Is Strategy Making Agile Enough?

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Professor of Strategy and Management
INSEAD

Strategic Agility and innovation Workshop

Arison School of Business
Interdisciplinary Center (IDC) Herzliya
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What is the problem we are trying to solve?
Napoleon and Strategic Agility

Strategic Sensitivity

Allows superior real time assessment

Exploited through Collective Commitment

• Superior (dispersed) intelligence
• Networked communication channels
• “Collective mind” in sensemaking and strategy/plan development
  • Active dialogues at the top, shared decisions, involved officers

Resource Fluidity

An organizational innovation

• Small units
• Mobile, light, fit, fast, stealthy
• Flexible combination: Assembly => Concentration
• Strategically dispersed, carefully positioned
• Imaginatively Recombined in course of battles/missions
• Decision decentralization: Autonomy and interdependence…

Leadership

Unity

• “First among peers”
• Inspirational Values (freedom)
• Collective decision-making
• High involvement/commitment
• Trust in execution AND initiative
• Meritocratic
• Explicit communication
• High rewards, high risks

Collective Commitment

• Collective decision-making
• Active dialogues at the top, shared decisions, involved officers
• “First among peers”
• Inspirational Values (freedom)
• Collective decision-making
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• Trust in execution AND initiative
• Meritocratic
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Key Process Levers of Strategic Advantage

**Strategic Sensitivity:**
Seeing and framing opportunities and threats in new insightful ways – as they emerge

**Resource Fluidity:**
Mobilizing and redeploying resources rapidly and efficiently

**Leadership Unity:**
Making tough collective decisions that stick and get implemented!
What’s the Quality of our Strategy Making Process?
## Nokia vs. Ericsson and Motorola in the early 1990s

<table>
<thead>
<tr>
<th>Strategic Sensitivity</th>
<th>Nokia</th>
<th>Ericsson</th>
<th>Motorola</th>
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</thead>
<tbody>
<tr>
<td>• Mobile phones seen as a separate consumer-driven business opportunity</td>
<td>• Infrastructure focus, ‘terminals as extensions’</td>
<td>• Military/professional mobile radio heritage</td>
<td></td>
</tr>
<tr>
<td>• A huge new opportunity to change the rules of the game</td>
<td>• Success of &quot;AXE&quot;</td>
<td>• “Technical excellence”</td>
<td></td>
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<td>• New operators</td>
<td>• switch to be protected and nurtured</td>
<td>• Focus on Japanese competition</td>
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<td>• Incumbent telco customers</td>
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<td>• Little legacy, focus on new operators</td>
<td>• Locally rooted multi-domestic management structure</td>
<td>• Public sector customers</td>
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<tr>
<td>• ‘Born global’ (for the new global business opportunity)</td>
<td>• Focus of sales and support on traditional telcos</td>
<td>• US-driven autonomous business units</td>
<td></td>
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<tr>
<td>• Cross-functional process organization with product programs</td>
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<td>• Diversified electronics group</td>
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<td>• Integrated business</td>
<td>• Subunit advocacy</td>
<td>• Subunit advocacy</td>
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<tr>
<td>• Young, tightly knit top team</td>
<td>• Senior, very experienced top team</td>
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<tr>
<td>• Survival instinct (USSR crisis)</td>
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<td>• Senior, very experienced top team</td>
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Sources of Sustained Growth and High Performance

Clear Direction and focus

• We should have a **clear vision for the future of our core business**
• We should have a **sustained effort at maximally leveraging our core business**
• We should have a **tight focus on continuous improvement**
• We should have a **leadership position in everything we do**
• We should have **self-confidence and an action orientation**

High Efficiency

• We should have **strong business units with sufficient autonomy as they grow**
• We should have **highly efficient business systems and processes**
• We should have **deep collaborative relationships with our key customers and partners**
• We should **learn by doing and build on our experience**

Quick Commitment

• We should have **clear charters for all organizational units**
• We should have **strong and experienced leaders with proven track record**
• We should **make decisions fast**
• We should **promote successful leaders**

