

Introduction

What allows companies to be strategic and agile? Usually being fast evokes images of nimbleness and flexibility, while being strategic evokes images of being strong but ponderous, and hence slow. Where does speed in strategic decisions and commitments come from?

Why are some companies able to thrive on disruptions, and catch the waves of technology or market discontinuities to outrun and beat their competitors, when others falter or fall into oblivion?

Why did Digital Equipment, unable to commit to a new strategy and a new business model in time, disappear? Why, and how, was IBM reborn, like a phoenix, as a solution, service, and software provider, from the ashes of computer hardware? How is Nokia transforming itself to capitalize on internet mobility services? What challenges does SAP face in changing its business model to open platforms, mid-market development and indirect distribution? Was Carly Fiorina right at HP, but not given the time to succeed by an overly impatient board? How did Canon renew itself? Why do Cisco and Intel keep succeeding?

Strategically agile companies not only learn to make fast turns and transform themselves without losing momentum but their CEOs and top teams also have higher ambitions: to make their companies permanently, regularly, able to take advantage of change and disruption. They want their organizations to learn to thrive on continuous waves of change, not to periodically and painfully adjust to change, in an alternation of periods of stability and moments of upheaval. Put differently, they want their companies to learn a new competitive game: the fast strategy game – a game where nothing can be taken for granted, where no competitive edge may last, where innovation and the constant development of new capabilities are the only sources of advantage.

What separates winners from losers in the fast strategy game? How differently are the winners led? How are they organized? How do they make decisions? These are the questions we set out to answer in this book.

In our research, we saw that winning at the fast strategy game hinges on a few deciding differences. One such difference is high strategic sensitivity: the early awareness of incipient trends and converging forces, the acute perceptions of their importance, and the intense sense-making and reflective efforts they trigger. Winners have sharp emergent insights on strategic situations, as they develop and evolve, and are ready to pounce, like the leopard jumps and strikes its prey.

Winners of the fast strategy game are also prepared to take key decisions, and make real commitments fast. In many companies decisions of major importance are usually stuck in individual hesitancy – and fear – and mired in bureaucratic politics. But, with the fast strategy approach, the collective commitment of the management allows firm decisions to be reached at lightning speed once a strategic situation is understood, and the choices it opens or closes intellectually are grasped. Commitments are not delayed by personal insecurities and political stalemates at the top.

Commitments, though, are only as good as the resources put behind them. Resource mobilization, and fluidity in their deployment or redeployment, provide the underpinning – a necessary but not sufficient enabler – to fast strategies. Together,

- strategic sensitivity
- collective commitments and
- resource fluidity

allow CEOs and their management teams to perceive early, decide quickly, and strike with strength and speed.

In this book you will see how these three elements comprise the capability for an organization's fast strategy, providing a consistent and effective pattern of resource allocation over time, but one that can be adjusted and evolve fast in response to strategic opportunities. Of course, you could argue that there are other specific mechanisms – such as corporate venturing and processes, such as organizational learning – that are part and parcel of strategic agility. These mechanisms and processes, however, all contribute to the three dimensions of our focus, which are the essence of strategic agility, the key to fast strategies.

Where is strategic agility needed most?

How to achieve strategic agility has been an age-old dilemma since the beginnings of strategic management. We believe that strategic agility is

even more solely needed today than in the past. More and more companies are exposed to fast and complex changes. Of course, though, strategic agility is needed to respond to these changes. Some companies have been able, at least for now, to shelter themselves from the demands for strategic agility. In some cases, change was slow, and simple, predictable and linear. In others, change was slow, or some form of corporate entrepreneurship was sufficient to address fast changes.

For about a century the basic architecture of the car as a product has not changed and, since Ford introduced the “Model T” and assembly lines a century ago, its manufacturing process has not changed much either, notwithstanding the diffusion of Japanese lean manufacturing, allowing more efficient, higher quality production. The automobile industry has not been exposed to rapid change – it has so far negotiated fuel emission standards that were compatible with slow adaptation – nor has it faced huge convergence and complexity increases, despite the growing importance of electronics in the car. Ultimately operational capabilities – efficiency, quality, supply chain management – control the business. Style and design matter too, but operational deficiencies are unforgiving. The better companies – Toyota, Honda, Volkswagen – win, while the weaker ones disappear (Rover) or suffer agonies (Ford). Hybrids may change the popularity of one brand or another, depending on the price of oil and the timing of product introductions, and now give a further advantage to Toyota, but they do not fundamentally transform the nature of the competitive game.

