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White Paper

Survival and Strategic Resiliency

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Resilience: an ability to recover from or adjust easily to misfortune or change.

Merriam-Webster Online Dictionary

There are a numerous well-known examples of companies that are successful with their technologies; such as Nokia, Black & Decker, Sony, HP, IBM, Canon, Honda, Toyota, Ericsson, Philips, Shell, GE and Motorola, that are often cited in periodicals or textbooks (e.g. Tidd 2005, Christensen 1997, or Pietersen 2002).

They come from very different businesses: automotive, telecommunications, computers, power electronics and industrial automation, conglomerate giants, consumer electronics, etc. Their approach, focus and emphasis in managing technologies differ. They may be based on product platforms, core competences, product-technology roadmaps, scenario planning, or balanced scorecards. Nevertheless, they have managed to create successful technology strategies, and to execute them efficiently.

Why is it that not everybody succeeds? Foster & Kaplan (2001) claim that if history is a guide, no more than one-third of today's major corporations will survive in an economically important way over the next 25 years. The big turnover in indices like Standard & Poors 500 and the Financial Times 500 give further proof.

This very Schumpeterian phenomenon (*disequilibrium process of creative destruction* in Schumpeter 1934*)* is not a recent development, but has existed throughout the history of the indices. Many scholars, e.g. Foster & Kaplan (2001), Christensen (1997), and Hamel & Välikangas (2003 a), present and discuss several well-known cases of such failures.

If strategy is about defining and organizing one's forces into a winning position – and is thus extremely crucial to an organization's survival – then why do so many companies fail in this? Of course strategy implementation may fail, no matter how carefully crafted and "orthodox" the strategy is, but the reasons for failure can be horribly deep-rooted: lack of understanding – or even simple disinterest.

The authors witnessed evidence of such disinterest a few years ago. In a plenary discussion at an international technology management seminar (RTEC 2003) surprisingly many representatives of multinational, even global, enterprises said that strategic technology planning is virtually non-existent in their companies.

The most shocking statements were about top management approving an annual R&D budget with the instruction: "Here is your money. Go and invent anything, and come up with something to sell, but do not bother us in the meantime."

This may appear unbelievable, but Scott's (2000) study on critical technology management issues in hi-tech companies supports it. Some of the experts believed that, in reality, technology planning methodologies and plan implementation techniques are lacking in their company.

To make things worse, periodic, scheduled processes tend to get formalized and thereby paralyzed Mintzberg (1994), as many have witnessed in their work. They even may get carnivalized, as a senior manager confessed in his hilarious comment (Foster & Kaplan 2001): *"Our planning process is like some primitive tribal ritual: There is a lot of noise, dancing, waving of feathers, beating of drums, and no-one is sure exactly why we do it, but still there is an almost mythical hope that something good will eventually come of it, and it never does."*

Then there is the question of understanding. The entire strategy creation in (even) big companies is amazingly primitive, claims Dr. Välikangas from the Woodside Institute in an interview (Talouselämä 2004). She argues that barely one out of ten companies think about strategic options! By strategic options she means real strategic options for future business, not just extrapolating the current situation into future.

Strategic thinking tends to be anchored to existing technology and history, and radical new options are not considered, says Välikangas. *"Strategies are intellectually empty documents filled with number crunching."*

As Välikangas rightly states, numbers are not a strategy, but a result of it. Very many mistake results or goals for strategy. How many companies have something like "growth" defined as their strategy?[1]

Mintzberg (1994) shares Välikangas's opinions by saying that "*managers confuse real vision with the manipulation of numbers*" and "*…strategies that are extrapolated from the past or copied from others.*"[2]

Even a good strategy is not sufficient if it is rigid. A successful company needs what Hamel & Välikangas (2003 a) call "strategic resilience".

By strategic resilience they refer to the capacity of an organization to renew itself before it is forced to by an impending performance crisis. It is about taking action when the range of options is still relatively broad. In most cases companies move from crisis to crisis, and renew only when imperative.

Hamel & Välikangas state in their article that confidence in the future of any company depends on the extent to which it has mastered three essential forms of innovation related to strategies:

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[1] *Heard incidentally on radio years ago: "Growth" is a valid strategy only for cancer cells.*

[2] *This raises an interesting consideration. Wouldn't it be better to have no strategy at all than to follow a rigid, number-stuffed "strategy" that is based on extrapolation?*

Revolution: Unconventional strategies are needed to produce unconventional financial returns. Industry revolution is creative destruction.

Renewal: Renewal is about reinventing industry, changing the rules of business. Often the reformers are newcomers, or those from outside the established business. Incumbents have it harder, they must first reinvent themselves. Strategic renewal is creative reconstruction.

Resilience: In most cases a performance crisis is required before a company is forced to renew, whereas resilience refers to a capacity for continuous reconstruction.

Resilience is very close to what Schumpeter means by the importance of technological advance in competition, and by the essential role of innovations. Revolution calls for victims to Schumpeter's creative destruction.

Hamel & Välikangas (2003 b) say that any organization that hopes to become resilient must address four challenges:

The Cognitive Challenge: A company must become deeply conscious of what is changing, and perpetually consider how those changes are likely to affect its current success.

The Strategic Challenge: Resilience requires alternatives and awareness — the ability to create new options that provide compelling alternatives to dying strategies.

The Political Challenge: An organization must be able to divert resources from yesterday's products and programs to tomorrow's.

The Ideological Challenge: The ability to continuously renew itself requires that an organization must be able to concentrate its efforts much more widely than on mere operational performance.

Even though we discuss it here in the context of technology strategies, resilience must be inbuilt throughout a company's functions, operations, and decision-making.

After all, no matter how good the procedures and tools are, people are the most important. Systems do not do thinking, even though systematic approaches can stimulate the creativity and debate needed to come to a mutual understanding. People are also crucial to a company's survival. Even a good strategy is worth nothing if an organization is not able to renew itself to adapt to changing situations.

Hamel summarizes aphoristically (Hamel & Välikangas 2003 a):

"Companies are successful until they are not."

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