## Single-minded attention to clear direction and focus leads to...

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<th>Toxic side-effect</th>
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<td>• Considering everything outside the core as non-relevant</td>
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<td>• Framing everything in the light of the core business</td>
<td>• Tyranny of the core business</td>
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<td>• Tight focus on continuous improvement</td>
<td>• Short term internal orientation</td>
<td>• Strategic myopia</td>
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<tr>
<td>• Leadership position in everything we do</td>
<td>• Reluctance to open collaboration and experimentation</td>
<td>• Dominance mindset</td>
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<td>• High action orientation and self-confidence</td>
<td>• Action hero syndrome, no time and interest for alternatives</td>
<td>• Snap judgment and intellectual laziness</td>
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Single-minded attention to High Efficiency leads to...

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<td>• Strong business units with sufficient autonomy as they grow</td>
<td>• Core business managers ‘sitting on their resources’</td>
<td>• Resource imprisonment</td>
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<td>• Highly efficient business systems and processes</td>
<td>• Increasingly differentiated and specialized (‘fit for purpose’) activity systems</td>
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<tr>
<td>• Deep collaborative relationships with key customers and partners</td>
<td>• Customer &amp; partner ‘lock in’ and decreasing strategic freedom</td>
<td>• Ties that Bind</td>
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<tr>
<td>• Learning by doing and building on experience</td>
<td>• Forgiven and hidden misbehavior and shortcomings</td>
<td>• Management mediocrity and competence gaps</td>
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<td>• Clear charters for all organizational units</td>
<td>• Declining intensity of dialogue and decreasing need for collective commitments</td>
<td>• Management divergence</td>
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<td>• Strong leaders with proven track-record</td>
<td>• Inflated egos, overly bold commitments, implicit pecking order</td>
<td>• Heady charm of fame and power</td>
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<td>• Preference for fast decision making</td>
<td>• Decisions elevating to the top team; decisions made by the ‘same’ leaders</td>
<td>• Expert management</td>
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<tr>
<td>• Successful leaders</td>
<td>• Tired hero syndrome; future opportunities looking less thrilling than past experiences</td>
<td>• Emotional apathy</td>
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The Curse of Success

Strategic Sensitivity
- Tunnel Vision
- Tyranny of the core business
- Strategic Myopia
- Dominance mindset
- Snap judgment and intellectual laziness

Resource Fluidity
- Imprisoned resources
- Business system rigidity
- Ties that bind
- Management mediocrity and competence traps

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

Unity

Strategic Agility Turns into Strategic Paralysis Over Time …
In a crisis, bad companies die,  
Good companies survive,  
Great companies use the opportunity to improve!

Andy Grove  
(Chairman Intel)

Five to ten years ago, you would set your vision and strategy and then start following it. That does not work anymore. Now you have to be alert every day, week, and month and renew your strategy!

Pekka Ala Pietila  
(former President, Nokia)
Before we move further…

Can we take a short health check?

Are we threatened by strategic rigidity?
<table>
<thead>
<tr>
<th>STRATEGIC RIGIDITY PROFILE</th>
<th>Not</th>
<th>Relevant</th>
<th>Highly</th>
<th>Intense problem</th>
</tr>
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<tr>
<td><strong>Strategic myopia</strong></td>
<td></td>
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<td>Internal orientation: &quot;I see what I believe&quot;</td>
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<td><strong>Tyranny of core business</strong></td>
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<td>Framing everything in the light of its impact on core business; committing resources through core business</td>
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<td><strong>Assumed dominance</strong></td>
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<td><strong>Imprisoned resources</strong></td>
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<td>Core business managers wanting to own their resources; lack of transparency to specific resource use</td>
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<td><strong>Business system rigidity</strong></td>
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<td><strong>Ties that bind</strong></td>
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<td>Decreased strategic freedom because of close relationships with customers, suppliers, partners</td>
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<td><strong>Management competence gaps</strong></td>
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<tr>
<td>Forgiven &amp; hidden shortcomings, partly wrong competence profile; weak leadership for new initiatives beyond the core</td>
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<td>Declining intensity of dialogue, stalemates, and politics, low intensity of meetings and dialogues, conflict avoidance</td>
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<td>Decisions elevating to the top where they are made quickly based on individual expertise</td>
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<td>&quot;Tired Hero Syndrome&quot;, disenfranchised management, emptiness of extrinsic rewards, lack of higher purpose</td>
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Why strategic agility?
When is Strategic Agility Most Needed?