Industries which go through complex but slow change can rely on conventional strategic planning. Weapons and military intelligence and control systems, for instance, are increasingly complex, with the convergence of many technological and strong disruptions (Al Qaeda being a more inventive and less predictable enemy than the Soviet Union) but they change slowly. It is not unheard of for a young engineer fresh from school to start on the predevelopment of a particular weapon system and retire, 30-odd years later, still working on the same system! It’s not a coincidence that strategic planning emerged from Lockheed in the 1960s, popularized by Igor Ansoff and his followers.¹ Nuclear proliferation and global (rather than localized) terrorism have the potential to increase dramatically the need for strategic agility in weapons systems firms and their customers, but this is hardly starting yet.

Medical equipment and healthcare company Johnson & Johnson (J&J) has been very successful across a broad range of medical devices, from contact lenses to stents, as well as a range of consumables from wound treatments to

injection needles and, of course, pharmaceuticals. Some of these areas do go through a lot of change fast, with the development of new radical procedures, changes in regulation, genetics, etc. But J&J's opportunities are relatively separate and independent from one another. J&J can pursue each as an entrepreneurial business opportunity, in a distinct business unit. The overall logic of the company is based on entrepreneurship. Many other, mostly American, success stories – such as HP in test instruments and medical instruments, or 3M in chemical applications – are based on a similar logic: entrepreneurial proliferation of distinct products and small business units.

More and more companies, though, are facing the real challenge of speed and complexity (see upper right corner of Figure I.1): interdependent opportunities in the world of convergence and fuzzy industry boundaries, and of rapid emergent systemic change in environment. This is the most difficult position: companies are facing both very complex emergent systemic strategic situations, and situations that develop fast, and where the fast strategy game is such that winners and losers may be decided very early, without anyone even noticing.² Obviously, because of speed and the fact that causes and consequences are not always clear, we are not quite in a situation similar to the proverbial chaos theory of a butterfly wing-flap triggering a storm at the other end of the world, but almost.

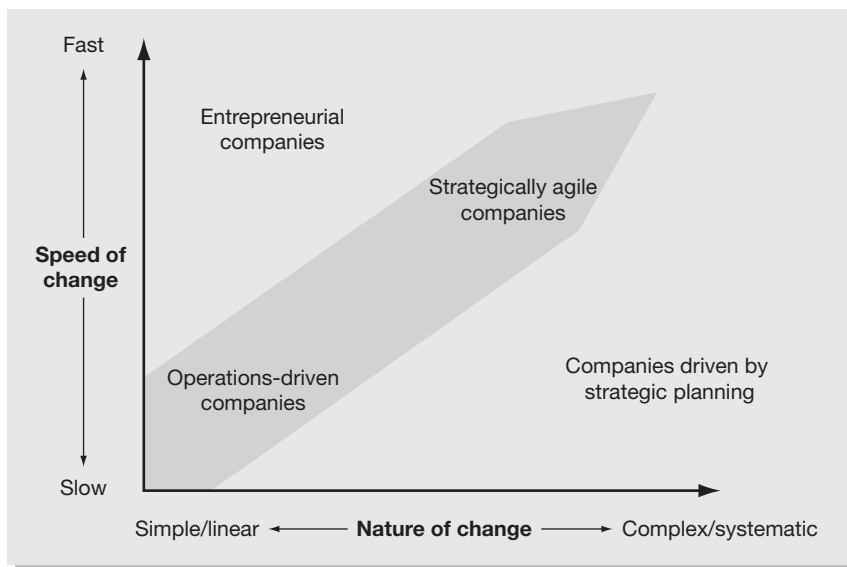


figure I.1 Where is strategic agility needed most?

A report from the (b)leading edge

To search for fast strategies and strategic agility we went to the ICT (information and communication technology) industry, looking for the leading edge of the phenomenon. Contrary to the simpler or more stable industries just mentioned, ICT has been facing the twin challenges of speed of emergence and of the erosion of industry boundaries. In fact, the word “convergence” (eroding industry boundaries) had been coined first with reference to that between computers, home entertainment, and communication services. The ICT industry has gone through many technological and market disruptions over the past few years, from the shift from centralized mainframe computer architectures to decentralized client-server ones, through the disruptive advent of the internet, opening the gate to all kinds of new information service and interactive business models and ecosystems.

