# 5 Quick Takes

## Powered by the Agile Strategy Lab

A compilation of Ed Morrison's latest blogs

**AGILE STRATEGY LAB**

INNOVATION... POWERED BY STRATEGIC DOING AT University of NORTH ALABAMA

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Summary

Dear Reader,

Thank you for taking the time to read the collection of my latest blogs relating to Strategic Doing.  As you know, I have a passion for this work and where it is going - for example my work with Collaborations, Networks, and  Ecosystems.

Please follow our team as we emphasize the strategic value of focused regional collaborations, and open innovation, network-based models in today's global economy.

# 1 HOW GENERAL ELECTRIC LOST ITS COMPETITIVE EDGE

In 1984, I worked as a strategy consultant for General Electric. My firm, spun out by former partners of the Boston Consulting Group, conducted production cost studies for General Electric. I was the junior consultant on the team and worked on both appliances and small motors. We conducted detailed studies of GE's production facilities both in the U.S. and Mexico.

In the course of these studies, we completed extensive interviews with vendors, tore down GE and competitor products to examine materials and product design, and scoped out competitor plants (down to counting cars in parking lots to estimate headcounts).

Based on our understanding of GE's production system, we built a cost model for GE. (Standard cost accounting, for many reasons, was unreliable.) With our understanding of competitor plants and product teardowns, we would then estimate a cost model for GE's major competitors.
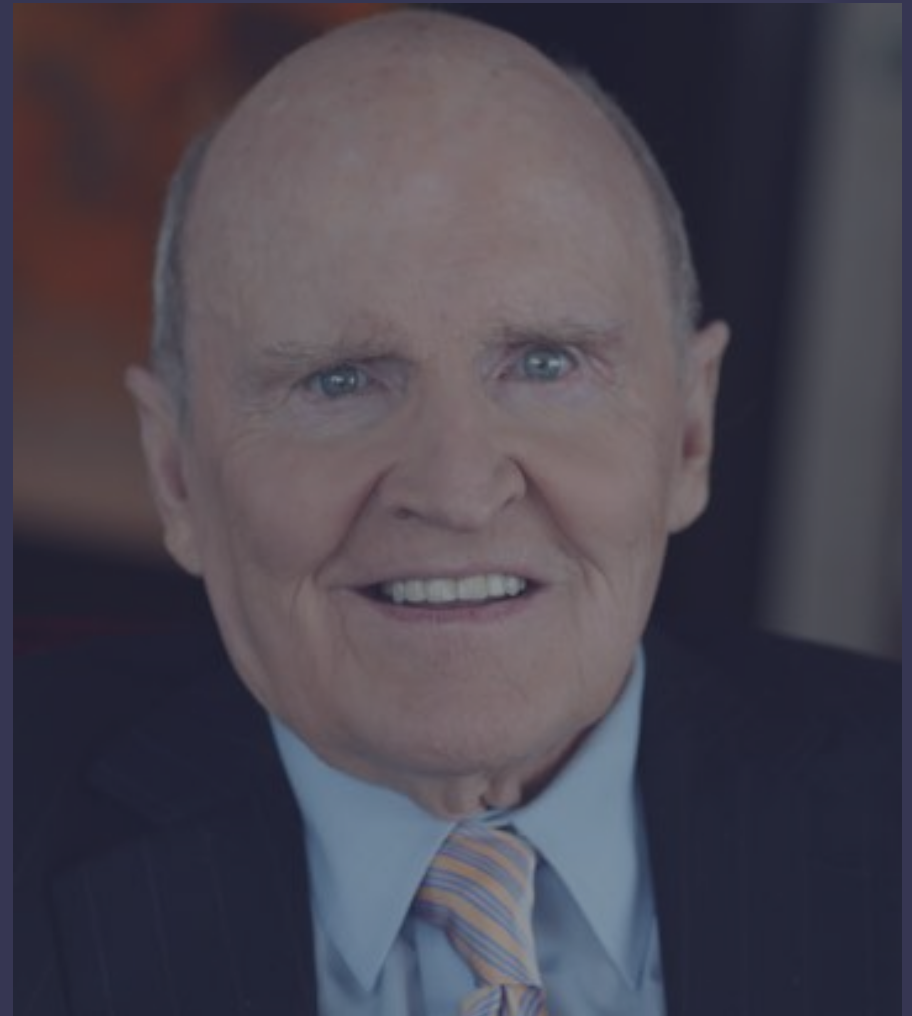
# GE LOSING ITS COMPETITIVE EDGE

