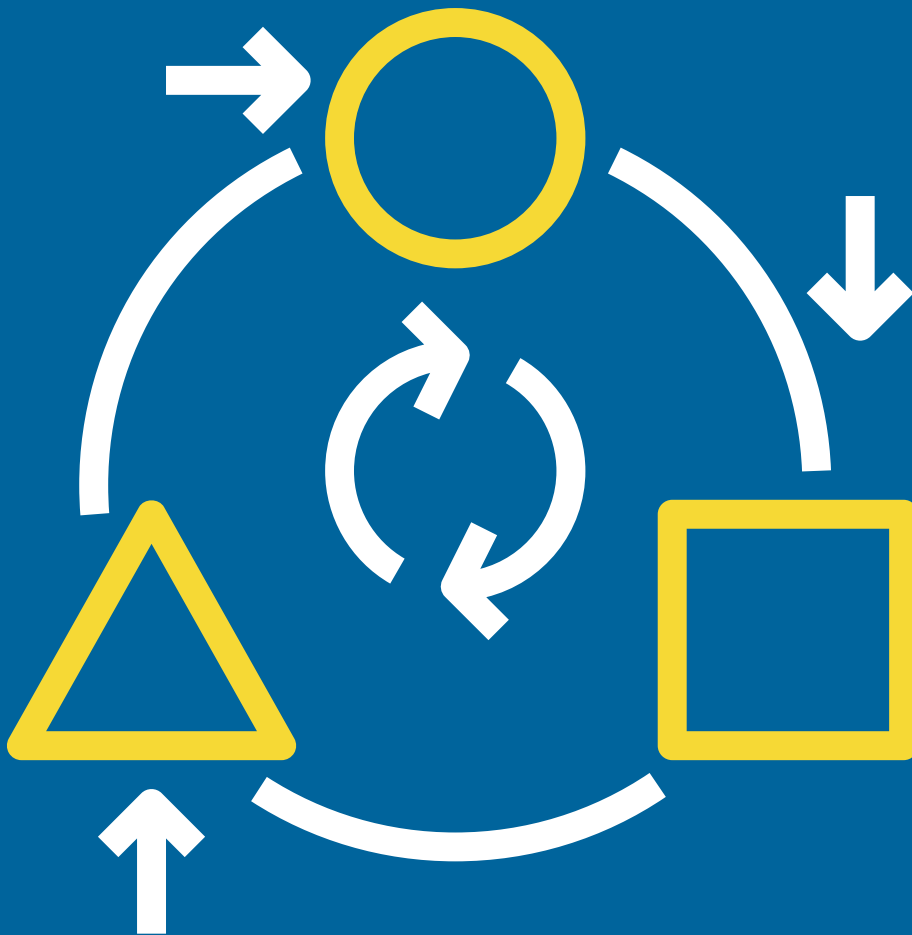


Adaptive strategy

Building multiple
temporary advantages



INTRODUCTION

How do you deal with increasing uncertainty and working in a dynamic and volatile industry? Do you recognize the fact that you need to be externally oriented, close to your customers and be able to react fast, but also still able to work according to the 'classical way of working' which includes predefined goals, strict management and a culture of discipline?

Our sixth article highlights the adaptive strategy approach and accompanying company culture and leadership style. We will describe the connections between those three key elements and how they bring either success or failure to a company. In businesses with a high rate of uncertainty and a fast-changing market, applying a classical approach will not work. How do these factors impede your company's strategizing process, culture and leadership style if you need to stay ahead of the competition?

Creating multiple temporary advantages

In the past few decades, the economy has changed from a physical to a digital environment. From bricks to clicks. Many sectors are facing intense transformations where, more than ever, the customer is king and the future cannot be predicted. Many of our basic assumptions about strategy, culture and leadership become outdated and companies need to become more flexible, get rid of inertia and end slow decision-making in order to survive.

The basic idea behind a shaping approach is to be fast. Recognizing and understanding the needs of your customers and developing customer specific solutions is key. Companies that are able to adapt faster to changing market dynamics and evolving customer needs than the competition, will succeed. Growth is driven by continuously generating new opportunities, selecting the most promising ones and scaling them up quickly. Instead of focusing on sustainable competitive advantage, adaptive companies want to win the game by creating serial temporary advantages. This is a very different approach than the classical approach we have described in article 5.

There is no 'one' strategy in environments where tomorrow is completely different to today. The adaptive approach does not have a predefined goal but focuses on means. The key is to explore multiple opportunities, select the most promising ones, allocate the required resources, and exploit them with great discipline. Taking risks and stimulating creativity does not mean however that it is a chaotic process. It requires a strong framework to collect and 'read' the right information, select the best option by following clear guidelines, and scale it up by rapidly reallocating the required resources.

Becoming successful with an adaptive strategy is only possible when a company and its leadership culture nurtures continuous innovation. Failures will occur and leadership should encourage a culture of experimentation and build an organization that is able to move quickly. Mobilizing resources around promising initiatives lead by leaders that set the appropriate context. Typical sectors that have to find the answers to rapid change due to, deregulation, technological transformation and other disruptors are e.g. retail, semiconductors and software.

Market culture focuses on external orientation and is means focused

The culture that supports an adaptive strategy, is a culture in which the central theme is the ability to read and act upon markets signals and conduct experiments. This culture is externally oriented and means focussed. Based on the four types of culture from Quinn and Cameron (illustration 2) we call this a Market culture. The market culture is characterized by high accountability, result orientation, openness, playfulness and fast-paced learning.

The culture needs to create the context for the next generation of new ideas and rapid learning by allowing for a diversity of perspectives and encouraging constructive dissent. As the organizations with an adaptive approach rely on individual creativity and initiatives, they articulate a set of common beliefs and principals, instead of working with a system of strict goal setting.