- Strategic Agility
- Strategic Rigidity
- Operational Excellence
- Entrepreneurial Insight and Flexibility

Growth vs. Time

Strategic Agility imperative

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...
Why Strategic Agility Now? Why so hard?

- Corporate Entrepreneurship
- Strategic Agility
- Focus on Operational Excellence
- Strategic Planning

Speed of Change:
- Fast
- Slow

Nature of Change:
- Simple/Linear
- Nature of Change
- Complex/Systemic

Performance:
- Operational
How of strategic agility ?
According to Where Value come from?

- Value from Integration
  - Single Common Value Creation Logic
- Value from Autonomy
  - Independent Businesses
Integrated Companies vs. Conglomerates

CORPORATE VALUE-ADD

- Gaining Strategic Advantage by unique Integration of Assets
- Creating a Common Value Creation Logic
- Balancing Integration and Differentiation
- Shared Vision and Values
- High Level of Leadership Unity

CORPORATE VALUE-ADD

- Spotting and Acquiring undervalued Assets
- Selecting Strategically Well Positioned/Protected Businesses
- Providing managerial Talent and Discipline
- Providing Corporate Support:
  - Static Systems and Infrastructures
  - Dynamic Improvement Campaigns

Where does Value come from?

- Value from Integration
- Value from Autonomy

Performance

Danger Zone

Single business company

Portfolio of Businesses

Walt Disney’s Theory of Value Creation in Entertainment:
Strategic sensitivity
Key Capabilities enabling Strategic Agility

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

Resource Fluidity
- Fluid re-allocation and utilization of capital resources
- Mobility of people and knowledge
- Modular structures

Leadership
- Cabinet responsibility
- Top team collaboration
- Leadership style and capabilities of the CEO

Unity
The GAVI Alliance: Renewed Strategic Agility
The GAVI Alliance: Renewed Strategic Agility

PHARMACEUTICAL COMPANIES (DEVELOPMENT PRODUCTION)

UNICEF (PURCHASING)

W.H.O. QUALITY CONTROL

LOGISTICS

UNICEF (DISTRIBUTING)

CSOs/NGOs

DEVELOPING COUNTRIES’ HEALTH SERVICES

VACCINATIONS
The GAVI Alliance: Renewed Strategic Agility

- PHARMACEUTICAL COMPANIES (DEVELOPMENT PRODUCTION)
- UNICEF (PURCHASING)
- LOGISTICS
- UNICEF (DISTRIBUTING)
- CSOs/NGOs
- DEVELOPING COUNTRIES' HEALTH SERVICES
- VACCINATIONS
- W.H.O. QUALITY CONTROL
- WORLD BANK
- VARIOUS FOUNDATIONS

The GAVI Alliance: Renewed Strategic Agility

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- W.H.O. QUALITY CONTROL
- WORLD BANK
- VARIOUS FOUNDATIONS
- GATES FOUNDATION
- DEVELOPED COUNTRIES’ GOVERNMENTS
- CORPORATIONS & INDIVIDUAL DONORS

The GAVI Alliance: Renewed Strategic Agility

Global Alliance for Vaccines & Immunization

Pharmaceutical Companies (Development Production)

UNICEF (Purchasing)

WHO (Quality Control)

Logistics

UNICEF (Distributing)

