Fostering Strategic Agility:
In Search for Renewed Growth

CKIR workshop
August 29, 2006

Yves Doz and Mikko Kosonen
Most Companies die not because they do the wrong Things, but because they keep doing what used to be the Right Things for too Long…

STRATEGIC AGILITY: Not just Ability to be quick, but also to take Strategic Turns in Timely Fashion, Strategic Re-direction/re-invention at high speed… in Time…

A Paradox for practitioners and academics:

STRATEGIC = Anticipation, leveraging momentum and strength

+ 

AGILITY = Responsiveness, being nimble
## Research Sites

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Global</th>
<th>Home Country</th>
<th>Integrative Corporate Strategy</th>
<th>Large, well-established Incumbent</th>
<th>Growth Challenge</th>
<th>Experience from Strategic Transformations</th>
<th>Main orientation</th>
<th>Ecosystem orchestrator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IBM</td>
<td>X / US</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Service</td>
<td>X</td>
</tr>
<tr>
<td>HP</td>
<td>X / US</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Product</td>
<td>X</td>
</tr>
<tr>
<td>Cisco</td>
<td>X / US</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Product</td>
<td>X</td>
</tr>
<tr>
<td>Intel</td>
<td>X / US</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Component</td>
<td>X</td>
</tr>
<tr>
<td>Oracle</td>
<td>X / US</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>SW</td>
<td>X</td>
</tr>
<tr>
<td>Accenture</td>
<td>X / US</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Service</td>
<td>X</td>
</tr>
<tr>
<td>Nokia</td>
<td>X / Europe</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Product</td>
<td>X</td>
</tr>
<tr>
<td>SAP</td>
<td>X / Europe</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>SW</td>
<td>X</td>
</tr>
<tr>
<td>STM</td>
<td>X / Europe</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Component</td>
<td>X</td>
</tr>
<tr>
<td>(Sony)</td>
<td>X / Japan</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Product</td>
<td>X</td>
</tr>
<tr>
<td>(Canon)</td>
<td>X / Japan</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Product</td>
<td>X</td>
</tr>
</tbody>
</table>

Based on 130 interviews with senior executives in these companies, also other company examples used selectively
Key Enablers of Strategic Agility

**Strategic Acuity:**
Seeing and framing opportunities and threats in a new way – in time

**Leadership Unity:**
Collective decision making and commitment

**Resource Fluidity:**
Fast and efficient resource mobilization, redeployment

Perceive! → Execute!

Commit!
The Curse of Success
Strategic Agility naturally Turns into Rigidity Over Time …

Strategic Acuity

- Strategic Myopia
- Tunnel Vision
- Tyranny of the core business
- Assumed dominance
- Bad habits of fast growth
  - Hidden conservatism
  - Fast judgment
  - Mindless procedures

Resource Fluidity

- Imprisoned resources
- Business system rigidity/inflexibility
- Ties that bind
- Management mediocrity and competence traps

Leadership

- Management divergence
- Heady charm of fame and power
- ‘Expert’ management
- Emotional apathy

Unity
How to prevent erosion of Strategic Agility?

Strategic Acuity

- Open Strategy Process
- Heightened Strategic Alertness
- High Quality Internal Dialogue

Resource Fluidity

- Resource usage dissociated from resource ownership
- Transparency and fairness in people assessment for rotation
- ‘Plug and Play’ architectures
- Top team interdependency

Leadership

- Interdependent structures and distributed roles
- Cabinet responsibility
- Adaptive leadership
- Shared values

Unity
Enablers of Strategic Acuity

Co-strategize and experiment with multiple stakeholders

Ambitions Vision & Mission

Contradictory goals

Constructive Paranoia

Recognizing Opportunities on their own Merits

Open Core Business definition

Concept rich language

Factual Richness

Multiple perspectives

Open Strategizing

Heightened Strategic Alertness

High Quality Internal Dialogue

STRATEGIC ACUITY

© Yves Doz & Mikko Kosonen, INSEAD, 2006
Enablers of Resource Fluidity

- Free strategic direction from org.structure
- Dissociate business and resource ownership
- Continuous planning
- Corporate resource pool
- Job and Role Rotation; Generalized Reciprocity
- Transparency, Fairness, Personal ‘Anchors’
- ‘Plug and Play’ products and processes
- Generative capabilities
- Interdependent structures and distributed roles
- Shared incentives and agenda

Fluid Re-allocation of Capital Resources

People Mobility

Resource sharing and reuse

Collaboration at the top

© Yves Doz & Mikko Kosonen, INSEAD, 2006
Enablers of Leadership Unity

- Quality of Dialogue
- Cabinet responsibility
- Reciprocity and Trust
- Changing, Extending and Renewing Top Team composition
- Multiple and Changing corporate roles
- CEO First among peers
- Separate CEO Office
- Adaptive/Servant leadership
- Personal influence over positional power
- Distributed Values and Strategy work

