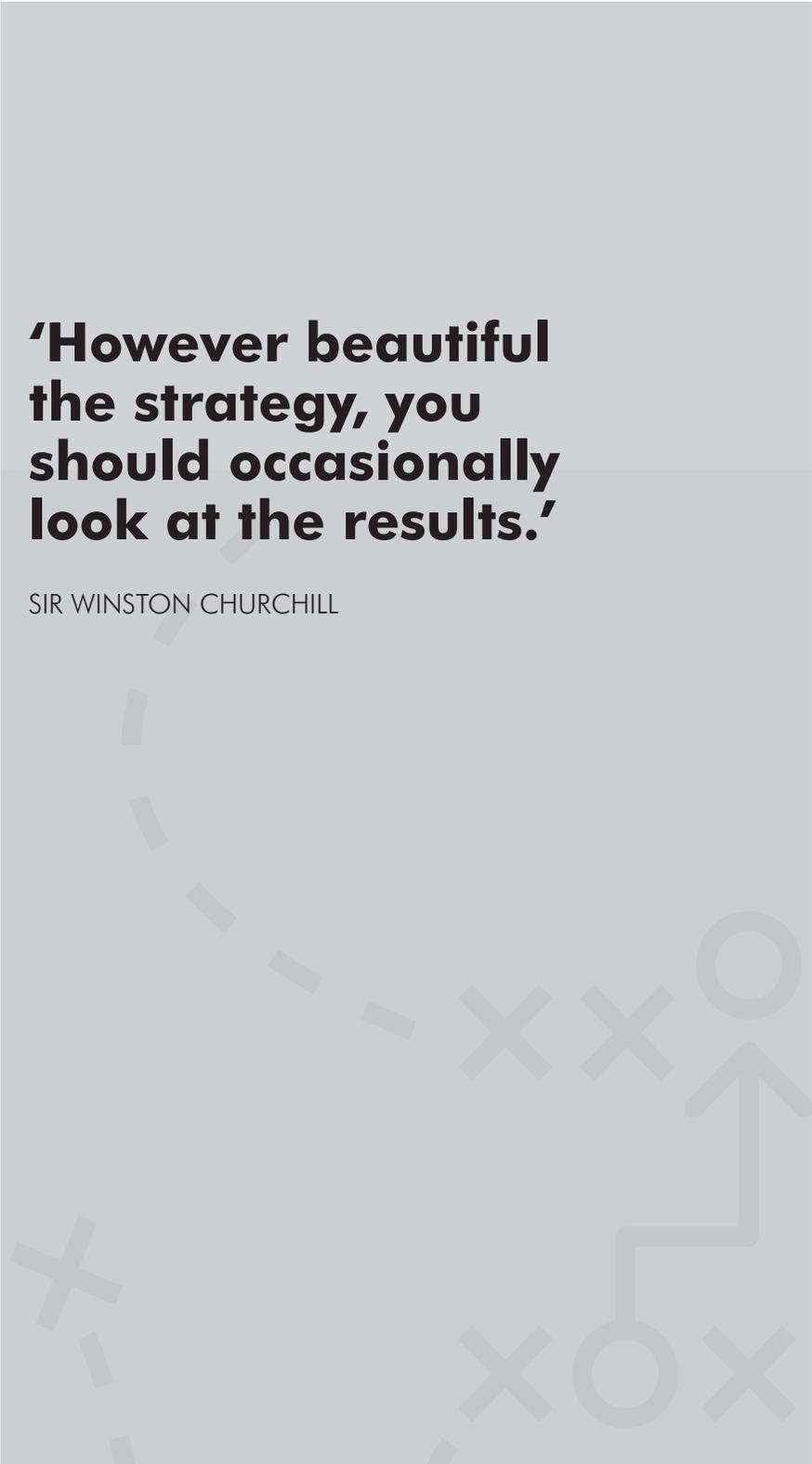
MARGARET HEFFERNAN

Embracing the future

Business moves forward, not back. And right now the big change that business leaders confront is our increasing inability to predict accurately over any significant timescale.

It used to be – this may be what you learned at business school – that you worked feverishly on a carefully considered, well debated three to five-year plan; then the entire company executed furiously to achieve success. But today, if you do that, you will be wasting your time. Your plan would depend on so many risky assumptions as to be pointless; looking out a year or two may be the best you can hope for. That's why the old way of managing won't work any more. It isn't a question of doing it better – but doing something different.

Your challenge now is to build an organization that is adaptive, flexible and febrile in its responsiveness. This will put change programmes into the shade, because your end goal is a culture and structure capable of evolving constantly. You will need people who love learning, can learn (safely) from mistakes and are generous in their support of others. The super-chickens will have to go, however talented they may be.

Your two enemies in this endeavour will be hierarchy and bureaucracy. Hierarchy provides tremendous reassurance but at the cost of accountability: there are always plenty of other people to blame. If the business is carrying risks, or is surrounded by opportunities, you need every single person in your organization to feel responsible for attending to these. Hierarchy provides the perfect excuse to do the opposite, making it more likely that you will learn too late what's going on down there. Moreover, you want people to be able easily to move around the organization – spreading ideas, learning and perspectives – without loss of status. How few layers can you live with?

Too much of the bureaucratic machinery used to run organizations has turned clever, imaginative and independent thinkers into bad robots. Targets and performance management systems reduce both autonomy and accountability: as long as employees do as they've been told, it isn't their fault if it is mad, bad or stupid. So, the reassuring machinery of bureaucracy needs to be slimmed down. Focus instead on creating the conditions in which the people you trust can

pursue them the right way. Targets distract and destroy. Well-defined outcomes can liberate.

Your people – the talent – need collectively to look like the markets you serve. To get the most from the intelligence network that is your workforce, gather together different kinds of people with a wide variety of thinking styles and educational backgrounds, give them the courage, freedom and safety to speak up, argue and debate – and then listen to them. Open innovation platforms reveal how much more creative capacity people have than their day jobs allow to surface. Take this as your challenge. Build the connective tissue that allows ideas to spread and improve, the social capital that encourages creative risk taking and collaboration. Most organizations are poor estimators of talent and do best when they raise expectations not of the few but of everyone.

Between your organization and society can be either a wall or a porous membrane. The former may make you feel safe but will always provoke challenges of relevance and legitimacy; walls make innovation harder and willful blindness easier. A more open relationship to society can keep your organization refreshed and renewed, sustainably creative and legitimate. That transition, from a closed to an open culture, may be the hardest challenge you face, in yourself and in your organization. But the former will curb growth while the latter will sustain it.

No one succeeds alone. And, as one board member once told me at the end of a particularly bad quarter: Nobody said it was easy. Leadership is a privilege and sustaining it requires passion for, and attention to, the environment and people that make success possible. When they thrive, you will.

About the author

A former executive, **Margaret Heffernan** is the author of five books: *The Naked Truth: A Working Woman's Manifesto about Business and What Really Matters*, *How She Does It* (published in paperback as *Women on Top*), *Willful Blindness: Why We Ignore the Obvious at our Peril*, *A Bigger Prize: Why Competition Isn't Everything and How We Do Better* and *Beyond Measure*.

'In action, be primitive; in foresight, a strategist.'

RENÉ CHAR

DEBORAH ROWLAND

Difficult truths

I have been an executive with major corporations, including PepsiCo, Shell and BBC Worldwide, a change consultant and now a speaker and author. Like any career, mine has been a journey. But, the big lesson I have learned along that journey is one that surprised me – and one that continues to challenge me. The lesson is huge and applies as much to my life outside work as to work itself. The lesson is how to confront the truth about a situation without fearing rejection, to be able to approach difficulty without worrying about causing upset, to be able to disagree with someone clearly and cleanly without obsessing about causing irreparable offence.

The truth is often uncomfortable. Sometimes it might seem that it is always uncomfortable. Being in a community and in relationship to others – be that professional or personal – requires you to connect with niggles, awkwardness and tensions, not just joy, harmony and ease. To be in discomfort, knowing that you won't fall. To encounter danger, trusting in your safety. To risk opening up, knowing that you won't be hurt. It's a far less rewarding world without these capacities.

And this learning became vital as I started to take up leadership roles, where I came to realize that most deep movement and achievement happens in the uncomfortable space. Difficulty is a source of systemic intelligence, not just people being awkward, and disturbance can be your target marker for creating change in the here-and-now, it is not dysfunction.

For leaders, far from being dangerous, truth is a turn on. Your straight talking gets you trust and respect, not blame and shame. Getting to the truth is the job of leadership.

Leaders, therefore, must continually ask themselves whether it is more dangerous to stay safe or approach difficulty? For leadership the answer is simple because it is always the same one: embrace difficulty. Staying safe – in conversations as well as strategies – only serves to uphold current norms and can shield people from reality, both of which are liabilities in changing contexts.

Risky and confronting conversations, especially those that get out awkward facts and go to the source of what is being experienced (as distinct from having

a comfortable debate among your colleagues and scoring political points), can change how we relate to and trust each other, get a better grip on reality, and enable leaders to make better decisions.

Without a doubt, having difficult truthful conversations is one of the hardest things for leaders to do. And this is especially the case for those conversations that require inter-personal risk. Usually, the squirmy feeling experienced in such conversations is not due to a desire to protect and not upset the other person, but due to an unconscious projection of the leader's own inner anxiety of not being able to handle the conversation well.

Difficult they may be, but if as leaders we ignore the dissenting voice, or brand those who disagree as "resistors", or exclude anyone from our leadership team whose views rest uncomfortably with our own, we can become dangerously out of touch with a system's reality and risk taking it down quite the wrong path. And if we fail to uncover the sources of difficulty in the current moment, which often requires delving into the non-logical world of strongly felt emotion, then we risk staying in fantasyland and missing the chance to dislodge what might be most holding us back.

The leadership of substantial change in an organization ups the ante even further. By definition it requires you to go to the edge, where most innovation occurs, and take others and yourself out of comfort. Not only that you have to keep holding the tension there as our natural tendency is to retreat to the safety and security of what is known. All of which will require some form of betrayal of former loyalties, as strong allegiance to past products or ways of working or self-identity makes new futures very difficult. Organizational change can be like a surgical intervention; you have to be ready to forfeit your innocence – something I have sometimes found very hard. But, it has been vicariously reassuring to experience the fact that not many leaders can do this well. It's one of a top leader's most difficult challenges – critically needed, yet chronically hard to do.

So if difficult conversations are so important to leadership yet so often clumsily handled, what's to be done? My latest study into effective change leadership suggests four main elements.

First and foremost it requires a shift in mind-set from seeing difficulty as a hurdle to seeing difficulty as a resource. Difficulty is a route to the truth and, as we all know (in theory at least), the truth sets us free – or, at least, enables fully informed decision-making.

One leader I interviewed was well able to see difficulty as a route to building trust in his team:

"I think you have to be very wary of conversations that are going around the meeting, so you might see or sense a couple of people that are a little unhappy about one element, or they're threatened by the restructure. We've got it now and we're looking at another cost saving drive, and I had an incident recently where I had to say, 'Look – I sense that a couple of us feel too threatened by this so let's actually have this out as a team', and I'm building huge levels of hopefully trust and openness among my top twelve."

Second, it needs leaders to have the ability to regulate their emotional responses in difficult conversations, not to take emotions out of it, but to use their emotions in a constructive way.

Listen to how this leader was in charge of his emotions, neither burying them or letting them spill out, but in the very moment of experiencing them, able to see he had choices on how to respond, and he made the switch:

"Emotionally I was not enthused, but something inside me, there was some voice saying, well, he might have a point. And he was the coach, you know, an external coach, there was clearly no hidden agenda on his side. So I somehow forced myself to swallow my pride, and my anger, and discuss with him how he would go about achieving the goal I had so that my CFOs would be more likely to build and own the solution."

Third, it requires an ability to tell it as it is, without waffle, yet with compassion, balancing advocacy with good inquiry.

Here's a leader bringing empathetic yet straight talking into a restructuring:

"I remember having some of the toughest conversations around the restructure, for instance, some of the countries, we'd be on a videoconference and they would say, 'Look, we want to form a different brand', or someone saying, 'We want to do our own logo', just things like that, and I was having to be quite brutal, 'Just so you're clear, this is non-negotiable and this is not your call'. I know it sounds horrid, but I did it with a smile on my face but I did it hard."

And fourth, it needs the leader to be able to create psychological safety for the conversation, such as clearly stating the intention to serve and support what needs to be said, and the risk they are personally taking.

Take this leader who was able to model being vulnerable and therefore making it okay for others to share their insecurities – not easy in this case of logical German engineers:

"It's a personal principal for me but I know it also from the feedback I get. It is really being authentic, no story telling but really telling the truth; explaining

how it is really and nothing else. And once again, saying, okay, what I do know and what I don't know. And really showing that I am present; that we are present and recognizing what is going on. What are the worries, what are the insecurities, not only insecurities with regard to the business or the company but also personal."

For all those involved as leaders in confronting truth and enabling others to do so, the essential message is simple: safety is perilous and difficulty is strengthening.

About the author
Deborah Rowland (still-moving.com) has led change in major global organizations including Shell, Gucci, BBC Worldwide and PepsiCo where she was Vice President of Organizational & Management Development. She also founded and grew a consulting firm, and was a change coach to the executive board of the German company RWE. She is the coauthor of *Sustaining Change: Leadership That Works* (2008) and author of *Still Moving* (2017).

'The art of war does not require complicated manoeuvres; the simplest are the best and common sense is fundamental. From which one might wonder how it is generals make blunders; it is because they try to be clever.'

NAPOLEON

DOMINIC HOULDER & NANDU NANDKISHORE

Medium-Term Inc.

T here is a chronological no-man's land which executives steer diligently clear of. It is the Bermuda Triangle of corporate time zones. Think about it. When did you last hear a CEO utter the phrase, "In nine months time…"; "This time next year…" or "By the Fall…".

Take our words for it. We have worked with corporations throughout the world and the phrase you simply never hear is this: the medium-term.

The medium-term – what is going to happen in six months, nine months, a year, 18 months – is not a unit of analysis utilized in the world's C-suites.

Executives don't see the world that way. The reasons for this are simply explained. Boardrooms have three neatly delineated time zones.

