Winning In The Transient Advantage Era

Five-year plans were very normal decades ago but today we find the time span is getting much shorter, and in many companies, annual updates on strategy is the norm

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by **Dr M Muneer**

The biggest disruption organisations face today is the demolition of two fundamental assumptions of strategy, which are gospel to most practitioners of strategy. According to Rita McGrath, one of the leading minds in the field of strategy and innovation, and professor at Columbia University in New York, the first assumption is that industry matters most.

In B-Schools and elsewhere we were taught that industries comprise of relatively stable competitive forces. If you take the time and effort to analyse the forces, you will be able to create a roadmap for your business, which may last for some time. Since industries were considered to be mostly stable, one might believe in getting a reasonable return on investment by analysing industry trends and planning the strategy accordingly. Five-year plans were very normal decades ago but today we find the time span is getting much shorter, and in many companies, annual updates on strategy are the norm.

That brings us to the second assumption that is getting derailed. This is the holy grail of strategy: sustainable competitive advantage. Having derived a competitive position within an industry, organisations tended to promote employees who were good at running big businesses, driving operational excellence, improving supply chains and so on, keeping the advantage intact. Management structures that directed resources and talent to strategic business units were associated with high performance. The core assumption here was that you could optimise your systems and processes around a set of sustainable advantages.

However, in more and more sectors, and for more and more businesses, this is not what the world looks like anymore. Examples galore: Music, technology, travel, hospitality, movies, communication, consumer electronics, the automobile business, healthcare, and even education are facing situations in which advantages are copied quickly, technology changes or customers seek other alternatives and things move on. In any field today, even when a high technology product is launched, the advantage will not last for more than 6-9 months.

The bias that was inherent towards the assumption of stability had been fatal to many enterprises and industries from Blackberry, Nokia and Kodak to banking and music. According to Rita McGrath, rather than stability being the normal state of things and "change" being the abnormal thing, it should be the other way around. Stability, not change, is the state that is most dangerous in today's hyper-competitive era.

The presumption of stability leads to all the wrong reflexes. It encourages inertia and power to build up along the lines of an existing business model. Remember what happened in the telecom business in India? Existing players knew about the imminent launch of Jio at least two years before and yet none of them thought of a disruptive business model by the new entrant. They assumed that there would be price war and were bracing up for that. What Jio did was disrupting the unit of business from mobile calls to data, which till then was unheard of and that ignited the imagination of the consumers while destabilising the business models of incumbents.

Clearly, stability allows people to fall into routines and habits of mind. It creates the conditions for turf wars and organisational rigidity. It inhibits innovation. It tends to foster the 'denial' reaction rather than proactive design of a strategic next step. And yet, "change management" is seen as an other-than-normal activity, requiring special attention, training and resources. A Google search on the very term "change management" turned up 21,600,000 results – that's twenty-one million citations!

The digital revolution and technological advances are changing the marketplace very quickly and the preference for stability and equilibrium has blindsided companies and employees from seeing the writing on the wall – One reason why so many CEOs issue denial statements. Remember what the senior executives of Research in Motion, the parent company of BlackBerry devices, continued to maintain in 2007 when the first iPhone hit the market? Their Co-CEO, Jim Balsillie, was adamant that the iPhone would never be a threat as it was simply the entry of yet another competitor in the smartphone market.

Zoom to 2012, and BlackBerry was heaving for survival with several failed attempts to position different devices against the iPhone. Subscribers moved away, service outage increased and shareholders demanded changes! Heads rolled and new executives took charge but their inability to listen to their biggest users' problems did them in. Lessons for others? A long track record of relatively stable success caused the ambition to hungrily search for new opportunities to atrophy. Once gone, it's hard to regain quickly in the face of fast competitive onslaughts. BlackBerry could have moved onto different areas of mobile business where they could have had an edge, especially in the corporate services where they had a firm grip.

Welcome to the Era of Transient Advantages

Competition today does not come from within the same industry. Yet, enterprises define their most important competitors as other companies within the same industry, meaning those firms offering products that are a close substitute for one another. In more and more markets, industries are competing with other industries, business models are competing with business models even in the same industry, and entirely new categories are emerging out of nowhere. Look at the banking industry for instance. The competitors to a bank are not just the other banks, but also Apple Pay, Google Wallet, PayTm, Alibaba and even the post offices.