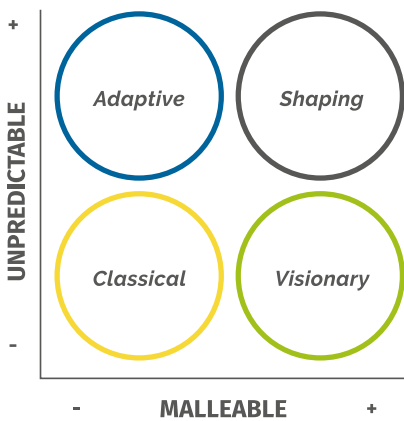


Illustration 1: 4 types of strategy approach

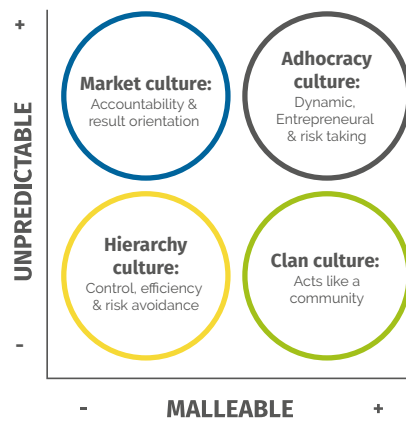


Illustration 2: 4 types of organizational culture

Competitive leadership style

Most important in Leadership connected to an Adaptive approach is setting the context rather than the goals. The leader has the task to orient the organization externally, creating an experimenting friendly culture, specifying beliefs and principals under which experiments are conducted and highlighting the areas where experimentation is to be focused.

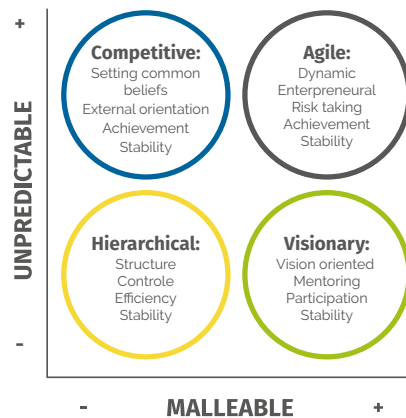


Illustration 3: 4 types of leadership

In illustration 4 we have identified the importance of each of the 4 roles an Competitive leader in an organization has. Each of the roles is scored from 1 (not important) to 5 (very important).

Lead by example: in an organization with an Adaptive strategy this role is limited as the leader in this environment is much more leading from behind, within the framework of the common beliefs and principals set by the organization.

Create a vision: the most important role of the Leader in organizations with an Adaptive strategy is to provide the area(s) the organization will focus upon and providing the common beliefs and principals on which the activities will be based.

Execute strategy: leaders in the organization are setting the context within which the managers and co-workers can develop the business by experimenting and learning. From this perspective the execution of the strategy is fully delegated.

Unleash potential: unleashing the available potential of the managers and co-workers in an organization is a basic task for all leaders in an organization independent of the type of strategy. In an organisation with an Adaptive strategy this role is more crucial, since only by development of the people you are able to develop your business.

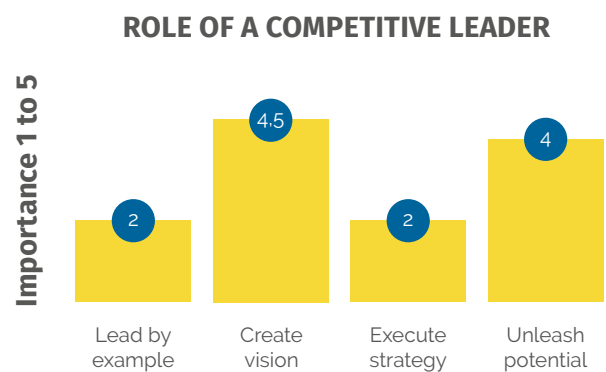


Illustration 4: Role of a competitive Leader

Challenging your current strategical approach

The adaptive strategy is very much focussed on what is happening in the market and reacting upon. The right reactions are quite often given by experimentation. A change of the market position of an organization in which it is able to gain market or dominance, or the development of a new market can give an organization the opportunity to change from an adaptive, to a classical or visionary strategy.

Moving away from an adaptive strategy is a challenging exercise as these organisations are strongly

market focused and used to constantly adjust their offer to new circumstances. When they move to a classical or visionary strategy they will need to focus more on a relative stable internal process and less on the movements in the external environment. In case of moving away from the adaptive strategy, we quite often observe a lack of patience taking with building a solid base for success.

The adjustment of culture and leadership is a longlasting process, which need to start with

clear and open communication about the adjusted new values and leadership behaviours linked to the change of strategic direction. It needs to be accepted that this a slow and difficult process which will demand endurance. Concerning the leadership, a re-assessment of the current leaders will give insight who will be able to have the capabilities to develop in the right direction on for who the gap between current- and newly demanded leadership is too big.

Interested in a further conversation?

Successful adaptive strategies are applied in certain environments. Do you know which environment you are? And if so, are your actions consistent with that approach?

- Are current practices still valid or should we start to work with or combine other approaches as the adaptive strategy process?
- 'Do we need a re-assessment of our current leadership style to give us better insights what we need to lead the organisation into the right direction', and
- 'Is our current leadership team sufficiently equipped to answer up to the new requirements?'
- 'How do we evolve our company culture from a very much hierarchical centred culture into a more oriented market culture?'

Strategia Business Consulting and The Amsterdam Leadership Academy have a strong background in supporting companies where these type of questions arise. Interested to share ideas en receive our feedback? We will be happy to join you to have a good discussion about your Strategy & Leadership challenges.

“Managing a culture of experimentation”

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