

React to the small changes at the margin

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Sometimes defining one's strategy in the marketplace can be just as limiting as it can be clarifying. This is because choosing a course of action entails an often necessary and practical withdrawal from other courses of action, particularly when resources are limited. Additionally, ideologies like 'focusing on one's core competence' and their widespread acceptance ensure that experimentation is set aside for the comfort offered by certainty.

Yet, any analysis of declining organisations will reveal that at the core the cause is usually an inability to see small changes in the environment, which, over time, develop to become larger scale disruptive changes. Faced with larger scale disruptive changes, large established organisations do not have the ability to cope with the required agility and often begin a cycle of decline.

How should large, often unwieldy organisations prepare for such situations? The answer is, possibly, to view strategy as consisting of two components. The first component is the core strategy that defines the organisational worldview on things as they are.

This strategic framework would cover most of the organisation's current value generation activities. The second component is the 'strategy at the margin'. This represents smaller strategic frameworks that create solutions to address

emerging issues in the environment, marketplace and others. These are situated at the margins of the organisation, until the conditions in the organisation or the broader environment are ripe for their scaling up.

However, creating the space for 'strategy at the margin' needs some building blocks that ensure that ideas generated at the margin find a vibrant environment to thrive in as they wait for their time under the sun. Three such building blocks are outlined here.

VENTURE CAPITAL MODEL

The venture capital model works on the idea of making small bets on ideas that could have disproportionate payoffs. This model can be replicated just as well in large organisations, where a portion of capital can be set aside for venture capital type of bets on ideas. Thus, the large organisation can become a start-up incubator for smaller, but potentially high impact ideas.

In fact, one may argue that start-ups in the broader environment actually face larger risks, because the failure of an idea may mean the failure of the start-up in its entirety. In comparison, incubated ideas inside larger organisations will not bring down the mother ship as it were, even if they fail. This provides an added impetus to take riskier bets, since the cost of failure is limited. The venture capital bets within the organisation must, however, be allowed to have longer gestation periods before being evaluated with traditional metrics.

CULTURE

Strategy at the margin requires the right conditions for that kind of thinking to take place. Before productive ideas emerge and rise to the top, space must be made for iterative thinking, where multiple futile attempts could be made even to arrive at an ideological position about strategic issues facing the organisation.

Unfortunately, the culture to support this kind of process (even at the margin, if not the mainstream parts of the organisation) is quite rare. Building such a culture requires a deep recognition of the fact that transformational breakthroughs often happen in the whitespaces between 'actions'.

Secondly, such breakthroughs represent ideological positions on issues faced within the organisation and the broader environment. Thus, the framing of deep ideological positions in itself must be valued in the organisation's culture, without it being classified as 'academic', and non-action oriented.

Additionally, the short-term value created by the mainstream strategy will be far higher than that of

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strategies at the margin, and the temptation to sacrifice the latter for the former must be avoided. This requires a culture where long-term value creation activities are valued just as much as short-term value creation.

PROTOCOLS FOR ACTION

Assuming that the organisation has an institutional mechanism to frame strategies at the margin (like say a venture capital model as outlined above), as well as a supportive culture where people can create such ideas, it still needs protocols to transform thought into action. After all, strategies at the margin are not meant to be intellectual amusements. They are meant to be brought alive at a small scale in the present, so that when the environment presents the right opportunity they can be scaled up to even substitute the mainstream.

The protocols around turning thought into action will include well-defined policies on issues like funding, team structure, prototyping of solutions, definition of success, incentives, allocation of mainstream organisational resources to such activities and so on.

It is easy to underestimate the need to have strategies at the margin to supplement an organization's core strategic world view, but its need is best felt in moments of upheaval in an industry resulting out of intense competition, or even changes in the broader environmental context like large societal changes. It pays to have a 'plan B', but that requires the creation of the right kind of institutional building blocks that support the development of such plans well in advance.

(The writer is a corporate strategy professional.)

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