Strategic requirements for Leadership Unity

Top Team Processes

Leadership style and capabilities of the CEO and Top Team

Extending Leadership Unity across the organization

© Yves Doz & Mikko Kosonen, INSEAD, 2006
Building a Strategically Agile Company – ‘brick by brick’

**FOUNDATION**
- Shared disciplines and standards
- Shared values and ‘look & feel’
- CEO first among equals
- Servant leadership
- Integrity, transparency, fair evaluation

**ADAPTATION**
- Open strategizing externally and internally
- Multidimensional org. and multiple roles
  - Open business definition
  - Shared concept-rich language
- Institutionalized job rotation
  - Continuous planning
  - Structural interdependency
-Separated business and resource ownership
  - Modular structures
  - Role-based information architectures

**DIRECTION**
- Corporate roles and Cabinet responsibility
- Shared strategic agenda and incentives
  - Shared vision and value creation logic
  - Distributed strategy process

**Flexibility**

**Sensing**

© Yves Doz & Mikko Kosonen, INSEAD, 2006
Strategic Agility vs. Transformation

Strategic Agility
(intensity of management action)

Curse of Success/
Deterioration of SA
(Ch 2)

Remedies/
Regaining SA
(Ch 7-9)

Antidotes/
Maintaining SA
(Ch 3-5)

The strategically agile company
(Ch 6)

Crisis

Transformation 1...2...

© Yves Doz & Mikko Kosonen, INSEAD, 2006
Regaining Strategic Agility is like any transformation a cognitive, emotional and relational top team challenge – organizational flexibility is only a necessary but not sufficient condition

Regaining Agility requires top team action on four fronts:

- Cognitive (C): Fresh but well-rooted vision
- Organizational (O): New processes allowing differentiation and integration
- Relational (R): A “New Deal” at the top
- Emotional (E): Rekindled commitment and energy

In a sequence which differs according to starting position and nature of business; strategic redirection differs from strategic recovery!
From Strategic Paralysis to Strategic Agility
The CORE drivers

**Emotional Drivers:**
- Higher order meaning
- Articulation of values and vision
- Leading by example
- Affiliation and belonging

**Cognitive Drivers:**
- Sense making
- Framing (lenses, prisms)
- Filters
- Cognitive maps
- Value creation logic
- (Corporate / subunits)

**Organizational Drivers:**
- Organizational architecture
- Interdependency
- Measurement
- Processes and Systems

**Relational Drivers:**
- Top management team:
  - Decision making
  - Strategizing process
- Corporate / Unit roles
- Venturing / NBD / risk
- Diversity

© Yves Doz & Mikko Kosonen, INSEAD, 2006
How Propitious are External Initial Conditions?

**Emotional Context**
- Successful, Satisfying...
- Status-Quo
- Tense/Difficult/Conflict-Ridden

**Organizational Context**
- Stable, Hierarchical, well Defined
- Unstable, Multidimensional, Contentious...

**Relational Context**
- Static Pattern of Set Relationship, with separate Roles and Juxtaposition and Avoidance implicit Logics
- Unclear, Shifting...

**Cognitive Context**
- Clear Direction, Common Vision, Set Logic
- Multiple Perspectives...

Too Much Stability and Peace? vs. Too Much Tension and Conflict?
Assessing Initial Conditions: Two Examples which looked similar from outside


- **Emotional**
  - Successful, Gratifying,
  - Still Riding the Growth Story

- **Organizational**
  - Two separate Business Groups run Separately

- **Cognitive**
  - Clear Roadmap from “2G” to “3G”
  - Co-Evolution with Operators

- **Relational**
  - Well-defined, Well-accepted, Mutually Accomodated Roles

- **Resistant to Change?**

SAP (2000-2002)

- **Emotional**
  - Conflictual, Lost Unity, Doubts about Identity

- **Organizational**
  - Multidimensional Matrixed,
  - Centrifugal Forces of New Customers

- **Cognitive**
  - Applications vs. Integrated Platform Contradictions

- **Relational**
  - Declining Unity
  - Top Management Transition

- **Pregnant with Change?**

© Yves Doz & Mikko Kosonen, INSEAD, 2006
Strategically Agility in Redirecting Core Business Growth

- **Voice GSM Network Operators**
- **“3G” ambition**
- **Multiple Multimedia Services**
- **WCDMA (call GSM)**
- **Multiple Multimedia Services**
- **Access Agnosticism**

Core Business Momentum

Mid 1990s to Mid 2000s

© Yves Doz & Mikko Kosonen, INSEAD, 2006
CORE evolution – in redirecting core business

