The Future of Strategy in Top-Performing Organizations: Encapsulating Adaptive Capacity, Agility, and Contingency Planning

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Abstract

Creating and maintaining competitive advantage is challenging for organizations during the best of times, and is vital in today's world of globalization, information supremacy and the ever-accelerating pace of innovation. To maximize profits and ensure market dominance, businesses create their "vision,"= implement business plans, and employ strategic planning in a never-ending effort to evolve and adapt to dynamic external, and sometimes internal, environmental challenges. Strategic frameworks for business applications have been evolving since the beginning of the previous century, adding complexities at each reinvention. The proliferation of the internet, and the resultant "flattening" of business organizational structures have created the need to rewrite the foundations of strategic frameworks. An emphasis on organizational agility, with a focus on the successful embedding of that agility as well as flexibility into organizational DNA may be the necessary future elements of successful organizations. It may provide them with a strategic framework in which to operate. This paper explores organizational agility, adaptive capacity, contingency planning, and talent management as the hallmarks of future organization's strategy development.

Introduction

Creating a strategic plan is de rigueur for businesses and organizations today – shared visions are communicated, business plans are developed, strategies are formulated, and values claim the focal point of any off-the-shelf strategic plan. Template-style strategic plans have become so commonplace that an agency, business or organization can simply order a template online and apply it to their individual organizational structure. This method of strategic planning rarely results in sustained superior performance and competitive advantage. Richard Rumelt expands on this concept in his article, "The Perils of Bad Strategy," where well-meaning leaders create a strategy by filling in the blanks of four strategic elements: the vision, the mission, the values, and the strategies (Rumelt, 2011). This framework yields the 'four elements of a highly ineffective strategy' and as Rumelt writes, "the enormous problem this all creates is that someone who actually wishes to conceive and implement an effective strategy is surrounded by empty rhetoric and bad examples" (Rumelt, 2011).

Organizational Agility

The future of successful organizations in their development of effective strategy is anything but rigid and structured. Gone are the days when an organization's success is built upon rigid structure where each department operates independently of one another. In their book, *The Agility Factor*, Williams, Worley and Lawler (2014) forecast that organizations who build strategic agility at all levels have the greatest likelihood of achieving and sustaining superior performance and capturing and maintaining competitive advantage. They define agility as "the dynamic capability that allows outperforming firms to sense and respond to their environments and to rap-

idly reallocate resources, build new capabilities, and perhaps most important, jettison the assets and activities that no longer create value" (Williams et al, 2014, p.19). *The Agility Factor* prescribes four "routines of agility" that outperforming organizations exhibit: (1) strategize in dynamic ways, (2) accurately perceive changes in the external environment, (3) test possible responses, and (4) implement changes (Williams et al, 2014). It is important to note that these are systemic routines, where each individual – and each department – participates in all four aspects of the agility routines, and further, that these actions are done not in a step-by-step process as if following a checklist, but rather as an inherent method of operating routinely and naturally. To describe the necessity for the system to act as a singular being rather than myriad, disparate entities, these authors coined the phrase, "The ITSS Principle" or "It's the system, stupid," where no single resource, routine, or capability can sustain performance; only a system of resources, routines, and capabilities working, changing, and learning together can do this" (Williams et al., 2014, p.28).

Adaptive Capacity

To further highlight the importance of dynamic systemic unity, a turn to ecology provides a useful model to explain adaptive cycles. This framework can best be applied to business models to understand the importance of cultivating a culture of agility, resilience and adaptive capacity within organizations. In the

Figure 1: The Four Stages of the Adaptive Cycle

early 1970's, C.S. Holling published his seminal work on resilience thinking where he applied this concept to the budworms of spruce forests. he explained that resilient systems are able to succeed in all stages of growth, development, collapse and reorientation (Fath, Dean, & Katzmair, 2015). Over the past four decades, this 'lazy-eight' resilience model on system dynamics has been applied to many fields including education and business as well as throughout the earth and social sciences. A representation of the adaptive cycle as applied to social systems is provided in Figure 1.

The first stage of the adaptive cycle is 'new beginning and growth,' where resource availability increases rapidly as new ideas are generated, new connections are made, and trust networks are formed. Diversity and differentiation are vital in this stage, as they provide for multiple, mini-adaptive cycles and are characterized in human systems since members with diverse skill-sets and varied talent. The second stage, or 'status quo', enjoys further increasing resources as the system develops in a more standardized and metered pace. It is in this stage that institutional memory is created, norms are developed, and development continues on an upward trajectory. Confusion reigns in the third stage, where an external

force or disturbance creates a crisis, system failure or collapse. A resilient and adaptive system will rely on leadership to prioritize actions and maintain its vital functions.

This necessary leadership need not be fully positional and titular; rather, it is in the confusion stage where 'emergent leaders' (Fath et al, 2015) fill key leadership positions during the crisis. In his book *Catalytic Leadership: Strategies for an Interconnected World*, Jeffrey Luke (1998) calls these key personnel 'catalytic leaders,' and describes them as having strength of character and exemplary personal integrity, as well as a passion for results. These crisis-leaders bring with them additional diversity and resources, providing for even more adaptive pathways that lead the system, or organization, to the next stage, 'innovation'. During the fourth and final stage, the system now innovates and recreates, relying on its diverse and differentiated talent to explore alternatives, create and test new ideas. It is also in this stage where 'system memory' surfaces and enables regeneration and reorganization (Fath et al., 2015). Maintaining this organizational DNA during crises or change is critical to the success of an organization that wants to successfully navigate through the adaptive cycle. *How* an organization does this is through the critical selection of its people, its greatest resource.