CSOs/NGOs

Developing Countries' Health Services

Vaccinations

World Bank

Various Foundations

Gates Foundation

Developed Countries' Governments

Corporations & Individual Donors

The GAVI Alliance: Renewed Strategic Agility

GLOBAL ALLIANCE FOR VACCINES & IMMUNIZATION

- **Pharmaceutical Companies**
  - Development Production

- **UNICEF (Purchasing)**

- **Logistics**

- **UNICEF (Distributing)**

- **CSOs/NGOs**

- **Developing Countries’ Health Services**

- **Vaccinations**

- **World Bank**

- **Innovative Financing**

- **W.H.O. Quality Control**

- **Market Making**

- **Front Loading**

- **Strengthening**

- **Providing financial support to purchase vaccines, deliver them, & perform vaccinations**

- **UNICEF (Purchasing)**

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- **Providing financial support to purchase vaccines, deliver them, & perform vaccinations**

- **Various Foundations**

- **Gates Foundation**

- **Developed Countries’ Governments**

- **Corporations & Individual Donors**

- **Matching Funds**

Through the magnifier lens:
Drivers of Strategic Sensitivity

- Picking brains
  Including minds

- Fast Experimentation

- Stretch ambition

- Contradictory goals

- Value business definition

- Factual and conceptual
  Richness, right language

- Cognitive diversity

Open Strategy process

Heightened Strategic Alertness

High Quality Internal Dialogue

STRATEGIC SENSITIVITY
A peek into the microscope... Comparison of the approaches and methods used to foster development.

### Strategic Sensitivity

<table>
<thead>
<tr>
<th>INTEL</th>
<th>CISCO</th>
<th>SAP</th>
<th>NOKIA</th>
<th>IBM</th>
<th>HP</th>
</tr>
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| **Open Strategy Process** | - Studies end-user future behaviour and usage models driving the demand for its products and services.  
- Shares its future product and technology roadmaps with all major value chain members to secure alignment for R&D efforts.  
- Active ecosystem building.  
- Intel Software Solution Group, responsible for promoting Intel technology across all IT domains, has people continuously working in its customers premises. | - Systematic online interaction with all customers.  
- Active participation on key industry forums.  
- Joint experimentation and shared “roadmaps” with strategic partners.  
- Dedicated consultant unit (IBSG) focusing on customer understanding and business consulting (mainly but not exclusively external).  
- All senior managers expected to meet with external stakeholders every two weeks and report their learnings. | - War rooms and competitive action scenarios (“Sun Tzu” reports).  
- Corporate Strategy Group actively conducting and facilitation dialogue with multiple stakeholders, including new partners.  
- Extensive strategic collaboration with key global customers (in the core business domain). | - Assigned designated corporate and business level strategists to drive and facilitate corporate-wide strategic collaboration with key partners.  
- Active co-strategizing with key global customers.  
- Systematic, process for continuously screening new business ideas. | - Active co-strategizing with Key Global Customers.  
- Global Innovation Outlooks  
- “Engineering & Technology Services” (ETS) unit to directly interface with R&D in different companies across industries.  
- Teams of scientists and management consultants to work on client problems.  
- Meetings with CEOs of client companies.  
- Teams Strategy +techn.  
- Emerging Business Opportunities  
- Innovation Jams with whole personnel and key partners. | - Active co-strategizing with Key Global Customers.  
- HP Labs as ‘platform’ for learning from the ‘periphery’ and open innovation.  
- Global ‘innovation fair’ where the best business ideas are presented and evaluated. |
| **Heightened Strategic Alertness** | - Multidimensional organization with global businesses and shared resources. | - Stretched goals/ CEO promises.  
- Multidimensional organization (ex: The R&D head runs all the product lines and technologies, the head of sales and marketing all geographies and industries, ...) | - Stretched goals/ CEO promises.  
- Open ‘business’ definition: “Life goes Mobile”.  
- Systematic recruitment from other businesses. | - Multidimensional organization.  
- Open business definition.  
- Global Innovation Outlooks and technology outlooks. | - Corporate-wide cross business unit themes for new business development (mobility, security etc.). |
| **Quality of dialogue** | - Training and Promotion of ‘Constructive Confrontation’. | - Systematic resource acquisition from prime management consultancy companies and companies from other industries and internally.  
- Rotation to line organization after three years.  
- Define core business(es) in a conceptually tight but broad manner fostering growth into new market domains.  
- Segment councils for cross-functional solution development. | - Corporate Strategy Group (30 person strong internal consultancy team) recruited from consulting and investment banking to improve the quality of strategic dialogue, common frameworks and concepts that allow rich interpretations of strategic issues in a common language.  
- Create an environment where everybody has the freedom to speak up, criticize, be out of the box.  
- Discuss first as a team at the top. “Openness to disagree forces a true | - Strategic agenda :10 major strategic issues that are continuously followed up, on emerging technologies, business models, or other important trends relevant for more than one business group.  
- ‘Hand-pick’ 10 of the most capable individuals from any part of the organization to work on selected vision themes.  
- Strategy process involving thousands of people, supported by web-based dialoguing | - Safeguard new insights and opportunities: developed a process of time ‘Horizons’ to manage its emerging businesses.  
- 3 top teams focusing on:  
  - strategy  
  - technology  
  - senior executives and selected (by CEO) other contributors (for 1 year).  
- Securing cognitive diversity by appointing ‘best brains’ to fully mandated top team members for a year at a time. | - CTO/CSO network facilitating internal strategy dialogue. |
### A peek into the microscope…