Industries are still relevant but using industry as a basis to analyse competitive forces is not relevant anymore. A new level of analysis that reflects the connection between market segment, offerings and geographic location at a granular level is needed. According to Rita McGrath, what bone should look at is "arenas", that are characterised by particular connections between customers and solutions, not by the conventional description as offerings that are near substitutes for one another.

There is a big difference between thinking about strategy in terms of arenas as opposed to industry. In industry analysis, the goal is often to determine one's relative position with respect to other players in the same industry. It's good to have a large market share. And competitive threats are of the traditional kind – moves around product introductions, pricing, promotions and so on.

In the arena, enterprises need to constantly monitor for changing trends, different ways to meet a customer need, how the interplay of technology and other industries play on business models, and so on. In essence, management must be asking constantly what jobs of customers they can do next. While sustainable competitive advantage is in jeopardy, there are many opportunities that offer shorter competitive advantages. Spotting these advantages quickly, scaling up r rapidly, exploiting that advantage and eventually disengaging from that business and moving resources to other opportunities are the skills for competing effectively in the transient advantage era.

How to Win in the Transient Advantage Era

With temporary advantages that won't last long as before, the existing business model will always come under pressure, necessitating the need for reconfiguration and renewal of the advantage.

The reconfiguration process is central to winning in transient advantage situations, as it is through reconfiguration that assets, people, and capabilities make the transition from one advantage to another. During reconfiguration, teams that might have been engaged to ramp up or exploit an advantage are shifted to some other set of activities; assets are changed or redeployed, and people move from one assignment to the next. Rather than viewing this change as negative, they are taken for granted as necessary and useful in a transient advantage world.

The most difficult situation for any enterprise is to disengage from an existing business even when all the telltale signs of its demise are visible. Through a disengagement process, a firm disposes of the assets and other capabilities that are no longer relevant to its future, either by selling them, shutting them down or repurposing them. The objective is to manage this process gracefully and quickly. Long drawn-out disengagements do little more than consuming resources while not making the end result any more pleasant. In a transient advantage context, disengaging is not confused with business failure. Indeed, disengagement can and should take place when a business is still viable, rather than when a desperate organisation has no other choice as was in the case of Nokia, for instance.

Winning in the transient advantage era that we are in today requires six major changes in strategic thinking.

Organisations should continually reconfigure their businesses, think about healthy disengagement before it becomes painfully embarrassing, develop ability to skillfully reallocate resources, make innovation a way of life within the organization, develop new leadership mindsets and enable individuals to manage their own career progress for the transient advantage era.

Leadership Mindset Needs Change

Winning in the new era had implications for the mindset leaders bring to their businesses. They will need to take decisions faster – not like the telecom incumbents – and in 'roughly right' mode rather than in more precise, but slower pace. Prediction and being 'right' will be less important than reacting quickly and taking corrective action. And unlike most corporate decision-making processes today in which people seek out information that suggests they are correct; in a world of transient advantage the most valuable information is often disconfirming – it helps highlight where the greatest risks in being wrong are.

What changes leaders should make to succeed? Here's a list…

FROM	TO
The assumption that existing advantages will persist	The assumption that existing advantages will come under pressure
Conversations that reinforce existing perspectives	Conversations that candidly question the status quo
Relatively few and homogenous people involved in the strategy process	Broader constituencies involved in the strategy process with diverse inputs
Precise but slow	Fast and roughly right
Prediction oriented	Discovery driven
NPV oriented	Options oriented
Seeking confirmation	Seeking disconfirmation
Talent directed to solving problems	Talent directed to identifying and seizing opportunities
Extending a trajectory	Promoting continual shifts
Accepting a failing trajectory	Picking oneself up fast

All the listed changes above need one major support, and that is solely dependent on HR to take a lead on Timely inputs and knowledge to enable quick decision-making at all levels. The CHRO will have to work closely with the CIO in quickly designing knowledge management and sharing platform that is user-friendly and transparent for disconfirmation bias.

Some competitive advantages such as deep customer relationships, making highly complicated machines like airplanes, running a mine with autonomous robots, and a great knowledge sharing culture are sustainable for longer periods of time. I propose a solution to enable HR to drive competitive advantage for the organization indirectly and help ride the transient advantage waves.