Human Capital and Talent Management

In his article, "The Innovation State," Bonvillian (2009) wrote about the importance of talent in innovation-based growth, claiming that the best innovation occurs when two indispensable factors are present: "research and development and the talent to staff it" – adding a third factor, the "innovation organization, or the institutional elements where talent and R&D connect". Those corporations that can best innovate, regenerate, and reorganize are not dependent on industrialization, automation or robotics. Rather, the learned adaptive capability that yields success stems from talented humans and their myriad, varied skill sets *and* their ability to employ these skills at the right time. Human beings bring with them an intrinsic human dynamism and their unique ability to *sense* the environment in which they operate. In *The Agility Factor*, Williams and colleagues note that top-performing organizations, and specifically *agile* organizations, *perceive* "what is happening in their environment better, faster, and more reliably than their competitors" (Williams, et.. al., 2014, p.66). In short, the organizations with the greatest longevity adapt the fastest, based on the accuracy of their perceptions. *The Agility Factor* further defines this perceiving characteristic with three core actions: sensing the environment, interpreting environmental signals and communicating information (Williams et al., 2014).

In an *agile* organization, communication flows equally unhindered both up and down, as well as through the organization. Ideas are generated naturally, theories and innovations are frequently tested, and leaders cultivate a kinetic environment that feeds off its own energy while simultaneously breeding enhanced organizational energy. Aurik, Fabel, and Jonk (2014) write in their article, "The History of Strategy and Its Future Prospects," that three factors (when combined) result in successful formulation of strategy. The factors include: (1) shifting strategic thought from the present to the future; (2) shifting strategy process from cascading down to organizationally inclusive; and (3) aiming for a continuous portfolio of competitive advantages rather than a single strategyIn an open environment where communications flows freely both horizontally and vertically, cross-pollination of ideas occurs across academic disciplines, creating additional solutions, innovations and new competitive advantages. The future successful organizations will compete for talent, hiring those who think in the future and who are able to apply their varied skill sets to multiple efforts simultaneously. Williams and colleagues (Williams et al., 2014) define outperforming

human performance characteristics as "differentiated," where employees of outperforming organizations have the capacity to shift from one capability set to another, to focus on current results and yet simultaneously be able to develop future strategies (Williams et al., 2014).

The Importance of Asking 'What If?'

It is precisely these differentiated skill sets and the ability to regroup and innovate following a disturbance, unexpected change or crisis that enables top-performing organizations to adapt, regenerate and project their efforts in an ever-upward trajectory. The success of these organizations, however, is not simply because they are adept at quick adaptation, but also because these inherent characteristics enable them to answer a vital question – every day, regarding every operation, in every department, from every potential external factor, and within all levels of the organization. Successful organizations are very effective at answering the most important question, *what if?*.

In the book, *Great by Choice*, Collins and Hansen (2011) compare successful organizations with lower performing groups who operate within the same circumstances but with very different behaviors. They note that leaders in top-performing organizations: "maintain hypervigilance in good times as well as bad. [They] constantly consider the possibility that events could turn against them at any moment. Indeed, they believe that conditions will – absolutely, with 100 percent certainty – turn against them without warning, at some unpredictable point in time, at some highly inconvenient moment" (p.29).

These top leaders maintain hypervigilance through what the authors call a 'productive paranoia,' an organizational trait where successful enterprises constantly ask, "What if?" This hypothetical question is posed at all levels in the organization and for every possible permutation of external factors that act on their organization. By constantly asking *"what if?,"*

successful organizations embody a sense of preparedness, exhibiting a hypersensitivity to changing conditions and a flexibility that allows them to quickly and effectively react to their new environment. This flexibility is not brittle and weak, but rather, it is like the clay animation figure, Gumby – strong and lasting, forever maintaining its identity. The same holds true for top-performing organizations – they can bend and flex while staying true to their core identity and values.

Collins and Hansen provide another key insight into the necessary organizational characteristics that will generate innovation and change-directed thinking while maintaining the necessary discipline to execute program goals and objectives. He writes that a biproduct of 'productive paranoia' is a dual-lens capability terms "zoom out – zoom in" where leaders of top-performing organizations "remain obsessively focused on their objectives *and* hypervigilant about changes in their environment; they push for perfect execution *and* adjust to changing conditions" (p.114). Leaders *zoom out* to sense changes in operating environments and to get the "big picture" of both local and global events that may affect their organizations. They then assess the impact risks of these changes, and finally, leaders of great organizations *zoom in* with disciplined focus to execute the appropriate business and operating plans.

Conclusions

Operating in today's global environment of constant change and uncertainty challenges organizations to maintain and sustain competitive advantages over their competitors. The future of strategy itself is uncertain, as the speed at which business techniques and trends are evolving out-paces solid strategy development. Formulating organizational structures that generate adaptive capacity will breed agile enterprises, adept at responding to external forces, changes and crises. Embedding these organizations with high-performing talent with diverse and multiple skill sets, and with

leaders who can at once both hypothesize in the future and execute in the present is a plausible model for strategy development that will endure the ever-changing demands of the future.

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