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Drivers of Resource Fluidity

- Freeing strategic direction from org.structure
- Dissociating results from resource ownership
- Assumption based planning/resource allocation process
- Institutionalized job rotation
- Values and management system emphasizing knowledge sharing
- 'Plug and Play' modular structures
- Lateral processes

Fluid Re-allocation and Utilization of Capital Resources

Mobility of People and Knowledge Sharing

Modular structures

RESOURCE FLUIDITY
Drivers of Leadership Unity

- Shared agenda & incentives
- Mutual dependency
- Embracing conflict + dialogue
- Institutionalized top team renewal
- CEO First among peers
- Capability to play multiple roles

LEADERSHIP UNITY

Cabinet responsibility

Top team collaboration

Leadership style and capabilities of the CEO
Summary

Strategic Agility results from:

- **Strategic Sensitivity**: Seeing and framing opportunities in a new insightful way
  - X

- **Resource Fluidity**: Fast and efficient resource mobilization and redeployment
  - X

- **Leadership Unity**: Collective decision making and commitment to decision outcomes
Key Levers of Strategic Leadership

- **Strategic Sensitivity:**
  Seeing and framing opportunities and threats in new insightful ways – as they emerge

- **Leadership Unity:**
  Making tough collective decisions that stick and get implemented!

- **Resource Fluidity:**
  Mobilizing and redeploying resources rapidly and efficiently

- **Cognitive**
- **Organizational**
- **Relational**
- **Emotional**
From Strategic Paralysis to Strategic Agility
The "CORE" drivers

**Emotional Drivers:**
Re-energizing hearts and redirecting efforts, leading through values, articulating aspirations

**Cognitive Drivers:**
Developing and sharing new broader perspectives engaging in higher quality dialogues

**Organizational Drivers:**
Re-integrating the organization, creating interdependent processes, common rewards, integrated value creation capabilities

**Relational Drivers:**
Re-uniting the top team, fostering an open and honest dialogue around key collective decisions, and sticking with them

Strategic Agility (or Rigidity!)
Opening the Cognitive Context

• Encouraging the expression of new ideas

• Planting and nurturing seeds of change

• Opening spaces and providing fora for sense-making dialogues

• Pacing the exploration journey to gain credibility

• Reframing away from the lime-lights

• Fencing-in resources for investment

• Matching level of attention to level of learning

• Clustering and bending
Adjusting the ‘Organizational Context’

- Unpacking the core business system
- Putting the organization ‘off-balance’
- Allowing for rapid entry and exit into/from new businesses
- Allowing flexible and dynamic differentiation and integration
Renewing the Relational Context