The first is the past. For all their shiny, architect-designed headquarters buildings with atrium acreage, companies are often slaves to their past.

A sense of history is a powerful thing though it can become claustrophobic and museum-like. More significant is that habits and behaviours become ingrained. "That's the way we've always done it," is a phrase we have all encountered. Changing such entrenched behaviour is difficult, sometimes impossible.

The second time zone is the short-term. The relentless rhythm of quarterly results is the metronome of executive life and decision making. There is no let up. The entire system of quarterly reporting has been regularly criticized, but remains resolutely in place.

There is, of course, nothing wrong in the openness and transparency that lies behind quarterly reporting. It provides organizational discipline. But, it encourages a potentially dangerous fixation on the moment, mending and making do rather than tackling big issues that will shape a corporation's future. Dust is swept under the carpet in the hope that institutional investors will never find it.

The third time zone for C-suite leaders is the long-term. While the world of quarterly reports is the preserve of managers, the long-term is the fiefdom of leaders. It is pleasingly limitless. Leaders can paint elaborate pictures of the future. They can pontificate on their dreams for the organization. And they do.

There can be very few major organizations that now exist without a vision of their future. Many also have ornately created strategic plans, which stretch over

the long-term as surefooted in their predictions as a Communist state's five-year plan.

As some corporations rest on past glories, managers deal with delivering short-term results to keep the stock price high and leaders evangelize on the long-term future of the organization, the medium-term is all but forgotten.

This overlooks one fact of life: moving from the short-term to the long-term requires that you successfully negotiate the medium-term.

It is interesting that in moments of corporate crisis, the overwhelming concentration on the immediate future and the long-term is often the first casualty.

When Tata took over the ailing Jaguar Land Rover company from Ford it had a simple message for the company's workers: forget about quarterly results, make great cars. While Ford had been hidebound by delivering quarterly results, Tata cut the company loose and pushed it out into the uncomplicated waters of the medium-term.

Or think back to when Lou Gerstner arrived to save IBM. Questioned about IBM's long-standing mission, Gerstner gave the idea short shrift. "The last thing this company needs right now is a mission," he noted.

The short-term is the daily managerial grind of firefighting, solving problems. The long-term is a dream. The medium term is where companies are shaped, where they really achieve results and growth.

So, who really understands the medium-term?

Well, we think the private equity industry has a clear understanding of the importance of the medium-term. The beauty of the PE industry model is that it is does not succumb to the travails of the short-term nor the dreams of the future. It builds from nothing and then gets out as the construction nears completion. The discipline lies in exiting at the right time.

Consider AB Inbev. Now, a global giant in the drinks business, just 25 years ago, its precursor – Brahma – was a second tier Brazilian brewer undergoing a painful turnaround in the hands of acquirer 3G, a Sao Paolo-based private equity house. A key feature of the turnaround, led by CEO Marcel Telles, was avoiding a hopelessly long-term view. The previous management had engaged consultants to help define a strategy, but Telles ditched the strategy study and reassigned the consultants to work on performance improvement.

Brahma's leaders were careful to avoid an overly narrow focus on the short-term. In a roller coaster emerging market environment, great opportunities, as well as dire challenges, can emerge suddenly. Building competitive strength over the medium-term was critical to position Braham so it was prepared for the unexpected. In the currency crisis of the late 1990s, Brahma's principal

competitor, Antarctica, was on its knees. Telles was able to acquire it at a bargain price, creating Ambev, which later become Inbev through the Interbrew merger.

The other clear champions of the medium-term are family-run businesses. At their best, family businesses combine three elements crucial to corporate success: purpose, organizational discipline and patience. There is little that is short-term in their thinking. Instead, they thoughtfully and passionately embrace the medium and long-term.

Purpose is a delicate thing. It is routinely compromised in organizations by short-term fixations. In some cases, beating the quarterly forecasts of analysts becomes the purpose.

Purpose should provide the pull for an organization. It is not time sensitive, but as applicable now, as in six months or six years.

In the family-owned companies we have worked with, the pull to the past, the pull to tomorrow and the pull from purpose have all been managed.

An excellent example is LEGO, the niche manufacturer of children's building bricks. It has recorded double-digit growth globally for the last ten years, is now the biggest toy company in the world, and is also counted among the top ten most globally reputed brands.

Being family owned, LEGO has stayed true to the values of its founder over many decades. A "best is good enough" spirit is what guides the company. LEGO's avowed purpose is "to help the learning and growth of children by inspiring them with creativity and structured thinking by putting colourful bricks in their hands"; more philosophical than playful.

The company stays on course by doing what is right to build long-term shareholder value and does not compromise its principles and beliefs to meet quarterly numbers. It eschews cutting investment in developing talent or building brands to meet quarterly or annual guidance. LEGO's eyes are always on how to continue to be a great play partner for children and their parents five to ten years from now.

The sense of purpose does not limit its appetite for innovation. Indeed, it appears to foster it. Over 60-70 percent of LEGO's revenue comes from new products ever year. The innovation environment is as dynamic as the fashion industry.

Notably, LEGO customers are trusted enough to be included in the innovation cycle and their feedback is incorporated to make the products and programmes stronger. There is a similarly strong bond with employees. The performance evaluation of all people leaders at LEGO includes a significant weighting on how motivated and engaged their teams are.

Similarly, it is interesting to see how a privately-owned company like Mars has approached the Chinese market. When China opened up in the eighties, many large international brands flocked to China. Few succeeded.

Mars has brought patience to bear. It focused on two categories: chocolates and pet food. In each it offered high quality brands, and invested for two decades in slowly building a consumer base. Many other competitors entered, stopped investing after a few years when profit pressures arose, or changed their brand to make it "local". Today, Mars' Dove chocolate brand (pronounced *Dovu* in Chinese) is the leading chocolate brand in China, with a strong reputation for international quality, and is the reference point for quality chocolate in China. Patience pays.

Another family-owned business provides an example of organizational discipline. The Swire Group, parent to Cathay Pacific among many other subsidiaries and associate companies, is a Hong Kong powerhouse, quoted on the local stock exchange. But it is controlled by John Swire & Sons Ltd, one of the UK's oldest family holding companies. This form of governance ensures that the group is never swayed by short-term pressures.

Unlike Jardine Matheson – its historical peer – Swire reasserted its commitment to China at a time of great uncertainty as Hong Kong left British rule. At the same time, the group firmly grasped the nettle of commoditization in its traditional shipping business, redeploying to the more profitable parts of the transportation value chain.

Of course, family-owned businesses do not have a monopoly on such wisdom. Companies such as P&G, and VW have also succeeded in China despite being publicly held. They did so by following similar principles: stay, invest, persevere, build brands. The route to the future is the medium-term.

About the authors

Dominic Houlder is an Adjunct Professor of Strategic and International Management at London Business School.

Nandu Nandkishore is an Executive Fellow at London Business School. Previously he was an Executive Board Director of Nestlé S.A.

'Think like a man of action, act like a man of thought.'

HENRI LOUIS BERGSON

VLATKA HLUPIC

The *How* tool for strategy implementation

Organizations face unprecedented challenges. These include: disruption to markets from unconventional competitors; intensifying competition for talent; accelerating pace of change; complexity and uncertainty; and a rapid transition from the "knowledge economy" to the "creative economy". Corporate performance has declined, as measured by Return on Assets or Return on Invested Capital. The Return on Assets of US firms has dropped 75 percent since 1965.

Evidence that has accumulated in recent decades strongly supports the conclusion that low levels of engagement and declining performance are causally related, and not mere correlations; and that command and control mindsets and approaches to management represent major obstacles to releasing higher performance, and higher levels of innovation and adaptability.

Organizations need to create more value and become more engaging, innovative and resilient. They also need evidence-based tools that can help strategy creation and implementation. While many management scholars agree on the why and the what of this shift from command and control towards more humanized management approaches, practical advice on how to achieve this is rare.

A significant improvement cannot come about through piecemeal approaches; the mind-set of managers is every bit as important as the strategy and tactics. The most substantial improvements start but do not finish with the individual leaders: their beliefs, conduct, ways of handling people and understanding of strategy.

A key part of the changed mind-set is to perceive the organization as a dynamic entity, not an inert set of assets. Leaders need to understand their own weaknesses and strengths, and be in possession of information on how all the business units are operating.

The Management Shift approach that I have developed is divided into two categories: Individual and Organizational.

For the Individual Shift, people learn about their impact on their teams. The Management Shift research supports the concept of Levels of engagement and performance, from Level 1, which is apathetic, through to Level 5, passionate and unbounded. This Emergent Leadership Model draws on social neuroscience

and complexity theory, as well as empirical research on employee engagement and organizational behaviour.

Each Level is characterized by distinct mind-sets and behaviour. With coaching and facilitated discussion, people can improve. A significant change occurs moving from Level 3 to Level 4; this is the key moment of the Management Shift: the point at which high-performance begins.

The concept of such developmental levels is also applicable to organizations. Here, because one is dealing with a multi-dimensional entity, I have developed the 6 Box Leadership Model and associated online organizational diagnostics, to encompass all major elements that drive performance, innovation and profit. Three of the six dimensions relate to people – Culture, Relationships, Individuals; and three to processes – Strategy, Systems, and Resources (see Figure 1, page 106). Successful strategy implementation requires all these elements to be balanced.

The programme for the shift begins at the level of individual leaders, where they undergo assessments to determine how they are operating. The next phase consists of organizational data collection and analysis, against the dimensions of the 6 Boxes using 120 questions that lead to quantitative and qualitative data collection. In the next phase, working in collaboration with client organization, a specific one-year action plan is created to leverage the strengths and address the weaknesses, accompanied by monitoring of the impact.

The model and associated diagnostics have been used in 25 organizations in the private and public sectors worldwide, to help them create value, discover hidden areas of strengths, dependences and blockages to organizational performance, improve innovation and engagement, and support strategy development and implementation. The diagnostics, recognized widely as the *How* tool for the shift to new, more humanized ways of working, has been used mainly as a qualitative tool to identify the key areas of strengths and weaknesses that need further analysis and discussion in order to design an intervention for value creation. Strategy development and implementation are important parts of projects where this diagnostic tool is used.

Six boxes at work

Management consultancy XYZ, based in the USA, used the 6 Box Leadership diagnostics to facilitate new strategy design and implementation. The company employs highly qualified and experienced consultants, it works in a specific market niche focusing on large companies, and had been planning a new expansion strategy when this project started. This company had already

People-related aspects

Culture
Strategy
Relationships
Value Creation
Systems
Individuals
Resources

Process-related aspects
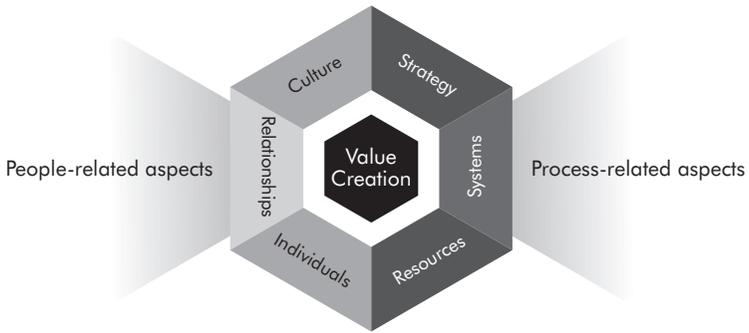
Figure 1: The 6 Box Leadership Model

implemented many management practices identifiable as Level 4. Its main objective in using the tool was to identify key strengths and developmental opportunities that they could use for their growth strategy and market expansion.

As this company had fewer than ten employees, all employees were invited to take part in the survey. The response rate was 100 percent. Larger companies use a sample of employees for the Organizational Shift projects.

High, fairly uniform average scores were obtained for all 6 Boxes. Individuals is the highest scoring box with an average score of 82 percent, while Resources and Strategy are the lowest scoring boxes with an average score of 75 percent. For each of the 6 Boxes, the highest (key strengths) and lowest (key developmental opportunities) scoring questions were identified.

Key strengths in the area of Culture for Company XYZ include: a sense of community, encouragement instead of criticism, a caring ethos, transparency, trust, alignment of individual and organizational values, accountability and meritocracy. Areas identified as developmental opportunities in the area of Culture include: potential stress and burnout issues, possible elements of command and control, and embedding more democracy in the culture.

Overall, Company XYZ achieved very high scores. The key strengths identified for Company XYZ include: Caring, transparent culture based on trust, ethical values, meritocracy and accountability; Strong teamwork and collaboration ethos going across organizational boundaries; Highly motivated employees, feeling happy, purposeful and passionate about their work; Aligned systems and strategy, flexible working practices, alignment of information management and strategy, and good access and accuracy of information.

The key developmental opportunities for company XYZ include: Addressing possible issues of stress and burnout; Addressing a possible issue of tendency for command and control; Participative strategy development; Improving flexibility of processes; Closing gaps between stated and realised objectives; Reducing hierarchical structure; Avoiding micro-management; Improving access to training and development and mentoring processes; Reducing control of budgets when appropriate and Creating enabling conditions for change.

The results of the 6 Box Leadership diagnosis were discussed with the executive board of the Company XYZ and a new strategy was designed and implemented. Actions taken as part of new strategy implementation included:

- Redesigned and implemented a new Intranet site for the entire XYZ team, with enhanced social collaboration capabilities and more efficient information communication and retrieval

- Updated internal HR personal assessment process to provide more transparency to individual and team strengths, areas for development, and productivity barriers
- Enhanced internal accountability through documented commitments by individuals that are measurable, tied to a contribution action plan, and proactively tracked
- Looking at "what should we stop doing?", "what should we continue and build upon?", and "what should we start doing?" – streamlined approach to internal meetings, reinforcing an action orientation (versus a reporting orientation) and leveraging more efficient vehicles (e.g. weekly two-minute voicemail updates, the new Intranet site, etc.) to keep the team informed.

In the first 18 months, revenue increased 500 percent and staff numbers doubled, from nine to 18.

People, purpose and collaboration

In order to survive and thrive in the current challenging business environments, organizations need to create more value, become more innovative and have more engaged and passionate employees. Command and control-based management needs to be replaced by management practices based on people, purpose and collaboration.

