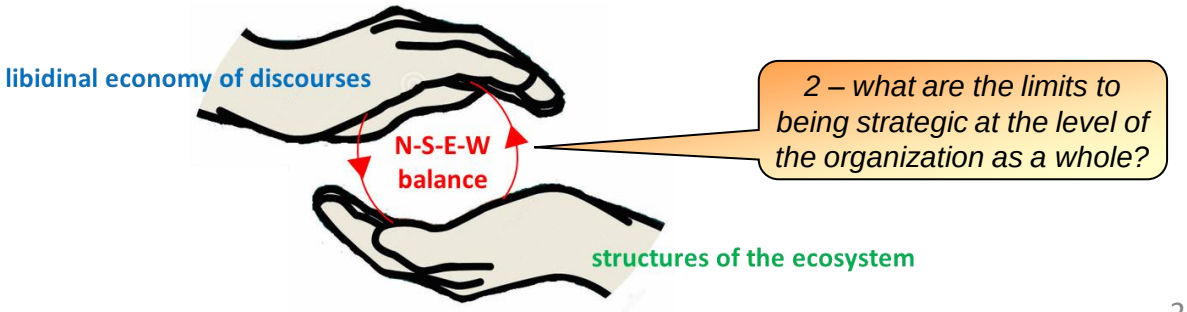
Pathways across the 3rd epoch domain

2 - The limits to being strategic at the level of the organisation as a whole

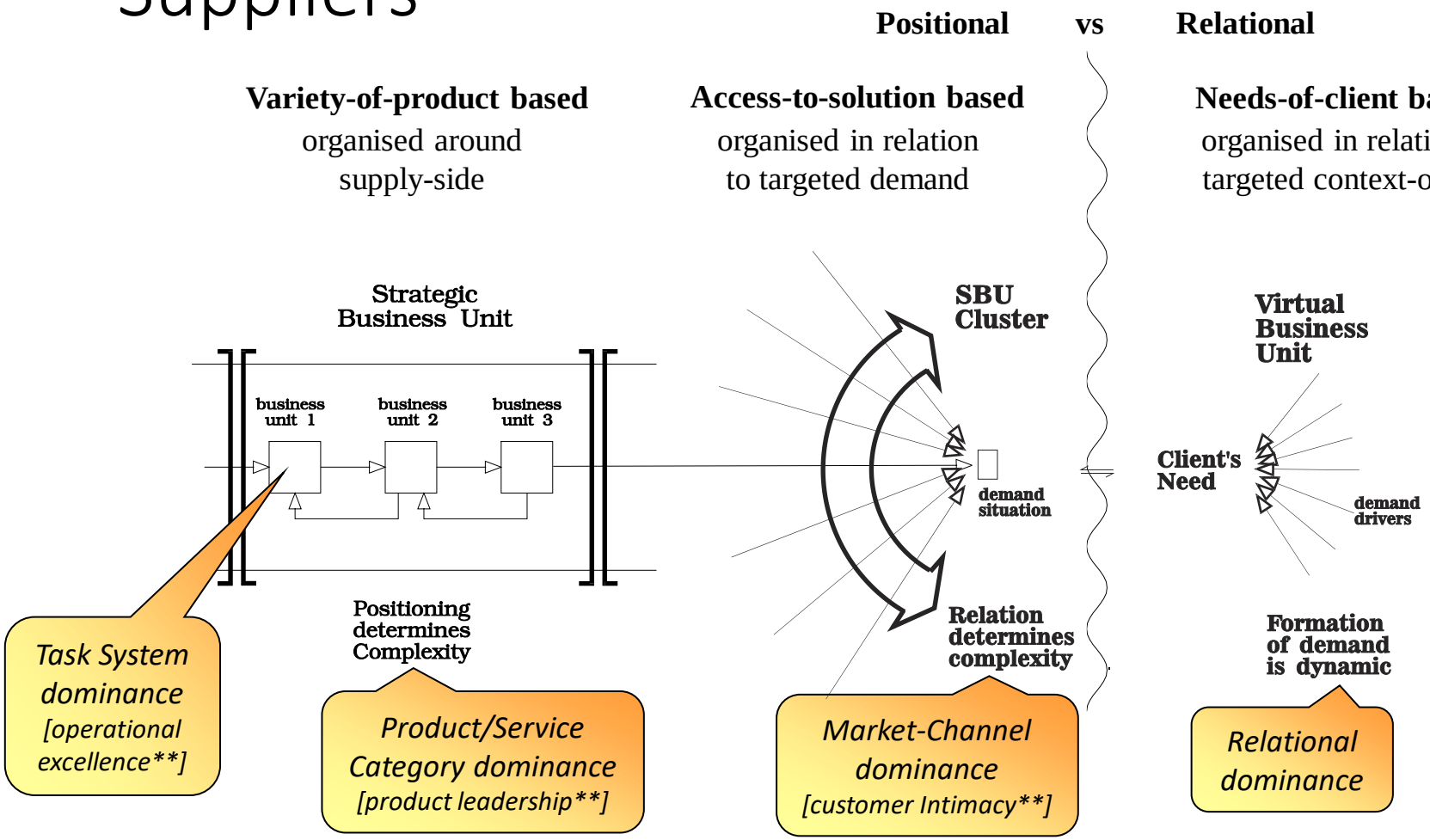