- Cognitive “Seeds”
- Change triggers
- Organizational Adjustments
- Relational Changes
- Emotional Evolution
- Multimedia and Enterprise Trajectory
- Voice and “3G” trajectory

© Yves Doz & Mikko Kosonen, INSEAD, 2006
From Momentum to Strategic Agility

• **Initial Conditions**: Self-Satisfaction vs. Restlessness
  Hyper-Stable vs. Unstable Organizations

• **Change Triggers**: Seeds of Change vs. Convergence of Forces

• **Gaining Impetus**: “Backward” Fit (with Existing Dominant Logic, and “Forward” Misfit: Bending the Logic)

• **Where, How does New Cognition enter the Organization?**
  • “Import” of New Logic (e.g., Acquisition, CEO Change)
  • “Learning” of New Logic (e.g., via “Skidding” Ventures)
  • Flexibility First in Front-end (e.g., Routes to Market, Customer Responsiveness, End-User Insight)
  • Deliberate (for some) Misfits

• **How quickly does it take hold?**
  • Nature of Business. External and Internal Resonance
  • Quality of Language (both Concept – and Context-Rich)
  • Timing and Sequencing of Commitments (being Right too Early may be self-destructive)
Changing the ‘Cognitive Context’

- Encourage the expression of new ideas

- **Planting and nurturing seeds of change** – close enough to the core business for ensuring commitment. Requires strong backward fit with the expected core business trajectory and forward fit with the broad enough vision of the company

- **Opening spaces and providing fora for sense-making dialogues** – for allowing dissenting and visionary voices

- **Pacing the exploration journey to gain credibility** – accepting that some products can be ‘learning successes’ without ever being commercial successes

- **Reframing away from the lime-lights** – through relatively isolated environments with frequent updates with top management. The purpose of these updates is new knowledge creation, NOT budgetary control

- **Fencing in resources for investment** – to protect and guarantee continuity of new experiments and probing new trajectories

- **Matching level of attention to level of learning** – too much too fast may ‘kill’ the learning and change process

- **Clustering and bending** – clustering similar opportunities for gaining momentum and bending the core business trajectory

© Yves Doz & Mikko Kosonen, INSEAD, 2006
Changing the ‘Organizational Context’

- **Unpacking the core business system** — through ‘horizontalization’ and letting the ‘front end’ of the organization diverge (in line with the customer needs) whilst keeping the ‘technical core’ together.

- **Putting the organization ‘off balance’** — through introduction of new/multiple organizational dimension and hence forcing dissociation of strategic direction from structural determinacy.

- **Allowing for rapid entry and exit** — through modular business processes and IT systems for allowing rapid and scalable resource mobilization towards best opportunities.

- **Allowing flexible and dynamic differentiation and integration** — through dynamic ‘vertical-horizontal’ balancing depending on business needs.
Changing the ‘Relational Context’

- **Putting top team member under new tension** – through interdependent roles and responsibilities (= multidimensional organization). A new ‘way of working’ forces top team members to adapt new interaction patterns.

- **Creating a sense of crises** - Short of real crises (in an evolutionary change) an ‘engineered crises’ of some sort maybe needed to trigger an effective relational change.

- **Changing the top team composition** in order to overcome pre-existing roles and responsibilities. (This recomposition need is mitigated if the change is seen as a return to the company’s ‘true roots’ and pattern of interaction among the top team members).

- **Letting the new top team to gradually develop a new common and more conceptual language** – for capturing the new broader reality.
Continuity of ‘Emotional Context’

- **Cognition does not translate into emotions**! A ‘strategic crises’ seldom turns into action – and hence ‘burning platforms’ don’t typically work.

- **Momentum creates its own strong emotions** – and hence shifting direction calls for a ‘mourning period’ (shedding past commitment and gaining new ambitions takes time).

- **A tentative new strategic direction does not elicit emotions** – as it emerges gradually and at first only intellectually – with no action attached to it.

- **Regaining strategic agility calls for a shift in emotional attachment** – from what the company does to how it does it. As a result, more and more top management actions have to be directed to the ‘Foundational layer’ (ref. Ch 7).

- **The organizational consequences of building resource fluidity may impact emotions negatively** – as people try to compensate ‘foundational mechanisms (such as trust, values etc.) with additional bureaucracy.”
Discovery of new “ways”

Where do we go? (Destination)

Return to Roots

NOKIA

Early but slow

Late, Incomplete

Momentum Stagnation/Crisis

C

R

E

O

SAP

Early but slow

Late but fast

IBM

Late, Slow

Where do we start? (origin)

O

R

C

E

© Yves Doz & Mikko Kosonen, INSEAD, 2006