Much management literatures describes what needs to be done to effect this transformation; the 6 Box Leadership Model has been developed to describe how organizations can change. One of the key insights in the area of strategy design and implementation is that both people and process dimensions need to be aligned, as the best strategies will fail if the mind-set and organizational culture do not support them.

About the author

Vlatka Hlupic is CEO of The Management Shift Consulting (www.themanagementshift.com); a Visiting Professor at the University of London; and Professor of Business and Management, at the University of Westminster. She is the author of *The Management Shift* (2014) and *Humane Capital* (2018).

'Action springs not from thought, but from a readiness for responsibility.'

DIETRICH BONHOEFFER

LOIZOS HERACLEOUS, STEVEN GONZALEZ & DOUGLAS TERRIER
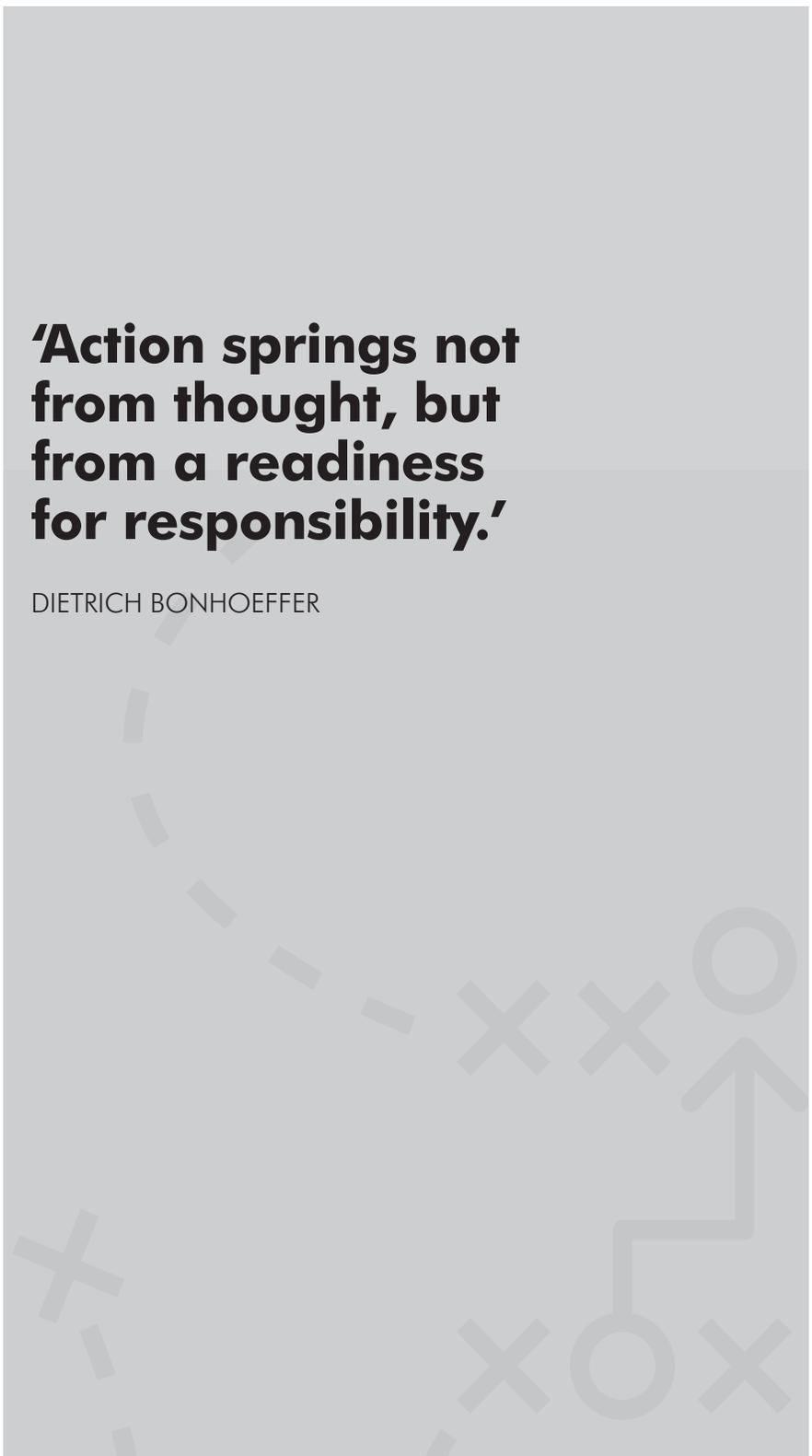
Insights from NASA

Any strategic agility or strategic change programme will involve a myriad of initiatives. We often judge the success or otherwise of such programmes based on how these initiatives pan out. This is understandable and useful, but still insufficient to give us a full picture of the longer-term trajectory and competitiveness of an organization. In placing our full attention on these numerous initiatives, we may lose track of what really matters. Namely, the adoption of a strategic time frame, the deeper business logic through which the organization operates and how that is developing, and the underlying capabilities that need to evolve over time to support the strategy and business logic. This type of thinking is the domain of the strategist rather than that of the manager or bean counter.

When NASA was formed in 1958, there was little commercial space industry to speak of. It was a game of nations, at the time primarily of the US and the Soviet Union. By 2018, the industry size grew to around $350 billion, over three quarters of which are commercial products, services and infrastructure. Projections place industry size to over $1 trillion by the 2040s. These developments are not unexpected. The commercialization of space has been a long-standing policy of the federal government that has instituted corresponding legislation such as the Commercial Space Launch Act (1984), which stated that "…the development of commercial launch vehicles and associated services would enable the United States to retain its competitive position internationally, thereby contributing to the national interest and economic well-being … the United States should encourage private sector launches and associated services."

The development of re-usable launch vehicles (such as those developed by Space-X and Blue Origin), nano-satellites (weighing 10kg or less), and more efficient propulsion systems, all fuel the growth of commercial space. The availability of expanded sources of financing is enabling new entrants to compete in this sector. Small satellites for example are creating more cost effective options for companies offering broadband, remote imaging and communication services, and in time consumer services that are priced at a level that can feed mass-market growth.

In this context, NASA has evolved from a traditional hierarchical model in the 1960s to an outward-facing commercial network model at present. In so doing, it exemplifies what we call "strategic agility"; the ability of an organization to adapt its business logic and corresponding capabilities over time so as to sustain and strengthen its competitiveness.

We can conceive of any organization's business logic and capabilities as a deeper stage on which various projects, activities, and change initiatives are acted out. In the end, what matters is to what extent this deeper stage is in sync with, suitable for, or even shaping the competitive environment, and whether it can offer sustained competitiveness to the organization concerned. The variety of initiatives, programmes and projects that an organization undertakes have to provide challenge and learning to this deeper business logic.

The evolution of business logic and capabilities at NASA

In a *Harvard Business Review* article we explored NASA's evolution since the 1960s, to show how in different phases in its history it has developed a particular business logic, and capabilities to support this logic. This evolution can be seen in terms of three phases. Firstly, a traditional, hierarchical model; secondly, a transitional, inter-governmental partnership model; and thirdly, a commercial network model. Each of these can be represented by an archetypal project: Apollo, International Space Station, and the Commercial Resupply and Crew Programs.

The Apollo programme was initiated as a response to perceived Russian superiority in space at the time, which challenged the US over long-term space leadership. Substantial budgetary and organizational resources were allocated to the programme by the government with the focused objective of accomplishing the challenge that President Kennedy posed in 1961: of getting a man on the moon and returning him safely to earth before the decade was out. The frontier technologies that NASA needed were not available commercially and necessitated the agency taking the lead in developing detailed technical and engineering specifications and closely supervising contractors to deliver them. There was thus a focus on agency-driven investments within a unitary engineering architecture to facilitate integration. The agency acted as prime contractor as well as exclusive customer on cost-plus contracts and incurred the total cost. Large systems integration capability was imported from the military to coordinate and integrate the diverse groups and inputs needed to accomplish projects of high complexity. This period was accompanied by a cultural belief in the agency's technological superiority and exceptionalism.

Business logic	Traditional, hierarchical model	Transitional model through inter-governmental partnerships	Commercial network model
Archetypal project	Apollo Program (1961-1975)	International Space Station (1993- present)	Commercial Resupply & Commercial Crew Programs (2006-present)
Organizational capabilities	Capability focus on developing and monitoring engineering specifications, contractor supervision, and large systems integration	Organizational capabilities incorporate international collaboration and inter-governmental partnerships	Focus on public-private partnerships and definition of end goals rather than detailed specs. Agency becomes catalyst for industry capability development
Cultural orientation	Culture characterized by a sense of technical superiority and exceptionalism. Agency exercises its positional authority	Cost consciousness and partnering with others take root in organization culture. Agency acts as orchestrator and influencer of a cluster of inter-government agencies	Commercial awareness and openness to industry-sourced solutions in addition to internally developed solutions. Open innovation programmes initiated
Technological orientation	Focus on agency driven investments and unitary engineering architecture. Agency acts as prime contractor in cost-plus contracts and incurs total cost	Technologically, NASA leverages international public investments, distributed responsibility, and common interfaces, standards and protocols	Agency seeds technology development by industry via milestone payments, and leverages industry investments to achieve ever more ambitious missions

Table 1: The evolution of business logic and capabilities at NASA, 1958-2018

In 1993, the agency was instructed by the White House to collaborate with other nations to design and build the International Space Station (ISS). In order to accomplish its longer-term goal of launching human deep space missions, NASA needs to learn what the effects on the human body are when in space for extended periods; and the ISS could provide that knowledge. The ISS programme fostered organizational capabilities of international collaboration and inter-governmental partnerships, where NASA acted as the orchestrator and influencer of the group. Culturally, greater cost consciousness developed as funding was progressively constrained. Technologically, NASA leveraged international public investments, distributed technical responsibility and worked on developing shared technical interfaces, standards and protocols. During this phase, NASA honed its learning of how to function in a cluster of partners rather than how to be the dominant party in a supplier-buyer relationship.

The Commercial Resupply Program was initiated in 2006 to carry cargo to the International Space Station after the space shuttle programme would be concluded. The Commercial Crew Program was then initiated in 2010 to contract out the creation and operation of spacecraft that could conduct manned missions to the ISS; to carry at least four astronauts, dock for 180 days and return them to earth. NASA contracts attached to these programmes helped to seed a growing commercial space sector, including support for Space X and Orbital Sciences that won contracts to resupply the ISS. During this phase there was a focus on public-private partnerships and specification of end goals rather than detailed engineering specifications. Through the contracts and the know-how that NASA shared with industry, it became a catalyst for industry capability development. Culturally, there was a higher commercial awareness and openness to industry-sourced solutions in addition to internally developed solutions, and open innovation programmes were initiated. Rather than being the prime contractor and the exclusive customer in cost-plus contracts, in this model the agency seeds technology development by industry via milestone payments, and leverages industry investments to achieve ever more ambitious missions. Table 1 summarizes NASA's evolution of its business logic and capabilities over time.

NASA's evolution of business logic has been taking place in the context of a structural shift in the space industry from state dominance and high barriers to entry in its early days towards commercial enterprise, lower barriers to entry, higher collaboration between state and commercial actors, and innovation in terms of its offerings. The traditional industry model was a hierarchical one,

where commercial entities have been suppliers to state agencies that conceived of, led and carried out missions. The industry has been morphing to a network model where collaboration across commercial as well as state entities is crucial and where commercial entities can launch their own missions both as partners and as competitors. Government space agencies are contracting out more aspects of low earth orbit missions and are focusing their resources on the bigger prize of deep space exploration such as NASA's planned manned mission to Mars.

Notes for the strategist

Where does all this leave the strategist? We can view NASA's evolution of business logic and capabilities as an ongoing learning process that enables sustained competitiveness in a changing competitive environment. Reaching this point is only a way station in the big picture of focusing resources on launching human missions to Mars and deep space. NASA's Global Exploration Roadmap that includes such missions, for example, is predicated on capability development over time as a result of learning from experience.

The NASA example highlights the importance of a longer-term strategic timeframe where the focus is on an organization's deeper business logic that has to be in sync, or challenge, or even shape the external competitive environment. The myriad of change projects and initiatives can be seen as ways to build organizational capabilities that operationalize an evolving business logic.

Such a focus also enables the strategist to allocate scarce resources to initiatives that have a clear connection with building particular capabilities to support an ongoing evolution in business logic. In the end, the apparent outcome of short-term initiatives matters less than whether the underlying logic and capabilities are evolving in the right direction.

About the authors
Loizos Heracleous (loizos.heracleous@wbs.ac.uk) is Professor of Strategy at Warwick Business School.
Steven Gonzalez is a Technology Transfer Strategist at the Exploration Technology Office of the Johnson Space Centre.
Douglas Terrier is Chief Technology Officer of NASA.

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'The backbone of surprise is fusing speed with secrecy.'

CARL VON CLAUSEWITZ

PETER BREGMAN

Execution is a people problem, not a strategy problem

Paul,* the CEO of Maxreed, a global publishing company, was having trouble sleeping. Publishing is an industry that's changing even faster than most other fast-changing industries, but Paul wasn't awake worrying about his strategy. He had a solid plan that took advantage of new technologies, and the board and his leadership team were aligned around it. Paul and his team had already reorganized the structure –new divisions, revised roles, redesigned processes – to support their strategy. So, what was Paul worrying about?

People.

Which is precisely what he should be worrying about. However hard it is to devise a smart strategy, it's ten times harder to get people to execute on that strategy. And a poorly executed strategy, no matter how clever, is worthless.

In other words, your organization's biggest strategic challenge isn't strategic thinking – it's strategic acting. Consistent, aligned, collaborative, coordinated movement toward a common objective. Which is surprisingly rare.