Philip Boxer BSc MBA PhD

November 5th 2019



The challenges created by going ‘Relational’?

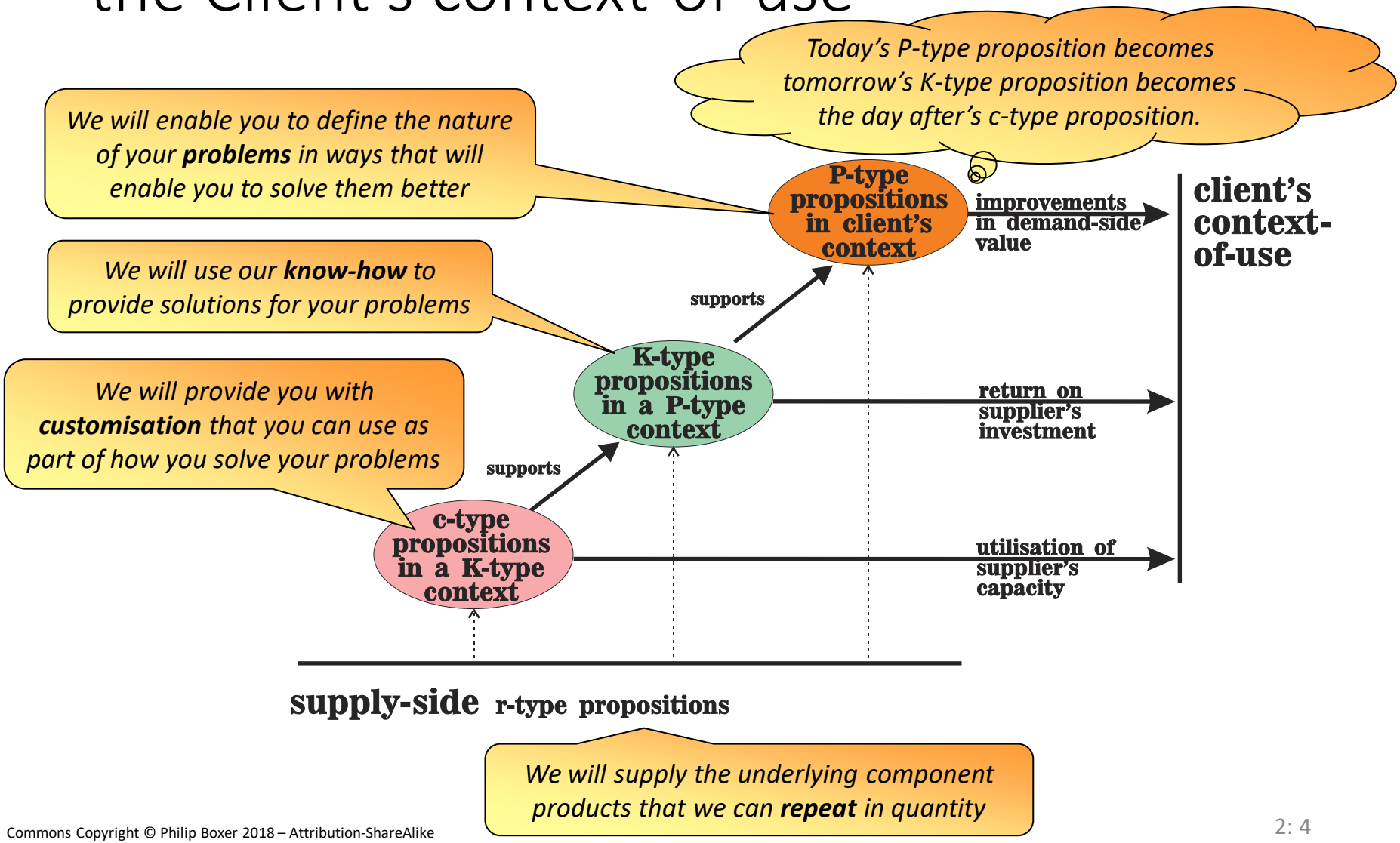
The Positional vs Relational Strategies of Suppliers*



