

Larry Goodson

These brief summaries highlight the key points and action steps in the feature articles in this issue of *Strategy & Leadership*. Larry Goodson, an S&L contributing editor, is a veteran strategy consultant based in St. Louis, Missouri. He is a Partner at LDGA Consulting, which offers Lean operations and strategy development services ([ldgoodson@msn.com](mailto:ldgoodson@msn.com)).

## The emergence of Agile people management

Stephen Denning

As senior executives increasingly explore Agile management in their operations to deliver innovation that is customer-focused, digitally-sophisticated and profitable, they are discovering that their practices in managing people also require transformation. Company practices fall into three main groups:

- **Traditional HR**, where people doing the work are viewed as resources to be exploited and as costs to be reduced in order to improve the efficiency of a top-down strategy, is increasingly problematic.
- **Agile-lite HR**, in which some firms are exploring processes that seek to moderate the negative impact of traditional HR practices, represents a menu of possible first steps towards better HR practices.
- **Agile talent management**, in which those doing the work are seen as contributors to the formulation of strategy, as integral to the business goal of delivering increasing value to customers, and as responsible for their own performance management. This solution, practiced by a few leading firms, is described in the accompanying case “Talent and experience at Vistaprint.”

### Traditional HR

As firms faced intensified competition in the latter part of the 20<sup>th</sup> Century, they often resorted to offshoring and

downsizing. The principal focus of HR was to implement the top management’s orders to produce greater efficiency, often by reducing body count. But then the world changed. With globalization, deregulation and access to new information technology, power in the marketplace shifted to the customer.

### Talent now trumps strategy

The result upends the relationship between strategy and talent. Now CEOs need to realize that “talent is the value creator and therefore belongs at the top of its agenda.” Today, “business strategy comes to mean sensing and seizing new opportunities in a constantly changing environment, rather than planning for several years into a predictable future.”

### Agile talent management

Agile organizations built around empowered teams are the best way to constantly and nimbly match the right talent to the right strategic initiatives.

The talent-driven enterprise includes four key elements:

1. **Design for agility.** By agility, we mean the ability to adapt swiftly to the unpredictable trends that disrupt and reshape your industry.
2. **An internal market that governs the deployment of talent.** This means “Traditional hierarchy gives way to a marketplace that provides talent and resources to a collection of small teams that

cut across business lines and market segments.

3. **Make work meaningful.** A sterile workplace will never capture the full potential of any truly creative person.
4. **Understand organizational culture.** CEOs need to understand their company's social architecture, and measure and monitor it.

#### Agile creates a different kind of organization

Organizations that want talent to drive strategy will look radically different

from the hierarchical corporations of the past, the kind laden with multiple layers of managers.

In short, the shift from a strategy-led company to a talent-first company requires fundamental changes in the way CEOs understand the very concept of management – it's the beginning of a new age.

#### Interview:

Escape the “Hockey stick” trap: five potent strategic moves that spur growth

Brian Leavy

*Strategy Beyond the Hockey Stick: People, Probabilities, and Big Moves to Beat the Odds*, the new book by McKinsey authors, Chris Bradley, Martin Hirt and Sven Smit, sets out to identify the challenges of how to raise a company from being an average performer in its industry to the one that is an agenda-setter.

**Strategy & Leadership:** The main problem that your book sets out to address is the persistence of “hockey-stick” delusions in the strategic planning. Why does the hockey stick delusion persist and how does it lead to the disappointing “hairy back” reality that often results?

**McKinsey authors:** There are far more agendas in the strategy room than just developing strategy. The process is clouded by self-interest, internal politics and biases. We call this “the social side of strategy.”

**S&L:** You note that another cause of the “hockey stick dreams” is the predominance of an “inside view” in the strategy process. Can you expand on this?

**McKinsey authors:** The other problem is that companies tend to rely on internal data of past performance, projections for the next year and what their closest competitors are doing to develop strategies

**S&L:** Why do too many businesses often end up with forecasts that are excessively bold and strategic moves that are far too timid, the combination at the heart of the hockey stick delusion?