If I were to depict the challenge graphically, it would be going from this:

To this:
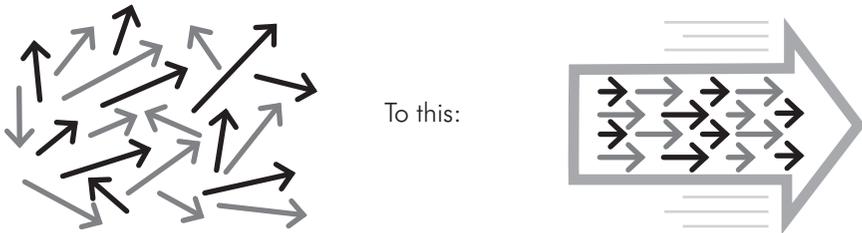
The conundrum is how to get from the first graphic to the second one. Most organizations rely on communication plans to make that shift. Unfortunately, strategy communication, even if you do it daily, is not the same as – and is not enough to drive – strategy execution.

Because while strategy development and communication are about knowing something, strategy execution is about doing something. And the gap between what you know and what you do is often huge. Add in the necessity of having everyone acting in alignment with each other, and it gets even huger.

The reason strategy execution is often glossed over by even the most astute strategy consultants is because it's not, primarily, a strategy challenge. It's a human behaviour one.

To deliver stellar results, people need to be hyper-aligned and laser-focused on the highest impact actions that will drive the organization's most important outcomes.

But even in well-run, stable organizations, people are misaligned, too broadly focused, and working at cross-purposes. They're a bunch of arrows all moving in different directions.

This isn't only critical for a changing company in a changing industry like Paul's. It's also true for fast-growing start-ups. And companies in turnaround situations. And those with new leadership. Any time it's critical to focus on strategy – and when isn't it? – the most important strategy question you need to answer is: How can we align everyone's efforts and help them accomplish the organization's most important work?

That's the question Paul reached out to ask me. Below is the solution we implemented with him at Maxreed. We call it The Big Arrow Process, and it represents my best thinking after 25 years of experimenting with this very challenge.

Define the Big Arrow

We worked with Paul and a small group of his leaders to identify the most important outcome for Maxreed to achieve over the following 12 months. Their Big Arrow had to do with creating a strategy and product roadmap that was supported by the entire leadership team. The hardest part of this is getting to that one most important thing, the thing that would be a catalyst for driving the rest of the strategy forward.

Once we defined the Big Arrow, we tested it with a series of questions. If you answer "yes" to each of these questions, it's likely that your Big Arrow is on target:
- Will success in the Big Arrow drive the mission of the larger organization?
- Is the Big Arrow supporting, and supported by, your primary business goals?
- Will achieving it make a statement to the organization about what's most important?
- Will it lead to the execution of your strategy?
- Is it the appropriate stretch?
- Are you excited about it? Do you have an emotional connection to it?

Along with that outcome clarity, we also created behavioural clarity by identifying the most important behaviour that would lead to achieving the

outcome. For Maxreed, the behaviour was about collaborating with trust and transparency. We determined this by asking a few questions: What current behaviour do we see in the organization that will make driving the Big Arrow harder and make success less likely? We then articulated the opposite, which became our Big Arrow behaviour.

Identify the highest-impact people

Once the Big Arrow was clear, we worked with Paul and his HR partner to identify the people who were most essential to achieving the goal. Doing this is critical because you want to focus your efforts and resources on the people who will have the most impact on the Big Arrow. In the case of Maxreed, we identified ten people whose roles were core to the project, who already had organizational authority, and who were highly networked. With other clients, we've identified many more people at all levels of the hierarchy. As you think about who might be the appropriate people, ask the questions: Who has the greatest capacity to affect the forward momentum of the arrow? Who is an influencer in the organization? Who has an outsize impact on our Big Arrow outcome or behaviour? Those are the people you should choose.

Determine what they should focus on

Once we established the key people, we worked with each of them and their managers to determine their:
- Key contribution to moving the Big Arrow forward
- Pivotal strength that will allow them to make their key contribution
- Game changer, the thing that, if the person improves, will most improve their ability to make their key contribution

One of the things that makes this process successful is its simplicity. It's why we settled on one pivotal strength and one most critical game changer. Strategy execution needs to be laser-focused, and one of the biggest impediments to forward momentum on our most important work is trying to get forward momentum on all our work. Simplicity requires that we make choices. What will have the biggest impact? Then we make that one thing happen.

Hold laser-focused coaching sessions

Once we made sure the right people had the right focus, we coached in laser-focused, 30-minute one-on-one coaching sessions. Coaching is often used in organizations to fix a leader's flaws, but that's not the focus of this kind

of coaching. Here, the leaders were coached to focus on making clear headway on their key contribution to the Big Arrow. These conversations only focus on larger behavioural patterns to the extent that they are getting in the way of the task at hand.

Collect and share data

Because we were coaching multiple people, we were able to maintain strict confidentiality with the individuals being coached while collecting data about trends and organizational obstacles, using our Big Arrow Measurement (BAM)©,TM tool. We reported the data in monthly meetings and worked with Paul and his leadership team to close the gaps. This wasn't just opinion survey data; it represented the real obstacles preventing Maxreed's most valuable people from driving the company's most important priorities forward.

One of the main challenges we uncovered was a lack of cross-functional collaboration. Armed with that insight, Paul was able to address this issue directly, getting the key people in a room together and speaking openly about the issue. Eventually, he initiated a new cross-functional Big Arrow process that included leaders from the groups that weren't collaborating. Identifying what they needed to achieve together broke down the walls between the groups.

Amplify performance

While Paul removed organizational obstacles, coaches continued to help Maxreed's most critical people address the particular obstacles and challenges they faced as they delivered their key contribution. Coaches addressed the typical challenges people struggle with when executing strategy: how to communicate priorities, how to deal with someone who is resistant, how to influence someone who doesn't report to you, how to say no to distractions, and so on. The coaching prioritized helping people build relationships on their own teams and across silos, which was supported by the data and the Big Arrow key behaviour of collaborating with trust and transparency. Individuals aligned with the goals of the organization to drive continued growth and success.

While the Big Arrow process was ongoing, we sent out a survey to people being coached as well as others outside the programme to assess progress being made by the key contributors. Compared to before the coaching, are they more effective or less effective at making their key contribution, achieving the outcomes of the Big Arrow, and addressing their game changer? There were 98 responses to the survey:

Key contribution: 90 percent said either more effective or much more effective.
Big Arrow: 88 percent said either more effective or much more effective.
Game Changer: 84 percent said either more effective or much more effective.

In other words, the key contributors were getting massive traction in moving the organization's most important work – its key strategy – forward. This data was confirmed by Paul's own observations of the progress they've made on their Big Arrow outcome, a strategy and product roadmap that is supported by the entire leadership team.

Maybe most importantly, the broader organization was noticing. Which, of course, is how you start a movement.

Paul is still working hard to continue the momentum of the strategic shift. That's the point, really: Strategy execution is not a moment in time. It's thousands of moments across time.

But now, at least, it's happening.

Names and some details have been changed to protect privacy.

About the author

Peter Bregman is CEO of Bregman Partners (www.bregmanpartners.com), a company that helps senior leaders and teams work more effectively together to achieve the company's most critical business results. He is author of four books including *18 Minutes* and *Leading with Emotional Courage*.

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'If everything seems under control, you're just not going fast enough.'

MARIO ANDRETTI

DEEPA PRAHALAD

Successful implementation begins with trust

My visit to Jaipur Rugs will always stand out to me as an example of strategy implementation at work. It is one of the world's largest producers of hand-knotted rugs, bringing together over 40,000 artisans from six states in some of India's poorest regions. Their award-winning rugs are exported to over 40 countries (including a large distribution centre in Atlanta) and are regularly featured in magazines like *Architectural Digest*. In recent years, Jaipur Rugs has created high-profile design collaborations with international brands and Bollywood stars, and expanded its product line into other home furnishings. Many of the most beautiful and unique designs, however, are created and named by the artisans themselves.

While visiting two of the weavers' villages, I was completely drawn into their world. I was shown how to create the knots and observed the collaboration and friendship among many of the women. As I asked more questions, several artisans pulled out sketches of ideas they had and asked for feedback. Two women insisted I visit their homes, showed off the new Western-style toilets outside their very simple (but spotless) homes and invited me to stay overnight on my next trip. The meticulous work processes and the social mission were on full display – as was the respect and familiarity between managers and weavers. Communication, ownership, accountability and pride were visible at every level.

Despite the vast amount of time and resources devoted to strategy in most companies, this remains the exception. Business leaders today face significant new challenges – they are expected to deliver financial results and demonstrate a positive impact on society. The sobering "strategy implementation" gap reflects in part the increasing complexity – and scrutiny – of modern organizations.

But it is more than that. The implementation gap is also a symptom of a deeper problem – a lack of trust inside companies and with society at large. While the narrative of business as a force for good has taken root, widespread cynicism and mistrust of business leaders' motivations and ethics has grown as well. Surveys on global workforce engagement are discouraging in most industries. Companies cannot close these gaps with internally focused metrics alone. Explicit attention on creating transparency and inspiration is essential to boosting the success of strategy implementation.

Why transparency matters

It is a long road between creating a vision and actually bringing it to life. Therefore, transparency must begin with the strategy setting itself. Be clear about the problem you are solving and the impact of doing so. It doesn't matter if it's a small one, but it must be easily understood and seen as important. Many strategic visions have noble intentions and impressive teams behind them. However, the story on the scope of the problem is often so big that even good solutions can seem inadequate. People don't believe that everything that they buy into can or should change the world. But they do need to see that it can do what it promises and how their lives will be better as a result.

Creating any new product today – whether for consumers or enterprises – requires asking for an unprecedented amount of trust. This can be more of a barrier than getting people to spend. Looking at consumers' lives, emotions and behaviour means coming into contact with their fears and vulnerabilities as well. Companies need to spend time and effort to understand how to protect and deal with that information and communicate that effort to their networks. As technology has evolved, particularly, the most hotly debated issues are now ethical ones. Bill Gates wanted to "have every computer in the world running Microsoft software," while Google's blunt manifesto of "Don't be evil" has now morphed into "Do the right thing." All stakeholders must have confidence in the products *and* values of a company in order for implementation to succeed.

Furthermore, the statistics on successful innovation are not great anywhere in the world. Like people, companies need a community of friends to offer suggestions, call out missteps and help them change course and refine their offerings. Only trusted companies are likely to have this luxury in a crowded marketplace. The true value of transparency and emotional connections can sometimes be seen most clearly when innovation falls short. Samsung had an unexpectedly brisk recovery from its disastrous Galaxy 7 release in large measure because of the constant communication and timely compensation of their customers.

Great companies have always done more than talk about their products; they have put forth a worldview that shows people who they are. Coca-Cola, for example, has done a better job at delivering Coke to the far reaches of the earth than many governments have done at delivering clean water. No one questioned Bill Gates' command of global health issues when he started the Gates Foundation – most were simply relieved to have his voice and resources focused on the issue. Inspiration can also come in the form of the narrative about

personal motivations and passions of business leaders. This can be a challenge to reticent individuals, but this level of communication often allows companies to have a voice on issues far outside their own industry.

The issues that companies have set their sights on today require an unprecedented degree of collaboration. Delivering great consumer experiences today often means combining the capabilities of many companies. When it comes to business trying to address larger societal issues such as sustainability, security and poverty reduction, this trend is only amplified as NGOs, governments and citizens are brought into the fold. The ability to share and synthesize information across all of these entities demands that the objectives, methods, and code of conduct for all parties is widely understood.

Addressing the fundamentals

Although there has been some erosion of trust from recent scandals, anecdotal evidence suggests that consumers are quite forgiving. People understand that the world is becoming more complex, that companies are under constant earnings pressure, and that innovation is really hard work. The mistakes that are hard for companies to recover from are largely from poor conduct. Consumers are not looking for perfection – they are looking for decency. Transparency and inspiration come in the form of the many quiet decisions and judgment calls a company makes about its own values. It's Apple saying that it will not accept apps for pornography. It's SC Johnson going beyond the industry standard to be more open than required about the ingredients in its products. It's the Tata group retaining every single employee and hotel contractor after the 2008 Mumbai attacks while the Taj Mahal Palace hotel was being rebuilt.

Many of the common challenges in strategy implementation – communication, commitment, and accountability, are rooted in trust. The focus on frameworks must be supplemented with explicit attention on creating transparency at each stage. I saw this in bold relief, looking at the beautiful finished carpets in the Jaipur Rugs showroom. Multiple women had worked on each carpet over a period of many months in their own villages, with very little managerial oversight. Any uneven knot was corrected right away. Everyone was empowered to suggest new designs and create. The product and the mission had become inseparable in the hearts and minds of everyone involved – founders, workers, and consumers. The success of the strategy implementation was not in achieving the original vision, but in far surpassing it.

About the author

Deepa Prahalad is a speaker, design strategist and expert on emerging markets innovation. She coauthored *Predictable Magic: Unleash the Power of Design Strategy to Transform Your Business* (2010) and consults for corporates and start-ups. Deepa mentors leading social entrepreneurs and serves on several international nonprofit boards.

Some portions of this piece are adapted from an earlier blog in the *Harvard Business Review*.

'Strategies are intellectually simple; their execution is not.'

LARRY BOSSIDY

MOHAMMED A. ALABBADI

Four key points for successful strategy execution

Research shows that most organizations fail to deliver all or part of their strategic objectives. A 2017 *Harvard Business Review* article states a failure rate of around 67 percent, while other studies have suggested the figure could be as high as 90 percent. No wonder, then, that it's considered the number one challenge for CEOs. In another survey conducted with 400 global CEOs, executional excellence was found to be the number one concern among a list of 80 issues.

While there is no magic formula to ensure strategy execution success, here are four important points to consider that can help guide managers towards a higher success rate in delivering organizational strategy:

1: Plan your strategy, plan your execution

Many organizations spend a lot of time, money and resources on building their strategic vision and plan. Planning how to deliver the strategy should get similar attention.

The execution plan should answer several questions about how to deliver your strategy: has the strategy been translated into an effective working plan? Can we establish clear roles and responsibilities across the organization for this working plan? Are there well-defined criteria to measure the desired outcomes of this strategy? Have we considered all potential risks or gaps that could arise once the plan is put into action? And how will progress be reported and analyzed?

Building a robust framework for your organization that tackles these aspects is a proven way to increase the probability of success in executing your strategy.

2: Strategy is about what to do, but also what not to do

Organizations should also be able to focus and establish priorities when it comes to strategy execution.