It was clear by the time Welch took that GE was losing its competitive edge.
For example, as I re-read my notes from years ago, vendors told me that in small motors, GE's major competitor had developed a more flexible production system. Decision-making was decentralized. In today's vernacular: more agile.

"People in the plant call the shots." To spread innovations across their system, they "rotate their best managers" among plants. The competitor "moves quickly" and has "more flexible contracts with vendors".

One vendor of winding equipment: "The secret of XX's success has been the development of new production processes." He explained how XX achieved a 97% uptime in the winding operation by quickly swapping out winding machines.

XX enforced secrecy to protect these methods. No vendor was allowed on the factory floor.
To keep up with new technology, XX made frequent visits to vendors. "Not uncommon for XX representatives to visit major vendors every 30 days."

YY, a smaller company, was "very aggressive for its size." "Behind GE and XX in winding technology but catching up."

## HOW VENDORS SAW ONE GE PLANT

Here are some of the comments from vendors on one of GE's main motor plants:

"Nothing moves."
"Aggressive in the late 1960s, but no longer."
"Has engineers unwilling to rock the boat. They seem to be waiting to retire."

## GE's RESPONSE

GE's response, driven by Welch, was to see every competitive challenge as a labor cost problem. Moving production to maquiladora plants in Mexico was the default response of the business unit managers. These managers feared Welch's default: get rid of the business. (Translation: "You failed to manage the business.")

Welch had no understanding of productivity, value-added analysis, systems engineering, or innovation. Instead, his relentless focus on pumping earnings by reducing costs accelerated the destruction of an iconic company.

David Gelles does a wonderful job capturing Welch's ignorance. It should now be required reading in every business school.

# Learn more about the Agile Strategy Lab

We are at the forefront of research in agile strategy and the science of complex collaboration. Our action research portfolio informs every part of our work, helping us hone our practices and identify new opportunities.

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# 2 A PRACTITIONER'S MODEL OF ECOSYSTEMS

Ecosystems fascinate scholars. New publications are skyrocketing. Yet, when it comes to understanding ecosystems and how they form, scholars can quickly get wrapped around the axle. A practitioner perspective is more helpful.

Here's a practitioner's model of ecosystems that I developed over the past 30 years. My ideas began forming in Oklahoma City in 1993. Business leaders hired me to come up with a business-led strategy to transform their economy.

## OKLAHOMA CITY AND THE DEVELOPMENT OF AN ECOSYSTEM MODEL

When I arrived, Oklahoma City had been languishing for over a decade, battered by low oil prices and a banking collapse. The leadership had given up on the idea that one project — a big manufacturing plant, for example — would lead to transformation. Instead, we began with a different assumption. Our strategy would consist of a balanced portfolio of initiatives.
But what type of investments?

My experience as a corporate strategy consultant — working for General Electric in the 1980s, as it globalized manufacturing — underscored that in a global economy, brainpower is the only unique asset in any region. It all starts there. What research, technologies, and capabilities were unique to the region?

Beyond that, it was clear by the early 1990s – the dawn of the Internet — that networks and our ability to design and guide them would be critical to creating wealth. Prosperity emerges from open networks and "link and leverage" strategies.

We also understood that both individuals and organizations are mobile. They can locate anywhere. If we were going to make Oklahoma City "sticky", we needed quality, connected places to attract and hold people.