In a way, we went to the ICT industry in the same way as geneticists go to fruit flies because they reproduce and mutate fast. It’s an industry characterized by fast change, and also by complex systemic interactions. However, it would have been too easy to go to the “new flies”, the bevy of entrepreneurial firms that spring up all the time in one corner or another of the ICT industry. This would have taken us to the entrepreneurial renewal argument. Instead of going to the newborns, we went to the long-term survivors, these companies that not only survived, but thrived on disruptions. So, rather than Google or eBay, and swarms of small firms whose names are mostly unknown, we went to the household brands: Accenture (known as Andersen Consulting until not too long ago), Canon (which started as provider of reconnaissance cameras to the Japanese military in World War II), Cisco (still a youngster, but not exactly new), HP, IBM, Intel, Nokia, SAP, STMicroelectronics, and others.

For each of these companies we collected extensive background information (annual reports, books, case studies, press coverage, analysts’ reports, etc.) and performed between one and twenty interviews (depending on interest and access) for a total of about 150 interviews, each lasting between one and three hours. We also held small group feedback and discussion workshops with several of the most intensely researched companies, and kept an ongoing intellectual exchange with several of their key executives, as sparring partners. We researched in greater depth the more complex companies in our sample (e.g., HP, IBM) and those going through significant strategic agility challenges (e.g., Nokia, SAP), and companies with the most innovative management practices (e.g., Cisco, Intel, and IBM).

The need for strategic agility did not affect the strategy process of all these companies in the same way. How the need for strategic agility interacts with the nature of the strategy process depends on the diversity and scope of a company's strategic opportunity horizon.

An opportunity horizon made of many diverse and small opportunities calls for an emergent internal opportunity discovery and creation process, with decentralized entrepreneurship and a corporate strategic filtering – or retention – process, selecting from many opportunities the areas most important to corporate success, in a coherent way.³ Others are culled early, sold, spun out as stand-alone companies. So, as a corporation builds or preserves strategic agility, it selectively incorporates features of typical entrepreneurial conglomerates. Corporate ventures are paving the way and opening up the strategic development of its core business.

Conversely, a few very big – “bet the company” – opportunities will necessarily result in a top-down centralized process. You can hardly imagine Microsoft deciding on a new operating system, or even an improved Windows version – like Vista – in a decentralized entrepreneurial way, creating multiple alternatives, backing some, and cutting some. Similarly, Boeing would not launch a major program, such as the 787 Dreamliner, as a result of decentralized entrepreneurship.

The companies we researched in the ICT industry were in a middle ground, but most challenging, position: to a varying extent diverse, but neither adopting an entrepreneurial conglomerate nor a single core business logic. Some, such as HP, were diverse but in search of a corporate value creation logic. Their top management also encouraged and favored cross-business units, and cross-business strategic integration efforts. Others still, like IBM, were developing an increasingly integrated corporate value creation logic, and using it as a filter not only to select among opportunities but also to shed existing product lines and business units.

We focussed our research effort on companies most exposed to the challenge of speed and complexity. Some were relatively diverse companies trying to exploit interdependencies and opportunities for strategic integration, and build an integrated value creation logic at the corporate level, such as HP and IBM. Others were companies that had been relatively unitary, but strove to balance the need for strategic integration across highly independent businesses with the need to exploit the wider strategic scope available to them. Nokia, SAP, or Cisco are examples of this second group.

Although the ICT industry has perhaps been at the (b)leading edge of speed and complexity challenges in strategy we see the same forces affecting many other industries. Healthcare, for instance, is going through a major transformation, driven by new scientific knowledge (e.g. decoding the human genome) and by the search for more efficient delivery economics. On a less grand scale, nutrition, over-the-counter pharmaceuticals, fitness training, and related industries converge into a wellness and “aging gracefully” market with the graying of the population in developed countries. The energy industry is also likely to go through radical transformation. The search for energy efficiency cuts across a great many hitherto separate industries and growing public awareness and worries about global warming are adding an increasing sense of urgency. Related to oil prices and global warming, the auto industry may well soon face a strategic agility challenge of some magnitude. Not only are hybrid cars likely to gain ground with every increase in the price of oil, but new CO² emission regulations may force a massive reorientation of the European industry toward smaller, fuel-efficient cars. These may call not only for different product designs, but also for different concepts of ground transportation systems.

In other words, although the ICT business is perhaps where the fast strategy game has originated, it is spreading fast to other industries. Furthermore, even in the absence of industry-wide change, companies that gain strategic agility, such as Procter & Gamble in its “Connect and Develop” model of open innovation,⁴ can gain strategic advantage in traditional industries and create or transform markets.