**McKinsey authors:** One of the biggest pitfalls in the strategy process is this very human propensity for bold forecasts and timid actions. We want to see exceptional growth in sales, earnings and other metrics, but we're reluctant to make the big investments needed to generate those results.

**S&L:** How critical are big strategic moves to improving the odds of shifting from the middle to the top of the Power Curve and why?

**McKinsey authors:** We found that making one or two big moves more than doubles your strategy's odds of success, from 8 percent to 17 percent. Three big moves boost these odds to 47 percent. Companies that made three or more big moves were six times more likely to jump from the middle quintile to the top. If your strategy doesn't involve making big moves, the odds are stacked against it producing meaningful performance improvement.

**S&L:** How much bigger impact on strategy comes from implementing these big moves together?

**Your winning business model agenda:  
four questions to shape growth**  
*Vladyslav Biloshapka and  
Oleksiy Osiyevskyy*

**Authors:** Big moves compound. And the worse your endowment or trends, the more moves you

need to make. Making one move is good, two is much better, and three is much better than that.

The quality of a company's business model should be assessed along two dimensions: customer value (effectiveness) and business value (efficiency).

The "customer value" dimension reflects the utilitarian and experiential needs and desires of the customers. That is, does the company actually promise what is most important for the customer, thus providing a superior value proposition?

The "business value" dimension reflects the profitability of the business model – the degree to which the owners benefit from monetizing the customer's appreciation of the firm's value proposition.

Obviously, the optimal situation to be in is effective and efficient "Winner" state, implying simultaneous provision of high customer and business value. However, how can a company get there and sustain this position over the long term? This was the primary question of the Global Business Models study. The project comprises two major parts:

1. Quantitative study of diverse business models of a large number of established organizations – over 500 from North America, Europe, and Australia.
2. Qualitative, longitudinal in-depth investigation of a smaller set of companies –over 50 in the U. S., Eastern Europe and Southeast Asia - in Internet services, computer solutions, consumer products, consumer electronics, pharmaceutical and business services industries.

**The first step on getting to Winner state is asking the right questions:**

**Question 1: What really drives the financial performance of your company?**

To develop a strategy for moving to and sustaining the Winner state, managers must clearly articulate and test a set of hypotheses about the mechanisms of their company's growth.

**Question 3: How do you keep your managerial team proactive in exploring new growth opportunities?**

The profit potential from an existing or clearly achievable market position is already reflected in the current stock price.

**Question 2: What are the drivers of your next growth targets?**

Having a clear understanding of the firm's current situation allows proper planning for the future growth.

**Question 4: How do you integrate digital technologies to broaden the range of your business model's options?**

The analysis of growth "mechanics" and "energy" must be supplemented by one more crucial resource, the talent to adopt and leverage emerging digital technologies.

**Linking "strategy-as-learning" with "strategy-as-planning"**

Too many established firms engage in planning without learning, exposing themselves to the risk of never reaching the Winner state, or slowly slipping out of it. Our research indicates that the better approach is to link the "strategy-as-learning"

paradigm implicit in our four key questions with the traditional “strategy-as-planning” approach.

High-performance cultures make sure that each manager simply must have the clear answers to the questions of value, growth and digitization in order to learn, experiment and implement

its business model agenda. The unproductive cultures, on the other hand, are sustained by managerial teams that usually do not have the answers to these crucial questions, but are very good at political games.

**Evidence based management for “ambidextrous” organizations**  
*Nicole C. Jackson and Opal M.C. Leung*

When leaders seek evidence to inform decision making, Artificial Intelligence, Big Data and strategic management methodology increasingly can provide insightful answers to their questions. These hi-tech data analytics can illuminate previously unseen opportunities to design products and services for unexplored markets. In contrast, some organizations that practice incremental innovation have integrated Evidence Based Management (EBM) practices into their decision processes for years.