Equally important, to guide people to a more promising future, we needed to change the prevailing narrative in Oklahoma City. We needed to point to our opportunities.
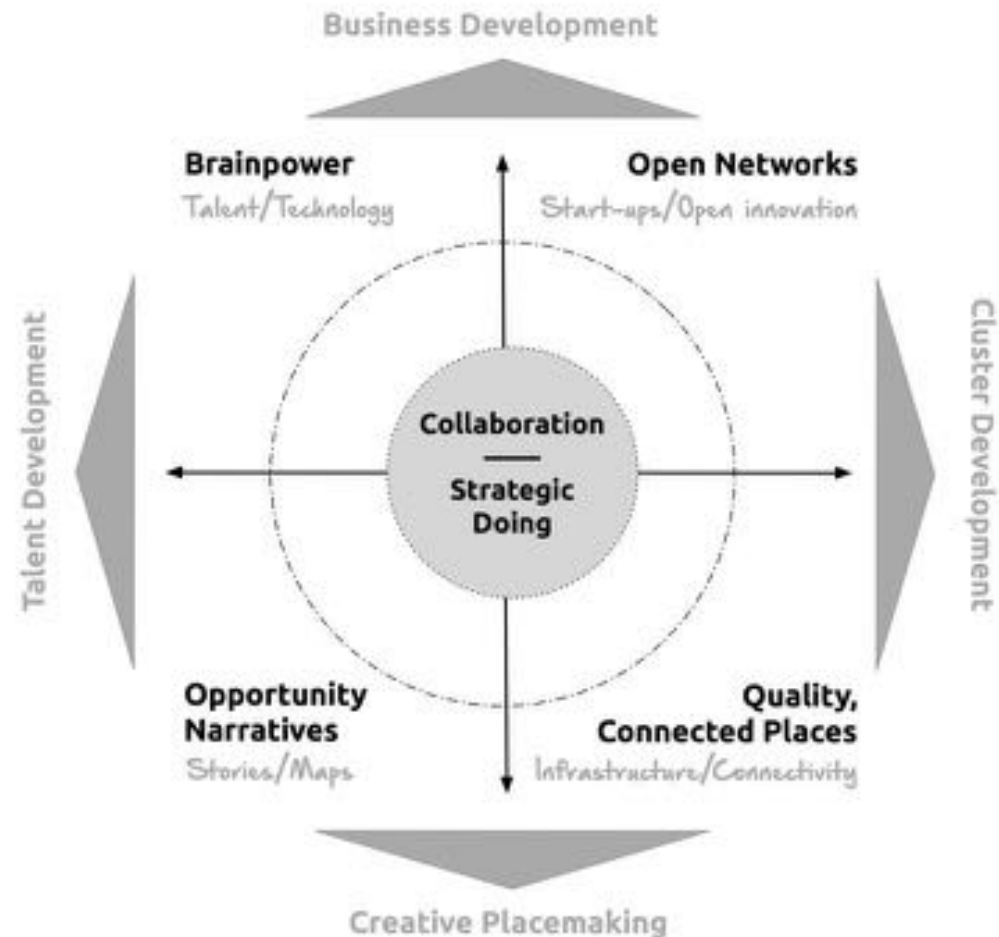
Finally, we needed a new discipline of collaboration to focus and align all of these initiatives. Oklahoma City is where strategic doing began.

**REPLICATING THE MODEL**

By 2001, it was clear this model worked. I then taught it to Ernest Andrade, who used it to design the Charleston Digital Corridor. In 2008, I used it again to design The Water Council, now a global hub of freshwater technology. In 2014, we applied it to North Alabama. We are now introducing it to Iowa City, Alberta, Calgary, and Ecuador.