Resources are finite. This is true whether they are clearly quantifiable (budget) or less tangible (time and effort). But it is very common to see organizations try to do too much, reducing their chances of achieving the desired outcome.

Research in 2017 by the Project Management Institute found that on average 10 percent of investments made in strategic projects were wasted due to poor implementation. Being focused and deciding which projects not to kick-off can mitigate this risk.

Many organizations "stress test" project plans before starting implementation against various potential risks or challenges, to ensure that gaps can be covered before launch and thus reduce the probability of failure. When choosing between a selection of projects, remember that the 80-20 rule generally applies, so the focus should be on a smaller quantity of projects that drive most of the targeted impact.

3: Peel the onion (keep things simple!)

Most strategic objectives need to be implemented over long cycles, therefore part of the strategy delivery framework has to cater for continuous monitoring and reporting of the projects designed to deliver these objectives. Organizations should set clearly defined check-points to assess how projects are progressing; run simulations to anticipate final outputs (results), and then compare them to original forecasts. To be effective, this process must be simple and efficient. Peel the onion to its core, make sure only the most relevant information is reported on. The two key words to remember here are "minimal sufficient" – the least amount of data needed to make effective decisions on the progress of delivering the desired results.

4: Create a results-driven culture

On a macro-level, the organization needs to create an identity that focuses on execution and delivering results. Creating an environment that promotes open experimentation, transparency in the communication of progress (success and challenges), and focus on team accountability and trust (win together, lose together) is crucial to create a sustainable culture that drives optimal results, even at times when strategy changes dynamically.

Because of the length of the strategy delivery cycle, it is also important to find a healthy balance between celebrating milestone success and keeping the long-term focus on the outcome while ensuring execution excellence until the completion of the projects.

These four points are key to raising the probability of successful strategy execution. Ensuring that they are addressed in any organization will increase the chances of executing the strategy, as well as establishing a true culture of delivering results with consistency and continuity moving forward.

About the author

Mohammed A. Alabbadi is Vice President of Strategy Execution and Corporate Affairs at the Saudi Telecom Company (STC).

'In this business, there are two kinds of people, really, the quick and the dead.'

MICHAEL DELL

RICHARD STRAUB

Managing complexity: Have we reached the tipping point?

"Human development has been local and linear for some 150,000 years. Hence our brains are programmed to be linear. But in these next few decades the rate of change is going to grow so fast that almost everything we can conceive may happen. Every industry is potentially disruptible in the near future," says Peter Diamandis, founder of Singularity University.

We may have different visions about the future, but few would doubt that the world has become more complex during the past decades and that it continues this journey at an accelerating – and for many unsettling – pace. Dense, global networks now define the technical, social, and economic landscape. This level of interconnectedness and interdependency brings new risks and opportunities at the political, economic and individual level.

Yet, the interest in complexity is relatively new. A broad discussion about the subject started some 30 years ago. This was when, for example, scholars at the University of St. Gallen developed a management model based on systems thinking. Popular literature propagated the ideas of complexity theory – in particular, the notion of the "butterfly effect" – and with this, managers' eyes were opened to the reality that organizations are not just complicated but complex. To be more precise – organizations are complex adaptive systems because they have brains and learning capabilities. Peter Senge's *Fifth Discipline* (1990) was the logical sequel of the complexity wave. It showed the potential for organizations to enhance their learning capacity at a system level and to increase their nimbleness and thus their competitiveness. It triggered a flurry of literature on the envisioned new learning organization.

Why did this interest and work in complexity thinking not lead to major changes in management practices? There are a few major reasons – and they suggest that the overdue change might now finally take place:

Complexity wasn't a convenient reality given managers' desire for control

The promise of applying complexity thinking to business has undoubtedly been held up by managers' reluctance to see the world as it is. Where complexity

exists, managers have always created models and mechanisms that wish it away. It is much easier to make decisions with fewer variables and a straightforward understanding of cause and effect. Here, the shareholder value philosophy, which determines so much of how our corporations operate, is the perfect example. The rigid priority on maximizing shareholder returns provides clear-cut and "simple" guidance to decision makers and relieves them of considering difficult trade-offs. Of course, we know that constantly dialing down expenses and investments to boost short-term profits or to divest assets to show better ROA ratios inevitably damages the long-term health of the company. A complexity approach insists that competing values and priorities and the effects of decisions on all of them remain in view – and not just for management, but equally for investors, analysts, and regulators.

Technology was not yet powerful enough to capture much complexity

When systems thinkers and theorists turned their attention to economies and organizations in the 1980s and 90s, the tools simply did not exist to model their workings at a level that would yield practical insight. Now, the exponential increase in computing power and the progress in mathematics and statistical analysis have propelled us into a new era. With the ability to draw on big data and map networks at scales that were unthinkable before, we can hope to understand communication flows through large organizations, and the impact of disturbances and managerial interventions on these flows. Also, the interconnectedness between individuals through enterprise social media may lead to a renaissance of the learning organization – creating a living network where knowledge flows and knowledge generation can happen in unprecedented ways.

The gap between future visions and the realities of management

More recently, with the surge of computer processing power and unlimited data storage capacity, another nagging concern formed in some people's minds. Would the fact that massive computing power is required for systems-level data analysis mean that the interpretation of information, sense-making, and learning would become "extra-human" activities? Would the computer take over the role of the knowledge worker? Would we soon reach a tipping point when human brainpower was obsolete? Some technophiles, many of them inspired by Ray Kurzweil's ideas, might respond to questions like this with a resounding yes.

Yet for most of us it is a disturbing thought, because we have seen so many of the models designed to predict the future state of complex systems (from

economies to climates) fall short of accuracy, to say the least. The eager futurists talking about machines taking over the evaluation of situations and decision-making have set back their own cause, as others see them ignoring an essential fact: sense-making is always informed by values. The idea that we might look for value judgments from algorithms is badly flawed and outright dangerous.

Fortunately, the recognition is growing that, while computers can provide our brain with enormous extensions of its storage and processing capacity, they must and will remain only inputs to human reasoning. It is in our minds (and normally in communication with other minds) where the ultimate evaluation and deliberation will continue to take place. The brain is our own "complexity processor" and itself our most complex organ. It helps us to address complex issues and yet come up with seemingly simple solutions.

Those are made possible when we unconsciously see through the myriad of information elements that are stored in our brain as raw material to build meaningful patterns, or the famous "big picture", and the use of common sense that is specific to humans. Here we are back to questions about the quality of managers as decision makers, their values and their practices – not only in business, but beyond.

The hope that we can simply rely on technology to solve the problems in complex organizations will not materialize. But, new skills will be essential to manage the interface between big data and human reality: to determine what the relevant queries for analytics programmes should be, to decide what data sets should be used and what algorithms might be required to achieve new insights or the value judgment about privacy and security issues involved.

Complexity as a worldview

If it is true that the human brain is programmed to look for cause and effect relationships, this has helped humanity to survive for thousands of years. But it does not appear to be the way to thrive in the future. How should we uncover deadly risks before they hit if we don't change our thinking, enhanced by new powerful tools? The financial meltdown and the credit freeze in 2008/2009 demonstrated in a dramatic way the unprecedented risks of a hyper-complex system such as the global financial markets. The world found itself at the brink of disaster with almost none of the "experts" having seen it coming. Anther example is the internet itself: having become an economic and social lifeline it brings with it runaway complexity and increasing global risks associated with attacks and breakdowns.

Even though we seem to be better equipped to act on complexity than we were 20 years ago, the pace of deployment of broad-based management practices leveraging the new knowledge is still slow. We still have work to do in creating a common language and a common understanding. A deeper comprehension of complexity including the difference between a complicated problem and a complex one is important for today's decision makers. They require different strategies and tools that are largely not interchangeable. Sometimes a problem will morph from one state to the other – either from complicated to complex, or vice versa—so you'll need to be ready to adapt your strategies and tools accordingly.

In their 2011 *Harvard Business Review* article "Learning to live with complexity", Gokce Sargut and Rita Gunther McGrath offer these distinctions: "The main difference between complicated and complex systems is that with the former, one can usually predict outcomes by knowing the starting conditions. In a complex system, the same starting conditions can produce different outcomes, depending on interactions of the elements in the system."

The move from linear thinking to complexity is a shift in paradigm. It may be comparable with the move from Newton's physics to Einstein's. Newton's laws did not disappear with Einstein's revolutionary discoveries but Einstein opened the door to an entirely new world – unseen before.

In this sense, at its core, complexity is a worldview and a mind-set guiding us in assessments of situations and decisions in real life. It should make us more humble and more alert. It should open our mind. It brings with it awareness that too often our linear interventions may not achieve what we want and their unintended consequences might achieve the opposite.

Roger L. Martin has demonstrated in *Fixing the Game* that the maniacal focus on shareholder value with profit maximization, negatively impacts long-term returns. Another mind-boggling example of an outcome in total opposition to the intention of policy makers is the Cap-and-Trade Carbon Emission Scheme. More coal is being burned in Europe since this scheme was put in place.

The self-inflicted complexity curse

In their quest for double-digit growth in single-digit markets, many companies find themselves in situations of almost unmanageable complexity – one that they often don't realize is of their own making. This "complexity crisis", as John Marotti calls it, has led to runaway complexity caused by the proliferation of products, customers, markets, suppliers, services and locations. All of these add

costs, which go untracked by even the best of modern accounting systems. Complexity also tends to fragment management focus. As a result, management-created complexity becomes a hidden profit drain.

In their 2005 *Harvard Business Review* article "Innovation versus complexity: What is too much of a good thing?", Mark Gottfredson and Keith Aspinall make several important points. The focus of their questions is to decide how much innovation is appropriate before it leads to needless or damaging complexity. The term they use is "finding the innovation fulcrum" – the pivot point where innovation suddenly tips over into complexity. Gottfredson and Aspinall put it as follows: "The pursuit of innovation can be taken too far. As a company increases the pace of innovation, its profitability often begins to stagnate or even erode. The reason can be summed up in one word: complexity. The continual launch of new products and line extensions adds complexity throughout a company's operations, and, as the costs of managing that complexity multiply, margins shrink." Add to this global supply chains, outsourcing and/or offshoring and multi-dimensional matrix organizations, and there is a mind-boggling level of operational complexity. The PowerPoints with the business case will show tremendous productivity gains and cost reductions, but over time the initially hidden costs will emerge.

Peter Drucker wrote about concepts related to complexity in his classic 1963 *Harvard Business Review* article "Managing for business effectiveness". In essence, Drucker said that clarity of focus is critical in allocating resources, which is the essential job of management. A company that tries to chase too many ideas will only encounter another form of the complexity crisis and drown in work, but not in profits. The hard part of innovation is sorting out which ideas should make the cut and then undertaking the job of successfully commercializing them.

Stripping out unnecessary complexity from products and services and targeting them to specific customer needs (including affordability) has become a major movement in emerging markets. Frugal innovation has led to stunning results in fields such as mobile devices and applications and medical solutions. Some of it is returning to developed markets as "reverse innovation".

If firms are often afflicted by the complexity curse, what would the diagnostic be of governments and legislative bodies as the producers of laws and regulations that have grown exponentially in volume and complexity? There are only a few attempts to capture the cost of complexity that the state produces – for its own public sector, for companies and individuals. Governance systems, from federal to state and community level, exacerbate the situation further so that we end up

with public sector share of GDP above 50 percent in a number of European countries such as Austria, Belgium (53 percent) and France (56 percent).

Complexity and a new management paradigm

The awareness of the complexity challenge for management has significantly increased during the last ten years. Tools and techniques to better understand and help navigate complex systems have reached a state of operational readiness. Good thinking about ways to navigate or even embrace complexity is available. Yet actual broad-based management practices are still anchored in the pre-complexity world. The pioneers who not only preach but also apply new complexity-tested management methods and tools (such as Fredmund Malik, a pioneer of cybernetics-based management) are the exception rather than the rule. Practice is lagging far behind what it might and should be in a highly complex world. The gap between reality and management thinking is even more glaring in non-business sectors such as public sector, healthcare and education.

For years, Gary Hamel has been the most vocal proponent of a new management paradigm. In his article "Moon shots for management", he and a group of prominent thinkers and business leaders jointly defined a set of grand challenges to move management out of the bureaucratic and hierarchical ghetto towards a new paradigm. Peter Drucker's foundational ideas and concepts are in line with most of the specific challenges posited – such as the autonomy of employees (knowledge workers), the enabling role of leadership, the importance of trust, clarity of focus and direction of the organization, diversity of views, unleashing of human imagination and the call for systems thinking skills.

With the implementation of the moon shots the organization evolves from a complicated entity with a hierarchy and clearly defined functional borders whose learning capabilities are curtailed, towards an adaptive complex learning system able to respond to a complex environment. To achieve the transition demanded by the moon shots, a huge earthly effort is required.

About the author

Richard Straub is Founder and President of the Peter Drucker Society Europe and of the Global Peter Drucker Forum, which celebrates its tenth anniversary in 2018. He is also Associate Director of the EFMD, a leading network of business schools and corporations with the mission to improve the quality and effectiveness of management education and development.

In 32 years with IBM, Dr. Richard Straub held key international executive

positions such as Deputy General Manager for PC Europe and Global Chief Learning Officer. After retiring from IBM in 2005 he remained connected to the company as Senior Advisor to its global education initiatives.

'When skating over thin ice our safety is in our speed.'

RALPH WALDO EMERSON

JOSEF OEHMEN, DIANA VELASCO & PELLE WILLUMSEN

Four types of strategy work: Choosing the right implementation approach

Formulating and operationalizing a clear, inspiring and successful strategy is a difficult task. A Brightline-sponsored Economist Intelligence Unit Study found that 61 percent of organizations struggle with bridging the gap between strategy formulation and implementation. Moreover, 53 percent of respondents highlighted the importance of a successful implementation and argued that ineffective strategic initiatives have a big impact on the organization's performance and competitive position.

Our own research, presented below, is based on the assumption that strategy implementation is not a simple set of actions, but needs to be carefully tailored to an organization's specific situation and capabilities. There is not a simple "one size fits all" answer to strategy work, particularly operationalizing strategy.

