

The New Basis for Corporate Success

-- a one page summary --

- The degree of complexity and uncertainty in a company's environment (including such factors as customer and supplier needs and wants, technological possibilities, competitor offerings, macroeconomic and political/regulatory conditions) in large measure determines the best approach to delivering superior results for stakeholders.
- Historically, most companies faced environments of relatively low complexity and uncertainty, and comparatively slow rates of change. Under these conditions, the traditional approach to strategy – based on accurate prediction, smart positioning, and strong execution – often worked well, and produced competitive advantages and value creating returns that lasted for relatively long periods of time.
- Today that has changed, with most management teams and boards facing much higher levels of complexity and uncertainty, a rapidly evolving environment, and fleeting sources of competitive advantage and superior returns. In this environment, the basis for corporate success has changed.
- Annual predictions about the future state of a slow moving and generally linear environment has given way to a broader process of constant sensemaking, whose goals are to develop a “coarse grained” understanding of the potential for future non-linearities and discontinuities, broadly define the possible future environments a company may face, and identify critical early warning indicators to track in the midst of daily information overload.
- Relatively static positioning based strategies are giving way to more dynamic ones based on the acquisition and timely exercise of a portfolio of options (e.g., based on technologies, capabilities, strategic partnerships, market access, etc.), at least some of which will be in the money under a range of future scenarios a company could face.
- Similarly, companies' focus on disciplined execution has broadened into one that also places a high value on resilience, adaptability, and speed.
- Finally, where organizations formerly focused almost solely on their plans for success, today there is greater recognition that avoiding failure is critical in a complex and uncertain environment, because it buys a leadership team the extra time they almost always need to adapt their original plans to changing circumstances in order to deliver superior stakeholder results.