Last October, Andy Stoll of the Kauffman Foundation approached Scott Hutcheson and me to develop this model, so it could be easily replicated. We came back to him with a proposal to design a "learning platform" for entrepreneurial ecosystem development; a place where practitioners and civic leaders could learn the basics of developing a startup ecosystem.

Business Development

Brainpower
Talent/Technology

Open Networks
Start-ups/Open innovation

Talent Development

Cluster Development

Collaboration
Strategic Doing

Opportunity Narratives
Stories/Maps

Quality, Connected Places
Infrastructure/Connectivity

Creative Placemaking

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This model explains the development of entrepreneurial and innovation ecosystems. These ecosystems develop on platforms that support a portfolio of collaboration in four strategic focus areas: brainpower; open networks; quality, connected places; and opportunity narratives. The formation of these collaborations can be accelerated with an open source operating system: Strategic Doing.

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# 3 WICKED PROBLEMS REQUIRE A DIFFERENT APPROACH

Have you ever picked up the wrong tool to do a job? Perhaps a screwdriver too big or pliers too small? That's happening every day in our organizations, as leaders reach for the wrong tools to address the challenges they face. Let me explain.

## OPEN AND CLOSED MINDSETS

John Cleese neatly divides our management mindsets into closed and open. We spend most of our time with a closed mindset — intensely focused, decisive, concentrating on the details of the day-to-day: solving problems.

Open mindsets, in contrast, lead us to creativity and new opportunities. We think laterally. We make connections. We innovate. It's more ambiguous, certainly, but it's also more creative and fun.
You can watch Cleese's video **HERE**.

## TECHNICAL AND WICKED PROBLEMS

This distinction is important because increasingly, we need to distinguish between technical and wicked problems.

We solve technical problems with focused, linear thinking, root cause analysis, and single-point solutions. Wicked problems, in contrast, are different. They are complex in two ways.
First, the underlying problem has many causes.

Second, people must collaborate to generate solutions. That's another source of complexity.

## THE POWER DYNAMICS OF TECHNICAL PROBLEMS

Technical problems reinforce hierarchical power arrangements. People higher in the hierarchy achieve their position (in theory) because they can handle bigger technical problems. Most work their way up by establishing their track record as technical problem solvers. As a consequence, I suspect, they tend to see most problems as technical problems.

That's a mistake.

## ILLUSIONS OF CLARITY

Imagine you are responsible for equipment reliability in a large process chemical plant. Downtime can be expensive, and there are hundreds of potential failure points: pumps, motors, conveyors. You get the idea. If you are trying to reduce downtime across the factory, you have a long list of technical problems to solve.

But are these really technical problems? Only on the surface. Imagine a different system, built on predictive (or condition-based) maintenance: sensors warning of imminent failure. How would you implement that system in your factory?

Now you are on the doorstep of a wicked problem.

## SOLUTIONS TO WICKED PROBLEMS: COLLABORATION AND RECOMBINANT INNOVATION

The solutions to wicked problems require the human ingenuity that comes from collaboration. Since there are no single, set solutions to these problems, we need to mobilize our creativity, our collective ingenuity. To do that, we need a different management approach.

That's why we designed strategic doing. Increasingly, we need to find solutions to wicked problems. Strategic Doing moves intentionally between the open mindsets that foster creativity to the closed mindsets that promote focus...and back again. We tackle wicked problems with a process that is divergent, convergent, and iterative.

It's a different approach for our times.

# Wicked problems require a fundamentally different approach than technical problems

|  | Technical Problems | Wicked Problems |
| --- | --- | --- |
| Examples | Downed Assembly Line | Digitizing Manufacturing |
| Solutions | Single Point; Known | Multiple; Unknown |
| Outcome | Conformance | Innovation |
| Approach | Defining the right problems | Designing the right questions |
| Learning | Single Loop, Routine | Double Loop, Adaptive |
| Logic | Deductive | Abductive |
| Protocols | Root Cause Analysis | Experimentation; Pathfinder Projects |
| Management Challenge | Teamwork | Collaboration |

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# COLLABORATION: A PROCESS OF RECOMBINANT INNOVATION

Collaboration. It's the least understood term in the management lexicon. So let's start there.