We conducted interviews with 31 senior executives as well as senior strategy staff professionals with direct involvement in strategy work. We talked to them about their major strategy implementation processes, critical risks and uncertainties in strategy implementation, and examples of important decisions they made (and the methods and tools they used to make them), as well as their driving principles for strategy work.

Uncertainty and people shape strategy work

Not surprisingly, we found that strategy work comes in all shapes and sizes and we identified a multitude of practices. But, four major fields of strategy work emerged: Discovery, Experimentation, Transformation and Operational Excellence.

Two dimensions proved useful to group the types of strategy work, summarizing major aspects raised by practically all interview partners: the degree of people impact, and the degree and type of uncertainty addressed (see Figure 1 opposite).

Dimension 1: Degree of people impact of strategy task

The primary concern of the executives, typically, was how to handle the people-related challenges of implementing strategy. This had several elements:
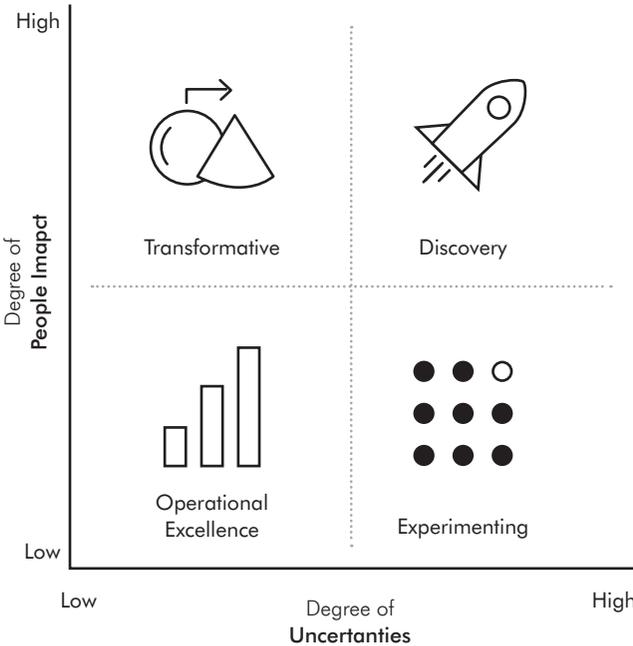
Figure 1: Four Types of Strategy Work

the number of people affected (for example, does this concern a small circle of experts or a wider group of employees?); scope of the impact (for example, can we reasonably expect this to be executed on top of "business as usual", or does this require full dedication?); and the "dread factor" or degree of emotional impact (for example, are people losing their jobs, or is the impact understood and controllable?).

The organizations we interviewed were experimenting with different ways of engaging people in the strategy implementation process, other than, say, the usual power point presentations and newsletters. Examples included developing strategy games, role-playing, or off-site strategy boot camps using design thinking as a process driver.

One CFO illustrated this dimension nicely: While his role in the strategy process obviously involves significant quantitative analyses and review of financial performance figures with his team, he emphasized that when it comes to making strategy happen, about 80 percent of the work is "soft" people work. In his experience, no one paid attention to the next grand strategy initiative, or engaged actively in its implementation, if they were worried about their exact role, or maybe even job, as well as the roles and jobs of others they cared about in the organization. So, understanding the emotional, people-related impact of strategy work, and actively managing how your core team and the remainder of the organization engages and resolves those people-related challenges, was key to successful strategy implementation.

Dimension 2: Degree of uncertainty addressed by the strategy task

Senior executives were dealing with three major types of uncertainty: technology uncertainty (for example, technology readiness levels, or degree of performance that can be expected from a certain solution); market uncertainty (for example, reaction of the market to the introduction of a new service, or choosing between various novel value propositions); and capability-related uncertainty (for example, deciding what skill set was needed to operationalize a new technology).

In our interviews, we found that senior executives were usually focused on one or two of the three categories of uncertainty, which they regarded as critical. The tension between those uncertainties, particularly between technology-related uncertainty and the other two, was often described in terms of the "level of innovation versus the chances and level of success". Furthermore, in discussing those uncertainties, the executives reflected on the trade-off between putting

highly formalized processes (i.e. bureaucracy) in place to create a structured process in the face of uncertainty, versus enabling creative and independent problem solving and innovation. Those aspects, among others, are described below when we discuss the four types of strategy work.

Type 1: Discovery-focused strategy work

Discovery-focused strategy work was described as often having a "scary component." With discovery-focused strategy work, executives think there is something out there that will significantly change their business model, their product portfolio, or the way they and their organizations do their jobs. This is amplified by the high degree of uncertainty inherent in this work. For example, even if you think you can hire the people to make blockchain work for you, is there really a market? Is it worth doing, and if yes, how much are you willing to invest and how much are you prepared to lose? The discovery and evaluation of technology and market trends is strategy work. The examples most often quoted to us revolved around digitalization of core business propositions, and the possible emergence of novel, digital value propositions disrupting existing value chains (for example, by blockchain, virtual/augmented reality, or artificial intelligence expert systems).

Only a minority of interview partners explicitly mentioned discovery-related strategy work. However, some companies in our study, for example a global leader actively developing and marketing novel technology solutions, have realized that it is also part of their job to support the discovery process at their clients in order to create a market for the novel IoT (Internet of Things) and AI (artificial intelligence) products they offer. This is different from selling a finished product – it is more akin to sharing a vision, backed up with plenty of examples.

In Denmark, executives in the manufacturing sector have formed a national association (MADE – the Manufacturing Academy of Denmark) to jointly drive the discovery process around advanced cyber-physical production systems. This not only reduces the cost to each company, but systemically builds capabilities in an industry where each player depends on their up – and downstream supply chain. This results in very hands on strategy work – from workshops for subject matter experts to executive-level roundtables and show-and-tell events.

A particular challenge mentioned, regarding discovery-driven strategy work, is time. Technology cycles, for example, can be so fast that they outrun more conservative long-range strategic planning. Executives observed that designing a proprietary process at their companies, one that reconciles the organization's

need for stable direction with an agile capability to leverage fast-paced technology trends, was key to their success. Examples include strategy initiatives (not the entire strategy process) that did not follow the established two-year strategy plan from concept to market, but instead embraced a design thinking-based approach where the organization experimented with minimum viable products in pilot markets quickly, in order to learn fast (see next section as well). Others emphasized cooperation with (or acquisition of) research and start-up companies, establishing in-house processes focused on discovering and leveraging emergent trends. However, it also included closer customer integration, as one of the key uncertainties during the discovery phase is how to establish a realistic business case for a novel idea.

Type 2: Experimentation-focused strategy work

Executing discovery-related strategy work leads to an interesting problem: What do organizations do with ideas that are currently impossible to evaluate as a classic business case? There is still significant uncertainty regarding market demand and the willingness of customers to pay, their costs and capabilities base, or whether the technology can be developed to the required needs (plus what those exact needs and requirements actually are).

The selection process leading from "discovered" options to "options organizations experiment with" often involved the use of decision making heuristics, such as Simple Rules: For example, executives selected ideas based on rules such as: 1) If we lose all the money we invest, it must not be a problem. 2) We need to be able to at least verbalize a possible benefit scenario for current or future customers. 3) We have to be able to clearly articulate what it is that we want to learn about market, technology and/or our capabilities. 4) We must have internal champions that are excited about doing this.

The experimentation that was reported took many forms: One company co-created product use scenarios with possible clients in a number of workshops; groups of companies teamed up to sponsor research and proof-of-concept implementations; new processes and technologies were tried internally for 100 days in parts of the company; and companies formed internal start-ups to operationalize novel technology solutions and champion them on client projects.

Some senior executives highlighted an interesting tension here: In a traditional perception of leadership one would look to the executives for clear direction on what the future will hold. Here, instead, executives help their organization to ask the right questions.

One sentiment we frequently observed can be summarized as "learning by doing": Senior executives acknowledged that there are areas of technology development (say, blockchain or artificial intelligence), where there is a lot of general discussion, but little specific action or activity in their industry. For organizations big enough, just doing "something" (with a predefined budget) became a viable option – even if their solution did not meet all of their expectations, or even if it failed, they would have put themselves into an advantageous knowledge position relative to their competitors. The notion here is to allow the organization to learn and adapt in an uncertain environment, instead of relying on predicting the future accurately.

For the remaining two types of strategy work, we will keep our observations brief, (we consider them already broadly acknowledged and covered in the strategy and organizational science literature).

Type 3: Transformation-focused strategy work

After targeted experimenting and prototyping sufficiently de-risked a business case, we found that executives discussed typical organizational transformation, change management and portfolio management activities as part of their strategy work. While the uncertainty is now relatively low, the scope of people affected increases again, presenting significant people-based challenges.

The success stories we documented made effective use of programme and portfolio management techniques that paid particular attention to accounting for the hard and soft factors of transformation on the affected employees. We also saw examples where companies started collaboration networks around a newly developed platform concept. There are examples of organization-parallelizing experimentation and transformation activities under an agile framework. As part of a transformation programme, various implementation prototypes are run in parallel to develop specific best practices and/or technology solutions. An example of such an integrated transformation/experimentation approach was an organization that created a four-day workshop programme for people affected by certain strategy initiatives. These involved open-ended engagement to refine the strategic intent, identify barriers, as well as developing specific implementation and transformation activities.

Type 4: Operational excellence-focused strategy work

The final category of strategy work we observed addressed practices by executives to diffuse new technologies and efficiency practices into the

organization in a less disruptive way. This was oriented towards enhancing day-to-day practice one step at a time. This requires that the organization had developed a thorough understanding of the capabilities and requirements of a technology field. Activities in this space that we observed targeted joint sense-making exercises with operational management and subject matter experts to develop prioritization frameworks: What technology for what product or market? What is our implementation roadmap? What are our criteria to prioritize activities, as well as exclude ideas? These were implemented as standard operating procedures, building step-by-step on capabilities that already existed.

Executing strategy work in your organization

An important aspect to highlight is that an organization does not "move" through each of these four types of strategy work in sequence. Instead, they are four categories that structure the portfolio of strategy work underway in the companies we observed. Our impression was that the most successful companies had learned to execute activities in all four quadrants in parallel, and had robust processes for managing the transition of an activity from one quadrant to the next. A key question in our conversations with senior executives became the navigation flow in the quadrants (i.e. from what to what quadrant can we or should we transition a strategy activity?) and the speed and timing of those transitions. These are questions that every organization, and every executive, has to answer in a way that fits their particular environment.

About the authors

Josef Oehmen is a member of the faculty at the Technical University of Denmark, Engineering Systems Division. **Diana Velasco** and **Pelle Willumsen** are Research Fellows there.

Resources

Economist Intelligence Unit, "Why good strategies fail: Lessons for the C-suite," EIU, 2013
This article is based on its original version presented at the 2018 MIT-SDM & Brightline Initiative Symposium, and featured in the *LSE Business Review*, September 2018.

'Despite the roar of voices wanting to equate strategy with ambition, leadership, 'vision', planning, or the economic logic of competition, strategy is none of these. The core of strategy work is always the same: discovering the critical factors in a situation and designing a way of co-ordinating and focusing actions to deal with those factors.'

RICHARD RUMELT

MARK ESPOSITO & TERENCE TSE

Building bridges rather than burning them: The new strategy of collaboration and growth

Since the financial crisis of a decade ago, many markets have been limping because of erratic demand and increasing geostrategic competition, which makes it difficult for firms to build regular business trajectories, inferred by classic economic modeling and forecasts. Simply, the fuzzy nature of modern business prevents the use of proven techniques to predict where and how markets will evolve.

To counterattack this lack of vision, an increasingly key concept is collaborative innovation. This can be defined, in our context, as a strategic partnership specifically between a young, entrepreneurial firm or start-up, and an established one, such as a multinational corporation. Collaborative innovation stems from the opportunity of creating new ideas, products, or services that lead to the creation of new markets and new employment. It is an essential step for the renewal of any economic infrastructure and to foster innovation when business models stifle and lack new oxygen.

Collaborative innovation combines the strengths of two companies that are at uniquely different stages of business to discover and commercialize new products and services efficiently. At its best, collaborative innovation promotes long-term economic growth and regional competitiveness. It also allows for compensation of each company's weak points. For the young firm, the value lies in addressing one of the greatest obstacles for entrepreneurs: scaling up.

Managing increasing output and high growth are often challenging for a new company without extensive capital or experience. Partnering with an established firm can help start-ups gain access to resources, capital, and markets, as well as others' experience in scaling a product or service. For the established firm, collaborative innovation brings creative entrepreneurialism to complement its management expertise, brand strength, and reputation so that it can expand existing markets and create new ones.

One path for companies to either test out a partnership or get the most out of collaboration quickly is to investigate and strategically recognize, tap and

pursue fast-expanding markets (FEM). FEMs – a term we coined to label the phenomenon – are new, market-based business opportunities that experience double-digit growth rate. FEMs tend to occur spontaneously. As a result, they fly under the radar of macroeconomic analysis and get missed by many companies seeking new sources to boost profitability. In previous works, we have explained how entrepreneurs and enterprises astute enough to recognize a FEM can easily pivot or diversify their suite of products and services, and thereby develop a new competitive edge.

Research so far has demonstrated that FEMs are often the outcome of a collaborative environment and emerge as grassroots ecosystems permeated by an inherited degree of innovative capability. We believe that collaborative innovation can become the context that harvests those unique business opportunities, which may in turn lead to the creation of new FEMs. Moreover, while there is undoubtedly value in the long-term investment of new discoveries and innovations independent of existing market needs, the benefit of entering FEMs through collaborative innovation is that it provides partners a chance to find momentum in working together and to pursue an immediate business opportunity. In most of the research conducted, a rising chunk of the strategic offers seems to surface from the deep understanding of the macroeconomic forces at play, which are shaping new demands and new consumers' trends, hard to capture by the traditional business analysis, which suffers from overdependency on historical data. The context for the discovery of these markets has to be identified amid declining productivity worldwide, which is one of the biggest challenges of the twenty-first century.

The decision to change a firm's practices and strategic orientation for better productivity is less complex than the question of how. Fast expanding markets are interesting for growth opportunities as they represent large pockets of economic activity that are off the radar and often underrepresented or simply dormant. They are usually characterized by quick, explosive growth with double-digit growth rates and require diligence to identify them.