While EBM is often practiced by firms aiming to exploit their existing competencies, increasingly firms experimenting with game-changing new products or services have also learned to use EBM in creative and different ways – for example, by employing techniques like Blue Ocean Strategy to envision entirely new markets and offerings.

**Ambidexterity-building defined**

Firms need to strike a balance between running current operations while also innovating to remain competitive. This dual challenge has been defined by organizational researchers and strategists as “ambidexterity.”

The challenge that management teams face when running an ambidextrous organization is that exploration – pioneering innovation – and exploitation of a market position – making incremental improvements on existing products – require different mindsets.

There are four primary ambidextrous strategies an organization can adopt:

1. **Projective strategies**
2. **Preservative strategies**
3. **Transformative strategies**
4. **Symbiotic strategies**

A company should select the ambidextrous strategy that balances its particular exploitation and exploration activities between operations and research and development.

**What kind of ambidextrous company are we and what kinds of data do we work with?**

To answer this question, management teams need to first examine where a company is on the ambidexterity continuum and where it intends to be – greater competency development, pioneering innovation, or somewhere in between.

This requires understanding three core data determinants in EBM practice that may affect ambidexterity.

**Determinant 1: Sensitization** is the willingness to deal with uncertainty with newer and known pieces of information – such as the outlier effect.

**Determinant 2: Verifiability** involves identifying appropriate sources to double-check findings.

**Determinant 3: Codification** refers to how managers tacitly draw from their own experiences to influence how they interpret data.

## Implications of the EBM checklist and considerations regarding lifecycle and change management

To address both limitations and opportunities around the three data determinants, a comprehensive checklist provides a guide to assess each strategy and how they might affect data sensitization, data verification and codification practices.

This checklist can reveal assumptions about where and how managers and leaders accept and use evidence, which in turn affect how they can build ambidexterity into their organizations.

Maor Zlotzever, a 32-year-old Israeli entrepreneur, enjoys recalling a youthful dream of his when he is asked what inspired him to devote himself to his startup, Axios. Maor, remembers, “I dreamt of establishing an organization whose goal was to do good in the world.” When this goal is aimed at providing humanitarian engineering solutions to under-served markets or areas of the world where resources are scarce it can become a potent mission.

### One half of a startup

In 2015 he created a not-for-profit company to disseminate financial education to residents of Israel who struggled to understand how to cope with a modern, complex economy. He called the startup Axios – borrowing a Greek word that means worthy, deserving or fit. The financial education unit, now self-sustaining, is one of two divisions of Axios Social Investments.

### The startup's second half

Maor decided that, in addition to financial education, Axios could best benefit the public by investing in areas of energy conservation and food production. Axios focused resources a hydroponics division as a way to maximize the production capacity of facilities for growing food plants without soil. He and his team designed a simple modular system that requires no computer and can be adapted to use solar power or biogas to drive the

## Takeaways

Organizations can use EBM practices in different ways, depending on their ambidexterity goals. Data managed with EBM practices can help organizations rethink their exploitation and exploratory potential.

Specifically, EBM culture, as defined by its sensitization, verification and codification considerations will operate differently depending on in what markets organizations practice ambidexterity and also on the product lifecycle stage.

hydroponics pump and be energy-neutral. The low-tech solution Maor designed could be useful in emerging economies where power and computers are scarce.

### The hydroponics project's potential

Maor is confident that Axios' invention will find a critical niche in the hydroponics industry because it has significant and substantial multiple advantages over other solutions currently in the marketplace.

### Getting partners and resources- Surprising support

Maor learned several lessons through his efforts to obtain resources for his project: organizations that position themselves as promoters of the entrepreneurial community often were not inclined to devote resources to idealistic inventions

By moving his focus away from the Israeli entrepreneurial community he created more investment opportunities by affiliating with green and academic organizations. They participate in ventures like his because they believe that they can increase their influence on projects to improve the environment and the community. His long-term vision to help build a strong and economically sustainable ecological community is still under development,

### Case study:

#### A startup's strategy: doing good sets the stage for doing well

*Kenneth Alan Grossberg*