## COLLABORATION: A PROCESS OF RECOMBINANT INNOVATION

If you scour the management literature for a clear understanding of collaboration, you'll find many flabby definitions. You'll even find this warning in a management book on collaboration: "[D]on't do it unless you have to" (Huxham & Vangen, 2005).

Scholars don't teach collaboration largely because they don't know what it is. (They are finding out, though. The emerging field of team science is forcing a more rigorous approach.)

I've found one exception: Michael Schrage of MIT, writing in the early 1990s. He got it right. Collaboration is a process of recombinant innovation.

Collaboration is not cooperation. It's not teamwork. Collaboration is an innovation process that you design and manage. It relies on abductive logic.

## AGILITY: ACCELERATING S-CURVES

The simple reason we should focus on collaboration: organizations need to develop the agility to navigate S-Curves.

The shift involves designing and managing a process of recombinant innovation. Recombining assets creates new opportunities on a new S-Curve. When discussing assets inside and outside the organization, we often refer to "open innovation."

## CONVERSATION + DOING (EXPERIMENTATION AND LEARNING)

To make these moves more productively — to improve our agility — we need to master our oldest technology: our language and conversations. We generate and distribute knowledge through conversations, but we are not very good at it. And new research suggests we don't spend much time learning the skills we need. https://bit.ly/3QUWjdo

Here's what I've learned while putting together many complex collaborations. They emerge from conversations with a clear structure. When we follow some simple rules, we accelerate the volume and velocity of our collaborations. We become far more productive.

## STRATEGIC CONVERSATIONS: 4 QUESTIONS + 10 SKILLS

These skills are teachable. That's #strategicdoing: an open-source discipline of four simple (but not easy) questions powered by ten skills. Like any discipline — playing the piano, learning to swim — mastery comes with practice.
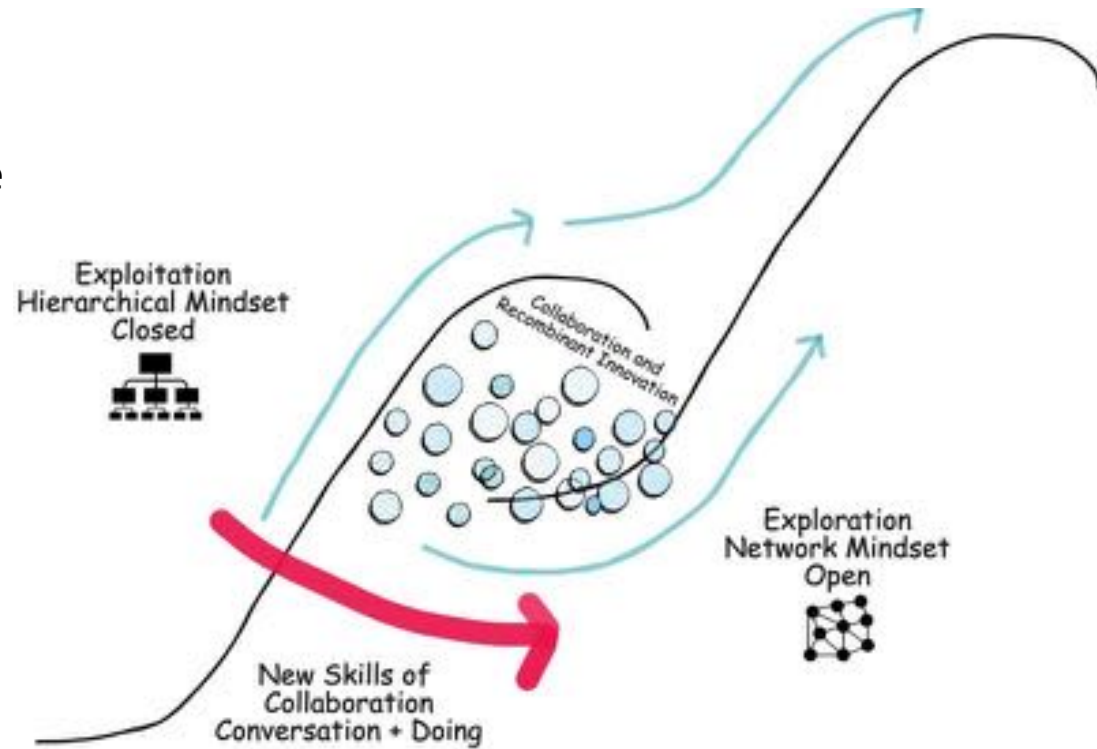
## MINDSETS: FROM CLOSED TO OPEN