With this in mind, organizations that are able to grasp the trends of these new emerging markets and engage with them collaboratively, by building bridges across firms, regardless of size, maturity and location, are capable of significant growth. That said, companies considering collaborative innovation should consider the following:

The business case for each partner. One example of a successful collaborative innovation partnership is between DiaSorin, an Italian company

with a near-monopoly on the Vitamin D-testing market, and Trivitron, a late-stage start-up based in Chennai, India, that specializes in diagnostics and medical devices. The two companies formed a joint venture in 2012 to take advantage of the growing in vitro diagnostics market in India. The benefits of the collaboration are clear: Trivitron is local to the market but doesn't have the ability to augment its offerings; DiaSorin has the ability to scale but lacks familiarity with the culture and India's rules and regulations. Through their joint venture, DiaSorin Trivitron Healthcare Private Limited, the two companies have found a way to meet market demand while strengthening both companies' positions.

Using networks to find the right partner. It's necessary to spend time and effort culling one's networks to identify potential partners with complementary knowledge. This is something we learned from Dupont, which has engaged in several successful collaborative innovation projects with small and medium enterprises, in areas such as food security and environmental protection.

Creating flexible partnership structures. Have a clear vision of the goals of the collaboration before defining the conditions and boundaries around how the two companies will work together. The arrangement can be formal or informal, with structures ranging from simple knowledge-sharing to full acquisition. This was very visible in a recent partnership between IE Business School in Madrid and the *Financial Times* in London, which created a new partnership structure called Corporate Learning Alliance. The Alliance is built on a shared-resource start-up model; each party helps define new products and services, and then develops new hybrid business models that evolve as those solutions take shape. The ability to custom-tailor models for each solution is the direct result of flexible business structures that span the corporate boundaries of both parties.

Ensuring that intellectual property agreements are mutually beneficial. Young firms will lose confidence in the partnership and become unwilling to collaborate in the longer-term if the established firm views intellectual properties as a commodity without taking into account the needs and interests of the smaller, entrepreneurial firm. A good for-profit example of this was the creation of the animated film *Toy Story*, which resulted from a mutually beneficial agreement between Disney and the entrepreneurial film company Pixar. While the intellectual property agreement stayed with Pixar (the smaller/creative entity), Disney used its expansive distribution network to reach out globally and generate one of the most lucrative movies in its recent history.

Prepping employees for collaboration. Established firms should take care not to fall into the trap of attempting to assimilate the smaller firm. Instead,

the two firms will have to build trust and learn to relate to one another. It is all too easy to forget that it is a partnership of equals. One way the established firm can help build trust is by having more transparency, and by sharing competitive insights and information and to resist acquisition.

Today, social enterprises and other businesses of all sizes risk becoming irrelevant on a daily basis. Rapid technological change and the speed of communication have permanently altered the rate at which markets evolve. This is one of the reasons why businesses can't anticipate FEMs. Collaborative innovation, used in conjunction with FEMs, can provide a framework for sustainable economic growth worldwide.

About the authors

Mark Esposito is a Professor of Business and Economics, teaching at Harvard University's Division of Continuing Education and serves as an Institutes Council co-leader at the Microeconomics of Competitiveness programme at Harvard Business School. He is also a Professor at Hult International Business School and IE Business School.

Terence Tse is an educator, speaker, advisor and commentator. He is a Cofounder of Nexus FrontierTech, an artificial intelligence studio, and an Associate Professor of Finance at ESCP.

Esposito and Tse were shortlisted for the Thinkers50 Breakthrough Idea Award for the DRIVE framework. Their books include *Understanding How the Future Unfolds: Using Drive to Harness the Power of Today's Megatrends* (2017).

'The world isn't static. Strategy isn't static, but that doesn't mean there isn't a way of thinking about the fundamental questions in a way that keeps you ahead of the competition.'

ROGER MARTIN

MARK GREEVEN & ANTONIO NIETO-RODRIGUEZ

Strategy implementation: The Chinese way

China is well known for visionary strategy making. Sun Tzu's *Art of War* describes succinctly how to strategize a war, the Chinese government is a master of five-year strategic planning for a country of 1.4 billion people and China boasts numerous visionary entrepreneurs such as Zhang Ruimin, Jack Ma and Lei Jun. But, it is not the visionary strategy making that sets China apart. It is the pragmatic approach to strategy implementation that is worth investigating. Chinese companies have frequently managed to successfully reformulate their organizations and strengthen organizational cultures to facilitate strategy implementation. Consider three successful Chinese organizational models.

The Chinese way

Xiaomi is a mobile internet company focused on smart hardware and electronics with a market capitalization of $50 billion. It has been included in the *MIT Technology Review*'s list of the fifty "smartest companies" and outstripped Apple's smartphone sales in China within four years after founding (2010). Then, Xiaomi introduced new products to the market at breakneck speed, disrupting, or at least surprising, market incumbents virtually every time. By 2018, Xiaomi has successfully introduced over 40 products, ranging from smart rice cookers and air purifiers to robot vacuum cleaners and smart running shoes.

Its forty plus products in the market are not organized in strategic business units and have not become part of the organizational hierarchy. The company has a relatively flat organizational structure – the seven co-founders are only one line of management away from the sales and engineers. The latter make up the largest part of their employee base. Moreover, the cofounders are required to be involved with projects and new product development directly. They participate in user interaction, such as on Xiaomi's own platform, and keep up-to-date with products. A sophisticated digital problem distribution system allocates questions to any suitable employee. Customer proximity has not only become a performance assessment criteria for employees, but also a driver for customer-driven projects. Each new product development is treated as a project that can be achieved by mobilizing resources inside and outside Xiaomi.

In particular, project implementation gains speed in Xiaomi by leveraging external resources. Following its three original designs – the smartphone, TV set top box and router – all other Xiaomi products were developed as projects in collaboration with other companies or entrepreneurs. Xiaomi identified a big market need for air purifiers but could not find a suitable producer. So, it suggested to Su Jun, the former associate professor of industrial design in North China University of Technology, that he develop an air purifier and Xiaomi invest in the start-up. Within nine months the product was developed and launched in December 2014 at a killer price of 899 RMB, only one third of the average market price at that time.

Alibaba Group is the world's largest and most valuable retailer with over 80,000 employees and a market cap of $420 billion. The success of Alibaba can be largely attributed to its new organizational form, a business ecosystem, which has fostered the rapid growth and transformation of its businesses.

Alibaba's business ecosystems consist of hundreds of companies, ventures and projects across at least 20 different sectors. But, the majority of these are independently run operations, neither part of strategic business units, nor subject to reporting structures. In fact, many of the players in Alibaba's business ecosystem are still fairly small in size.

Alibaba is widely characterized as dynamic systems of companies, ventures and projects enabled by digital technology. Instead of directing the development of new products and implementation of projects top-down, Alibaba functions as the magnet and orchestrator. For instance, Alibaba's core is comprised of four e-commerce platforms (Alibaba.com, 1688.com, Taobao.com and Tmall.com) that are home to hundreds of millions of users. Moreover, the interdependence between the companies, ventures and projects is not only financial and equity based, although it is a prerequisite to be part of the business ecosystem. The interdependence is found in growth strategies, investment approaches, and complementarities between offerings, business synergies and resource sharing. Entrepreneurial projects in this ecosystem are allowed to fail without severe consequences for the sustainability of the whole ecosystem, or the careers of top management.

Employees in Alibaba's ecosystem are selected and managed on alignment of values rather than rules. The key values of Alibaba include customer first, team work, embrace change, integrity, passion and dedication. The consequence of such a value-driven approach is encouragement of taking risks, a strong organizational culture and competition. Employees are assessed on a quarterly basis and rated in terms of performance and value, both equally important.

There is no HR guidebook but only a set of strong principles that guide the employees to operate in a highly dynamic environment. They can initiate any project they like without regard of their current company or department. In fact, the ecosystem of Alibaba provides a safe market place of resources in which project initiators can execute without the limits of corporate hierarchical boundaries and complex vertical reporting structures.

Haier Group is the world's leading brand of major household appliances with ten percent global market share and over 70,000 employees. Haier reached revenue of over 200 billion RMB in 2016 and acquired GE's appliance division for $5.4 billion, a feat unimaginable considering its humble beginnings three decades ago.

Since 1998, Haier has been experimenting with new organizational forms, to reduce hierarchy and control, and increase autonomy with self-organizing work units and internal labour markets. But it was not until 2010 that Haier put a unique project organization platform in place throughout the company.

Haier's first step to create a platform organization was to fundamentally reorganize the company's structure. First, the company eliminated strategic business units and managerial hierarchies with the purpose of creating zero distance to the users of its products. The company reorganized around projects with specific focus, such as on new product development, marketing and production. These three work units, or small project organizations, are the core of Haier and closest to the user. A second set, or level, of project organizations is organized around corporate support functions like HR, accounting, and legal. The highest level work unit is the executive team. Interestingly, the third level work unit is the smallest and positioned at the top of the inverted pyramid. Their role is redefined as a support function for the customer facing, self-organizing project organizations.

Haier now has thousands of work units, more than 100 of which have annual revenues in excess of 100 million RMB. More recently, the platform has evolved further to allow work units of non-core products to spin-off. After 2014, external investors were allowed to invest in promising new products, jointly with Haier's investment fund. To date, 41 such spin-offs have received VC funding of which 16 received in excess of 100 million RMB.

Through measures such as decentralization, disintermediation and the elimination of internal communication barriers, Haier has decreased staff numbers by 45 percent since its peak but has created more than 1.6 million job opportunities.

Organization 2.0: Project driven structure and culture

Large organizations with strong top-down leadership and fast execution, Chinese companies are at the same time highly innovative and adaptive to changing markets through swift strategy execution. The cases of Xiaomi, Alibaba and Haier illustrate how these Chinese companies show pragmatism in strategy implementation by adjusting the organizational structure, shifting power and breaking the traditional management models. Four principles stand out:

- The project principle – organizing in self-managing and often competing projects rather than departments with multiyear plans
- The value principle – reinforcing distinct organizational identities such as Xiaomi's fans culture, Alibaba's opposition to control-driven management and Haier's obsession with making entrepreneurs
- The "figure it out" principle – decentralizing decisions and creating autonomy, revealing trust in project teams and handing over responsibility to implement broad-brushed strategies
- The ecosystem principle – leveraging external resources to speed up implementation of projects, showcasing high levels of pragmatism.

Yet, to achieve it, it requires sacrificing the old individual driven mind-sets for the common good of the organization. It also requires courageous and determined leaders. China is certainly not devoid of determined leaders.

About the authors

Mark Greeven (markgreeven.com) is an academic based in China. He is the author of *Business Ecosystems in China: Alibaba and competing Baidu, Tencent, Xiaomi and LeEco; and Pioneers, Hidden Champions, Change Makers and Underdogs: Lessons From China's Innovators*. He is on the Thinkers50 Radar 2018 list of next generation business thinkers.

Antonio Nieto-**Rodriguez** (antonionietorodriguez.com) is a leading expert on project management and strategy implementation. He is the author of *The Focused Organization* and *The Project Revolution*, and winner of the Thinkers50 2017 Ideas into Practice Award.

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'The strategist's method is very simply to challenge the prevailing assumptions with a single question: Why? And to put the same question relentlessly to those responsible for the current way of doing things until they are sick of it.'

KENICHI OHMAE

ANDREW SHIPILOV

How to use small wins to build trust

Douro Boys is a group of five independent wineries in the Douro River Valley in Portugal that built an alliance network after realizing that they could not compete on their own. The partners act almost as a single firm, sharing knowledge about wine making and markets. Their wines, such as "Quinta do Vallado" or "Niepoort" now routinely get over 90 points from the *Wine Spectator* and sales have doubled over the last ten years.

They achieved this through an unusual exercise: the CEOs of the five companies decided to pool a small amount of their best wine to make 500 bottles of a one-off premium wine they called the "Douro Boys Cuvee". They auctioned the bottles off at Christie's at an average price of 300 euros, a price that put the Portuguese wine on par with high-end Bordeaux. The success of this small joint project instilled a strong sense of collective achievement among the member companies, which helped them to work on other projects much more effectively.

Douro Boys solved the problem of trust building among alliance partners by achieving a small win, an initiative (or a small number of initiatives) that partners can accomplish within a maximum of twelve (or even six) months after starting collaboration. We are not talking about conquering a new geographical market or investing millions of dollars in joint R&D. A small win can be as simple as winning a new client together or modifying an existing product to serve a small new customer segment.

When I started working on my book *Network Advantage*, I was often struck by how little attention alliance partners pay to the importance of small wins. They tend to focus instead on mobilizing their stakeholders around big, audacious goals.

Setting such goals is important, of course, but you first need to develop trust. Otherwise, a partner will not share their knowledge or resources with you. And the small win is the shortest way towards developing trust: it helps partners to learn about one another and develop informal rules of collaboration. This leads to familiarity, familiarity leads to trust, and trust leads to improved information and/or resource sharing.

Here's another example. N2build is a start-up that wants to disrupt the

construction industry by using new composite materials. For example, some of the innovative fuselage material in a Boeing Dreamliner could also be used to make wall panels or roofs for houses. The new composites have higher insulation properties, are more resistant to the elements and, after substantial R&D, can cost much less to manufacture than conventional building materials.

N2Build has a large network of R&D alliances: it collaborates with researchers at the Fraunhofer Institute in Germany, Massachusetts Institute of Technology, and INEGI (National Institute of Mechanical Engineering and Industrial Management), the eminent Portuguese research institute.

But researchers are often not the best collaborators: they tend to prefer to work on solving problems within their academic disciplines without engaging in cross-department collaboration. What's more, institutions like these are accustomed to working with multinational corporations or space agencies rather than start-ups. INEGI in particular was sceptical of N2build's ambitious goals. The small, yet decisive, win for N2Build was to organize seminars within INEGI that brought together scientists from INEGI's different departments to discuss the idea of how composite materials can disrupt the construction industry. The researchers later commented that it was extremely unusual – as a matter of fact, a first in INEGI's 25 years history – to have people from all around the institute together in the same room brainstorming towards a common goal. The event was a turning point for INEGI. It is now an integral part of N2build's R&D activities and has opened doors to other scientific collaborations.