Creating a Knowledge Sharing Culture

Sharing of knowledge requires a repository of knowledge that is inherent in employees and stakeholders and facilitating the sharing. Capturing the inherent knowledge from scratch is a mega task and without motivating the aging workforce it will be almost impossible to capture the content. The millennials have less serious issues for sharing.

Why is knowledge sharing so necessary to compete successfully in the current world? Irrespective of the size of the company, without quick and roughly right information flowing freely from bottom-up, leadership will not be able to drive the different aspect of the transient advantage economy. The water cooler moments have always been about rumors at the top (bad news travel fast downwards) but the bad news from the market doesn't travel fast upwards. Changing that needs a holistic approach.

The proverbial "knowledge is power" and "sharing is caring" may not always go together just as greed and charity. The task for CHRO and team to break this standoff is beyond technology which is why this cannot be a CIO project. According to a study by Singapore Management University, culture creates a bigger roadblock than technology to employees using digital platforms. Therefore, it is imperative that a culture of facilitating and sharing knowledge is nurtured and information sharing is enabled across the board.

While striving to build a knowledge-sharing culture, keep in mind the following:

Encourage transparency in communication: This should start with the top and trickle down fast. For knowledge to be shared openly, HR should enable an environment for individual employees to express their ideas and suggestions on the future of the company and its strategic thrust. Having only a few loud-mouthed employees bullying the workplace with their high handedness or superior attitude will dilute the entire project outcome. Nor should the access be allowed selectively to the digital platform. The culture will only be built on trust, openness and that can only happen with transparent communication.

Build a knowledge repository: Building a knowledge bank from across the nooks and corners of the enterprise is a humongous task requiring tact, stick, carrots and much more. Getting senior employees to part with the deep knowledge they have accumulated over a period of time requires a different approach than what one needs to do with new employees. Knowledge sharing can occur with formal meetings and at informal water-cooler moments. How can one capture such knowledge? What processes will curate such content? Should begin with proven and curated knowledge already available in various formats in the form of minutes of the meeting, reports, and interviews? What technologies can be made use of for such capturing? People may not be sharing information because of the lack of availability of proper forum or technology. Identifying and deploying the right knowledge sharing platforms will be a key first step in this process.

The tech platform can be chosen based on the requirements the organization has and can be customized to the way the information will be shared at various levels. Microsoft, for instance, has a knowledge management system within their organization that identifies experts and mentors on every possible topic and allows direct requests to be made to them with appropriate problem statements. Most knowledge-sharing platforms allow admin controls, metrics of usage, details of users and frequency of use. Many companies also have created rewards based on their contribution and engagements. More on this part will be elaborated in the last section of this article.

Engage with two-way communications: Office room face-to-face meetings in tens of conference rooms around the offices should never cease in the digital age. The culture of meetings with clear agenda and open discussions to share ideas and plans must be encouraged. Roundtables in conference rooms invite two-way communication between superiors and subordinates. Such open discussion rooms foster trust, boost confidence and bring forth social sharing as well.

Imbibe storytelling: Everyone loves stories and if it is good ones, the better. People who read a lot eventually will become good storytellers. Knowledge sharing becomes more fun when built into stories. In many companies, change agenda and culture are better ingrained into the fabric when built into stories. Senior executives should be encouraged to tell their stories regarding a particular topic or experience. I recall how Unilever CHRO took up the topic of building an individual purpose for a happier life with stories from personal life. In the digital space, it is more important to have stories instead of just training manuals and more training. Employees learn faster when it is in the form of stories. Besides the personal touch of senior management helps build more social and humane angle to the digital workplace.

Have an open-door policy: Most organisations talk of transparent and open culture; yet they don't have an open-door policy when it comes to offices that separate the executive team from the regular staff. An effective knowledge sharing culture needs an environment where even symbolism should embody openness. Breaking barriers and making employees walkthrough to any office will be best for driving openness. Many of the tech upstarts have thrived on innovation and change because of that policy. Intellectual and emotional stimulation with such open doors within an organization is unparalleled. People ask questions without inhibition when they are made to feel wanted and not mocked at.

(With inputs from Rita McGrath)

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A most insightful column that deals with the disruptive era problems we face. Leadership needs to brace up and learn faster than ever. They also need to learn at the speed of business. The idea that emplyees need to bring back insights from market and customers and share quickly with all is fantastic. How many organisation encourage this?

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Very insightful article. Transient advantage is a concept that will stay forever. Stability is not a given anymore.

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