The move to networks shifts our presumptions from closed to open.

We've moved from a world of press releases (information is closed unless we choose to release it) to passwords (information is open unless we protect it).

To manage risk, we rely less on rules and more on relationships. Less on protecting boundaries and more on accelerating innovation.

## MANAGED NETWORKS: RISK AND METRICS

As we move away from hierarchies toward managed networks, we gain speed, accountability, and knowledge. With frequent check-ins, we learn what works to jump to a new S-Curve. We manage our risks far more effectively. Metrics power our learning.



Exploitation
Hierarchical Mindset
Closed

Collaboration and
Recombinant Innovation

Exploration
Network Mindset
Open

New Skills of
Collaboration
Conversation + Doing

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# 5  STRATEGIC DOING UNDER THE HOOD

This graphic takes you under the hood of how an agile strategy process works within open networks, teams, and collaborations, including the development of ecosystems. Here are the key points:

1. The process starts with a rigorous definition of strategy in dynamic markets, best articulated by Kathleen Eisenhardt at Stanford. A strategy answers two questions: Where are we going? How will we get there?

2. This approach to strategy in dynamic markets emphasizes the importance of strategic thinking that both "zooms out" and "zooms in". John Hagel and John Seely Brown of Deloitte first presented the concept.

3. In order to answer these two questions, we need to design and guide strategic conversations, following 10 rules, outlined in the protocols of Strategic Doing. (These rules are outlined in the book and dissertation below.)

4. We start by focusing on defining opportunities and outcomes. They emerge when we link and leverage assets in a process of recombinant innovation. This process follows an entrepreneurial or "effectual" logic. This segment of the conversation builds shared commitment through a process that psychologists call "collective prospection".

5. We define how we will get to an outcome by identifying Pathfinder Projects. To manage risks, these projects generally take six months or less to complete. They test our assumptions, and, if successful, they provide us with small wins that build momentum. Small wins are critical to developing solutions to wicked problems.

6. We next focus on a 30-day action plan with deliverables. The team sets a 30-day cycle to update and revise their commitments. We call this process "setting a 30/30". Creating stable patterns of matching our words with our actions creates the conditions for trust to emerge across the collaboration.

7. Summarizing a strategic conversation generates all the components we need for a strategic action plan. We number each new version.

8. We update the strategic action plan approximately every six months with a Strategic Doing workshop that lasts about 3 hours.

Strategy in dynamic markets increasingly requires collaborations. To develop strategies for these collaborations, new protocols provide a pathway forward.

Although these protocols take practice to master, they are open-source, fast, low-cost, replicable, and scalable. They focus on mastering our oldest technology: conversation.

Note: To understand why conversation is so critical in a knowledge economy, read Alan Webber's important, but largely neglected article in the Harvard Business Review, "What's so new about the new economy?" (written almost 30 years ago: https://bit.ly/30eVN1y)

*Click <u>HERE</u> for the graphic*

To find out more about our work and training opportunities, please visit the Agile Strategy Lab

www.agilestrategylab.org

Read more blogs by the ASL Team HERE

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