Correos, the Spanish postal service operator, uses the same strategy to build partnerships in the e-commerce domain. It collaborated with Luis Krug, a Spanish Internet entrepreneur and now the CEO of Pixmania, to build an e-commerce platform, Comandia.com. The goal is to become one of the largest online marketplaces in Spain to connect companies of any kind, including small or very large retailers, to their customers. But before the two companies joined forces to work on Comandia, they started with a small win: collaboration over the Oooferton.com website. This was a discount webshop started by Luis Krug in 2009 on which Correos worked as a logistics partner and had to adapt its logistics chain in order to handle a wide variety of products. The two partners learned a lot about each other and developed trust, which then lead to Comandia, a much more ambitious project in terms of the number of potential sellers and customers.

If your company is planning a strategic alliance, aim for a small win first – this strategy works just as well with customers, suppliers, and competitors.

About the author

Andrew Shipilov is Associate Professor of Strategy and Akzo Nobel Fellow at INSEAD. His research examines how social networks, strategic alliances and partnerships affect firms' competitive advantage. He is an editorial board member of *Strategic Management Journal* and *Strategic Organization*. His research has received prizes from the Academy of Management. He is the author of *Network Advantage* (2013).

'The reason strategy execution is often glossed over by even the most astute strategy consultants is because it's not a strategy challenge. It's a human behaviour one.'

PETER BREGMAN

TINA MOE

Leading agility

To succeed in the future, we need to increase agility in the organization. Agility is all about people and speed. It is created by engaging and empowering people, so they can create value quickly, effectively and in collaboration. This requires a culture of low fear, high trust and respect, which in turn build courage in the individual to be the best version of themselves and to take risks to innovate and progress quickly.

McKinsey have characterized the agile organization as:

- Having a common purpose, keeping it and the customer obsession alive
- Having a people-centred culture that ignites passion
- Being organized in a network of teams – empowered to act easily
- Creating a backbone of processes to mobilize quickly, operate in rapid learning and decision cycles, enabled by technology.

A meaningful purpose

A meaningful purpose touches the heart and makes people passionate about why they go to work. It is meaningful when it addresses real needs. Staying obsessed with the customers' real needs generates both meaning and passion for those who contribute to solving those needs.

The purpose is the new stable direction, when everything changes fast and unpredictably. A strategic goal can be overtaken by competition, but if it happens the purpose will survive, and the organization can continuously find new ways to pursue the purpose.

The five-year strategy plan is no longer of any use in a fast-changing world. In fact, it may limit the speed and success of the company. What is required is having a clear purpose and creating short-term strategies combined with continuous adjustments to allow for new possibilities.

Leading the people-centred culture

Agility requires a people-centred culture and empowered teams. This significantly changes the role of the leader from directing, planning and controlling to letting go of full control and, instead, setting overall direction and empowering, developing and coaching human beings to excel in what they do

best, while utilizing technology to support the purpose.

To be creative, co-creative and collaborative we need to engage the entire spectrum of the human brain, both what I call the blue approaches (e.g. short-term result focus, data driven, fast action and clear goal setting) and the red approaches (e.g. co-creation, engagement, empowerment, communication, longer-term thinking). The leader will actively introduce and leverage diversity in teams and the strength of the individual to achieve better overall results.

Fear limits both human potential and business development. The agile leader will openly address fear, both the personal fears, the fears of failure, change or the future, and knows how to handle it, and creates a safe and trusting environment.

The leader establishes a learning environment with continuous feedback and knows that it is critical to find useful learning in any situation and to maintain a realistic, optimistic can-do approach even in difficult situations. The leader makes sure that employees feel valued and trusted and that they dare to contribute and engage in solving any challenge.

Energy is the human fuel. A workplace with meaningful work, empowerment and continuous development is highly energizing. The goal setting and success criteria need to be redefined to minimize bureaucracy and instead energize, support the right behaviour and accelerate business processes.

How to organize for agility

The agile organization is a non-hierarchical structure with clear, responsible roles. The dynamics come from organizing in empowered and accountable project teams, fit for purpose and easily changeable. They act in team-oriented ways and become involved in making the strategic and organizational decisions that will affect them and their work.

The method of working is in sprints; setting goals, working, stopping with short intervals to incorporate new learnings or generate ideas for solving a challenge and to set new goals. Rapid learning and fast decision circles result in flow and speed.

Three kinds of teams exist:

Project teams. They work on innovation, development, execution and launch projects, etc. A team has diverse competences and is cross-functional. The work is team based and integrated. The teams are tuned for seeking information, inspiration and external involvement. Hence, the interaction is highly blended with people from outside the team as well as outside the company, achieving effective co-creation, innovation, partnerships and customer interaction. Speed of development is more precious than guarding the knowledge in-house.

Functional teams. These cover functions that are continuous in nature and require more stable staffing like sales, marketing, manufacturing, customer service, finance and IT. They can still work in fully empowered teams using similar methods as the project teams for improving their work processes, running campaigns, and so on.

Resource pools. These are units that hold and organize the people available to the two other kinds of teams. It may be employees who are "in-between projects" or specialists, communities of knowledge, HR or legal, used on an ad hoc basis. These pools of resources also include external freelancers, universities, collaborating companies, customers, etc.

This way of organizing is well known in project-based consultancy companies like architecture, engineering, design, software, construction and consultants' companies. The extra element in agile companies is the extent of empowerment and the type of backbone processes and methods used to speed up progress and decisions.

Creating a backbone of agile processes

The stabilizing backbone of an agile organization is established work processes. They are rigorously implemented, which allows team members to shift between completely different projects, still being able to work from day one. Without it, everything would have to be invented every time a project was set up, significantly slowing down the generation of results.

The difference, compared to the backbone processes in traditional organizations, is that agile processes are organized around flows of information to support the projects working fast and agilely.

Hierarchical information and decision lines that slow down the information flow are minimized. "There's no room for bureaucracy. It's about openness, candour, radical feedback and full transparency. If you organize your organization around these tenets, you'll thrive," says GE's Beth Comstock.

The working methods in linear and agile projects are fundamentally different. In the linear project the working method is first to define the end result, then plan the execution before initiating the work. In the agile project, the goal is achieving functional needs of purpose and using a method of rapid iterative cycles of thinking, planning and doing, while continuously course correcting to achieve the best possible outcome.

The nature of the project will dictate which is most efficient, and various phases of a project also require different working methods.

Not all projects are suitable for agile processes during all phases of the project. Some projects, like large construction projects, are not suited for iterative

processes after the design phase, but need to follow a waterfall model at these stages. When constructing a building, an airplane or a production plant, iterations in the phases of execution come at huge cost and at considerable risk of unintentionally introducing flaws in the final product.

Setting up the entire company for speed is important through standardized fast methods for meetings and document management. You may keep momentum in the work by conducting morning meetings with your team, following up on progress and addressing obstacles that require the involvement of more team members. The focus – increased speed and energy.

High-velocity, high-quality decisions

To be agile, it is necessary to be able to make high-velocity, high-quality decisions, and Jeff Bezos the CEO of Amazon has this as a core culture in the company. It is common that companies are good at making high quality decisions, but are very slow at doing so. It is important not just to switch to the fast action mode, but to make sure that quality is not sacrificed.

Ways to accelerate quality decision-making include:

- Have one set of decision methods for the irreversible decisions, another – lightweight – for reversible decisions.
- For reversible decisions, decide based on 70 percent of the knowledge. It is better to test quickly than wait to retrieve 100 percent of the information.
- Know whom to involve to quickly get a high-quality basis for a decision.
- Be quick to recognize and correct bad decisions. Jeff Bezos says: "If one is good at course correction, being wrong may be less costly than you think, whereas being slow is going to be expensive for sure."
- Break down the bigger decisions into steps. Continuously make small decisions as part of rapid cycles, quickly test these in practice and adjust them as needed for the next iteration.
- Disagree and commit. It is important to exchange perspectives candidly, but do not aim at consensus. Once the input for a decision is given, the owner of the project settles on a decision. The ones not in agreement will say, "I disagree and commit".
- Recognize true misalignment as early as possible and address it immediately to get it resolved.

Agile organizations, when working well, are highly energizing to work in. The speed is not a burden: it is more like dancing and the feeling of teamwork in flow. It does, however, require that we change our leadership to fully support it.

About the author

Tina Moe has more than 20 years of management experience in global organizations including Novo Nordisk, NNE and ALECTIA. She is now on the board of a number of companies and is an executive coach and keynote speaker. She is the author of *Leadership of the Future* (2018).

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'You can be very bold as a theoretician. Good theories are like good art. A practitioner has to compromise.'

WARREN BENNIS

SANGEET PAUL CHOUDARY

Platform strategy: Creating a position of leadership in your industry ecosystem

Over the last two decades, the rise of a connected and data-rich world has driven the rise of open business models. Firms, today, rely not just on internal resources but on resources in their respective industry ecosystems to build new business value. In the first wave of open business models, firms benefited from external innovation and augmented their supply base. Today, platform firms like Facebook, Apple, Google, and Airbnb, use openness to facilitate and mediate market activity and gain not merely from the innovation in their ecosystems but also from the business interactions in the ecosystem.

A platform business model enables the firm to create a position of leadership in its industry ecosystem. Facebook and Google have created a position of leadership in the advertising industry, while Apple and Google have similarly created leadership positions in the smartphone industry. The platform provides an open infrastructure enabling producers and consumers in its ecosystem to plug in, and governs the interactions that ensue. These firms benefit from a positive feedback loop – the larger the ecosystem that uses the platform, the more value there is in working with the platform, thereby attracting an even larger ecosystem around the platform.

Many incumbent firms, today, seek to pursue platform strategies to benefit from this virtuous cycle and create a position of leadership in their respective industries. Most such firms seeking to pursue platform business models understand the importance of openness. These firms work on creating the right incentives for attracting external innovation and design their technical and social interfaces for frictionless participation.

However, most of these businesses fail to understand that openness needs to be complemented with the right control mechanisms. A platform strategy can lead to a position of leadership only if the right control mechanisms are architected. Without the right control mechanisms in place, partners in the ecosystem can benefit from the platform's resources without necessarily bringing their own resources to the platform.

To successfully execute a platform strategy, a firm must understand its control points. A control point is a strategic asset that the platform must uniquely own, which makes the ecosystem dependent on the platform.

Facebook's control of user data and its control of user engagement through the news feed make advertisers dependent on Facebook. Advertisers cannot target these engaged users except through Facebook's proprietary tools and data. Similarly, Airbnb's control of the rating system makes hosts dependent on Airbnb. Once a host gains a five-star rating, which pushes them higher in search results and gives them more visibility, they become dependent on Airbnb for further distribution.

It's important to note that some of these control points encourage dependence by creating greater value for the ecosystem partner. For example, hosts with a five-star rating on Airbnb get locked into the Airbnb ecosystem but also get higher market access and greater monetization opportunities. While they are free to participate on other platforms, they are unlikely to get the same access and distribution elsewhere without investing similar resources into the other platform, which in turn ensures that they participate more often on Airbnb.

The idea of owning these control points is the very essence of platform leadership. Without ownership of control points, a platform may lose control over its ecosystem and may never gain a position of leadership.

Google's initial years with Android provide a great illustration of how companies fail to understand their control points. Google launched Android as an open operating system. While this encouraged participation by developers who extended the platform, as well as device manufacturers who deployed it, Google soon started to lose control over the ecosystem. Since Android was completely open without the right control mechanisms, device manufacturers like Amazon and Samsung forced Android to create their own developer and user ecosystems with the intent of gaining leadership over these ecosystems. Google soon lost control over its ecosystem.

Seeking to regain control of the ecosystem, Google made some very important strategic decisions that allowed it to regain ownership of the key control points. First, it partitioned Android into an open operating system and a proprietary licensed set of services, which are now branded Google Play. Next, it moved its control points – critical services like Google Maps and the Google Cloud Messaging system – away from Android and into Google Play. Any device manufacturer building a phone needed access to the mapping services, which were now proprietary, making the device manufacturer dependent on Google. Finally, having established this control, Google built out the developer app store inside Google Play. This further strengthened Google's position. Firms like Samsung and Amazon could no longer

build their own developer ecosystems as much of the value from Android was now controlled inside Google Play, and any partner licensing Google Play had to work with Google's developer ecosystem.

Google's example illustrates how the most successful of platform firms can still fail at platform leadership by failing to own the right control points. Incumbent firms, in a variety of industries, ranging from heavy industry and mobility to financial services and healthcare, make similar missteps today as they pursue a platform strategy. While these firms do well to embrace open business models, they fail to institute the control mechanisms that will give them a position of platform leadership.

Another common misconception among firms seeking to pursue a platform strategy is to confuse a platform strategy with an Application Programming Interface (API) programme. This confusion probably stems from the fact that a platform strategy also involves APIs.

An API programme is merely a distribution strategy. Most API initiatives by incumbent firms, today, are focused on exposing the firm's assets for external consumption. An API is merely a distribution channel for the firm's assets.

While a platform strategy requires APIs, a platform strategy is the very opposite of a distribution strategy. Instead of just seeking to expose the firm's assets for external consumption, a platform strategy seeks to attract the ecosystem's assets to be leveraged by the firm. Think of Apple's platform attracting developer applications from the ecosystem, Facebook's platform attracting our content and data, and Airbnb's platform attracting hosts' physical property. All three platforms attract the ecosystem's assets and monetize these assets without incurring many of the costs and risks of doing so.

As a wider range of firms seek to pursue platform strategy in their respective industry ecosystems, an understanding of the key control points will become increasingly important. Too much openness can lead to a loss of control, but too much control can also discourage external participation. Firms that best balance openness with control will be the ones that successfully create a position of platform leadership in their industry ecosystem.

About the authors

Sangeet Paul Choudary is Founder and CEO of Platform Thinking Labs (platformed.info). He is co-chair of the MIT Platform Strategy Group, an Entrepreneur-in-Residence at INSEAD, a Global Fellow at the Centre for Global Enterprise, and an advisor at 500Startups. He is coauthor of *Platform Revolution* and was included in the Thinkers50 Radar list for 2016.

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