In sum, strategic agility is not needed only from companies that are in the maelstroms of complex and rapid change. Companies in mature industries that develop superior strategic agility can leave their competitors behind, create new markets, rejuvenate their business models, and renew the way they compete.

Organization of the book: a guide to the reader

In Part 1, Being strategically agile, the first chapter provides an introduction to the fast strategy game, and explains why the need for strategic agility is greater now than in the past.

Chapter 2 outlines the key dimensions of strategic agility – strategic sensitivity, collective commitment, and resource fluidity – and summarizes how strategic agility differs from usual strategic planning, and calls for different capabilities.

Chapter 3 paints an unlikely portrait: how IBM today has become (to borrow ex-CEO Lou Gerstner's phrase), "a dancing elephant". Among the companies we researched, IBM perhaps faced the greatest strategic agility challenge and addressed it most effectively.

Part 2, *Fostering strategic agility*, delves into the specific management practices and tools that sustain each dimension of strategic agility. Chapter 4 considers the fact that strategic sensitivity hinges on extensive external and intensive internal dialogues around strategy.

Chapter 5 argues that collective commitment results from strategic and structural choices that make collaboration among the top team a must.

Chapter 6 explores the way that resource fluidity is critically dependent on flexible capital resource utilization and reallocation, as well as people and knowledge mobility.

Part 3, *Rebuilding strategic agility*, focuses on the management tools and leadership behaviors that enable companies to regain strategic agility once they have lost it, either because they have gained excessive momentum down a strategic trajectory that may take them into a dead end, or because stagnation has crept in, and the company has stalled strategically.

Chapter 7 explores the challenges that confront companies once they have lost strategic agility, and outlines a leadership agenda to regain agility.

Chapters 8, 9, 10 and 11 respectively analyse in detail the CEO's leadership agenda for mobilizing minds, re-energizing people, flexing and depoliticizing the organization.

Chapter 8 highlights the importance of bringing new thinking to an organization to have it broaden its course of action and consider a wider and more distant opportunity horizon. It focuses on what Andy Grove called an "inflection point",⁵ i.e., how to redirect the company from momentum, before stagnation and rigidity have set in. Nokia's recent challenge of moving from voice communication to multimedia, and from operator-based to more diverse business models, is an example of strategy facing such an inflection point. SAP's recent redirection toward integrated open platforms supporting a range of application suites is a strategic renewal triggered by an inflection point.

Chapter 9, in contrast, focuses on how to re-energize the company after stagnation has set in. IBM's and HP's efforts to regain strategic agility provide interesting examples of multibusiness companies facing this chal-

lenge. It shows that the main additional challenge companies stricken by stagnation face is that of rekindling commitment, and that such rekindling is an emotional process where values and leadership play a determining role.

Chapter 10 focuses on the more usual dimensions of organizational change, arguing that, when implemented correctly, and supported by appropriate tools, processes, and leadership behaviors, a multidimensional organization (with, for instance, customer groups, product lines, core processes, and technology platforms all reflected in the organizational structure) can be enormously effective. It also shows why, without the right tools, processes, and behaviors, it can lead to paralysis rather than agility.

Chapter 11 stresses the importance of depoliticizing the decision-making processes in the strategically agile company, to allow leadership unity and collective commitments.

Chapter 12 summarizes and compares the different renewal paths identified in chapters 8 to 11. The sequence of renewal actions depends on your starting point and destination. It also depends on your perspective, whether you look at strategic agility from a multibusiness-corporate or business-unit perspective.

References

¹ Ansoff, H. Igor, *Corporate Strategy: An Analytic Approach to Business Policy for Growth and Expansion*, McGraw-Hill, 1965; Penguin Books, 1968.

² In the case of the ICT industry, obviously, increasing returns to adoption (the value of a good, or a service, to a customer depends on how many other users there are already) and the dynamics of network effect mean that many competitive battles are fought quite early around the adoption of standards, and competitive outcomes are thus played out early in the game.

³ Burgelman, Robert A., *Strategy is Destiny: How Strategy-Making Shapes a Company's Future*, Free Press, 2002.

⁴ Huston, Larry and Sakkab, Nabil, "Connect and Develop", *Harvard Business Review*, March 2006, Vol. 84 Issue 3.

⁵ Grove, Andrew S., *Only the Paranoid Survive: How to Exploit the Crisis Points That Challenge Every Company*, Currency, 1996.