• Putting top team members under renewed tension

• Creating a sense of crisis

• Changing the top team composition

• Letting the new top team gradually develop a new common and more conceptual language
Re-energizing the Emotional Context

• Cognition does not immediately translate into emotions! Emotions precede vision

• Transition spaces and periods (mourning the old, adopting the new)

• Redefining the new to mobilize the attachment to the old

• Executive leadership (leading by example) is fundamental, emotions are contagious

• But regaining strategic agility calls for a shift in emotional attachment
The strategically Agile Leader: Key skills and behaviors

**Strategic Sensitivity**

- **Open Strategy Process**
  - Regaining control of one’s agenda
  - Focusing intellectual curiosity
  - Sharpening Contextual sensitivity

- **Fostering Strategic Alertness**
  - Restlessness and dissatisfaction with the status quo
  - Self-efficacy

- **Quality of Internal dialogue**
  - Engaging in Conversations and dialogues
  - Using the right language
  - Suspending judgment

- **A “Variable Geometry” organization**
  - Seeing systemic interactions
  - Negotiating for integrative bargaining
  - Being self-confident and forbearing

- **Temporary Systems, Projects**
  - Having Flexibility and pride
  - Strengthening Personal anchors

- **The Organization as a Social System**
  - Becoming a social architect
  - Being empathetic
  - Cultivating a rich view of human nature
  - Feeling Care and trust

**Leadership Unity**

- **Cabinet Responsibility**
  - Bringing “T”-shaped expertise
    (contribute and connect)
  - Showing Mindfulness

- **Team integration**
  - Engagement with cognitive diversity
  - Practicing “No blame” discipline

- **CEO Style**
  - Being authentic
  - Practicing adaptive leadership
  - “Primus inter pares”
## Nokia vs. Google and Apple in the early 2010s

<table>
<thead>
<tr>
<th>Strategic Sensitivity</th>
<th>Nokia</th>
<th>Google</th>
<th>Apple</th>
</tr>
</thead>
<tbody>
<tr>
<td>Symbian OS to be protected and nurtured</td>
<td>A huge new opportunity to change the rules of the game: advertising revenue and search</td>
<td>• Creative end user imagination</td>
<td></td>
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<tr>
<td>No experience of disruption</td>
<td></td>
<td>• Design excellence</td>
<td></td>
</tr>
<tr>
<td>• Focus on telco operators</td>
<td></td>
<td>• Broad understanding of industry disruptions</td>
<td></td>
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<tr>
<td>• Voice and telecom heritage</td>
<td></td>
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<td></td>
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<tr>
<td>• Euro/emerging markets centric</td>
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<table>
<thead>
<tr>
<th>Resource Fluidity</th>
<th>Nokia</th>
<th>Google</th>
<th>Apple</th>
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</thead>
<tbody>
<tr>
<td>• Matrix paralysis</td>
<td>• Concentration on core business, but creative free time and imagination</td>
<td>No legacy, ‘Born global’ from California.</td>
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<tr>
<td>• No tie breaker</td>
<td></td>
<td>Autocratic</td>
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<tr>
<td>• Resource fragmentation</td>
<td>• Best and Brightest people</td>
<td>Resource abundancy</td>
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<tr>
<td>• Inability to mobilize around key priorities.</td>
<td>• Lightweight business model (ex. server farms)</td>
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<tr>
<td>• No guiding vision for tough choices</td>
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<table>
<thead>
<tr>
<th>Collective commitment</th>
<th>Nokia</th>
<th>Google</th>
<th>Apple</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Integrated business</td>
<td>• Founders still very present</td>
<td>•Guru and disciples</td>
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</tr>
<tr>
<td>• Culturally heterogeneous, cognitively homogeneous</td>
<td>• Mix of professional managers and tech visionaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Weak, bureaucratic, politicized</td>
<td>• Pride of belonging</td>
<td>• Pride of belonging</td>
<td></td>
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</tbody>
</table>
Success is blinding

Strategic agility is a never ending quest

For more information on Strategic Agility please contact:

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or connect to: www.strategicagility.com