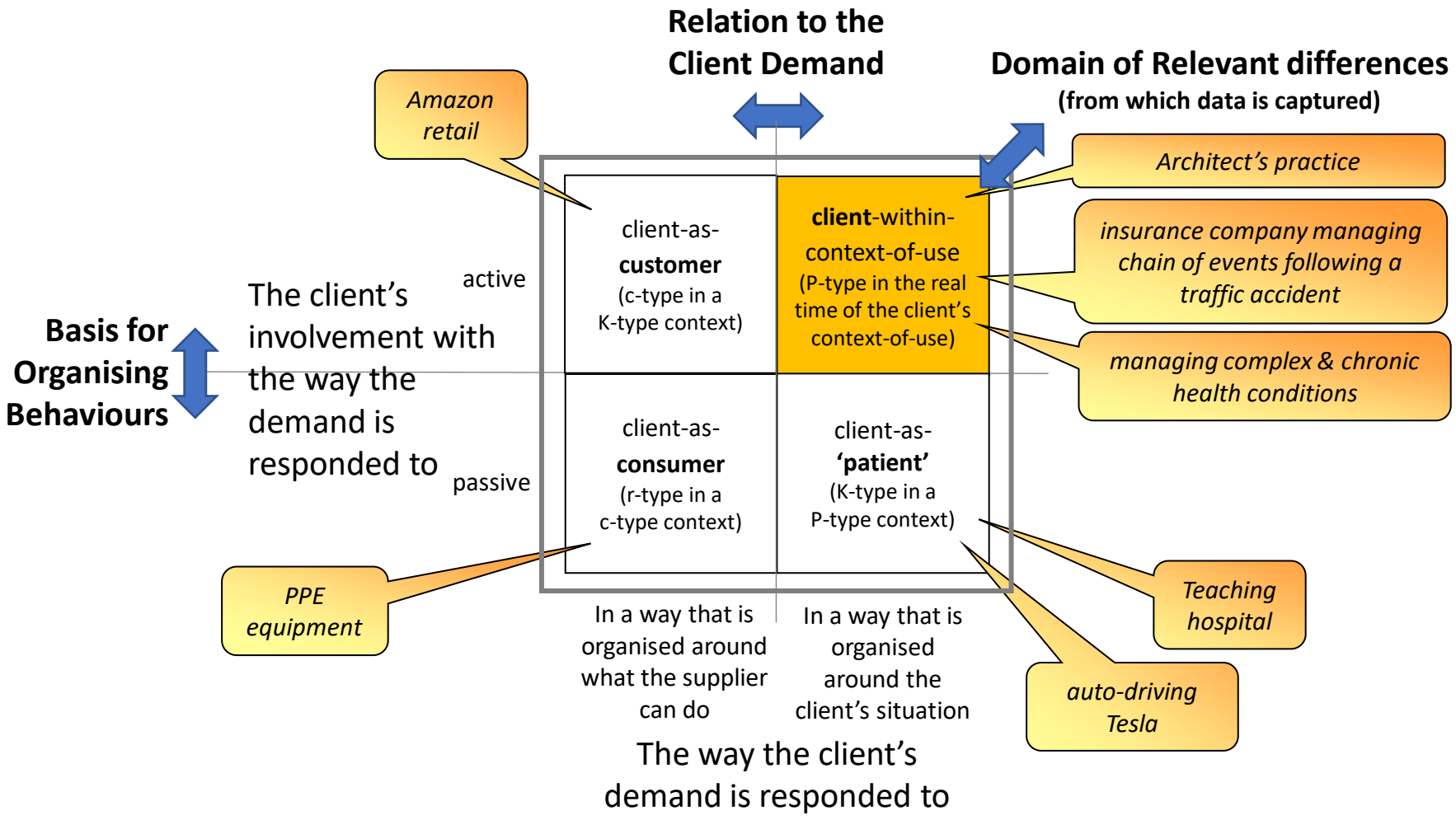
* From Porter, M.E., What is strategy?, in On Competition. 1998, Harvard Business School Press: Boston. p. 39-73.

** From Michael Treacy & Fred Wiersema, Customer Intimacy and Other Value Disciplines. Harvard Business Review Jan-Feb 1993

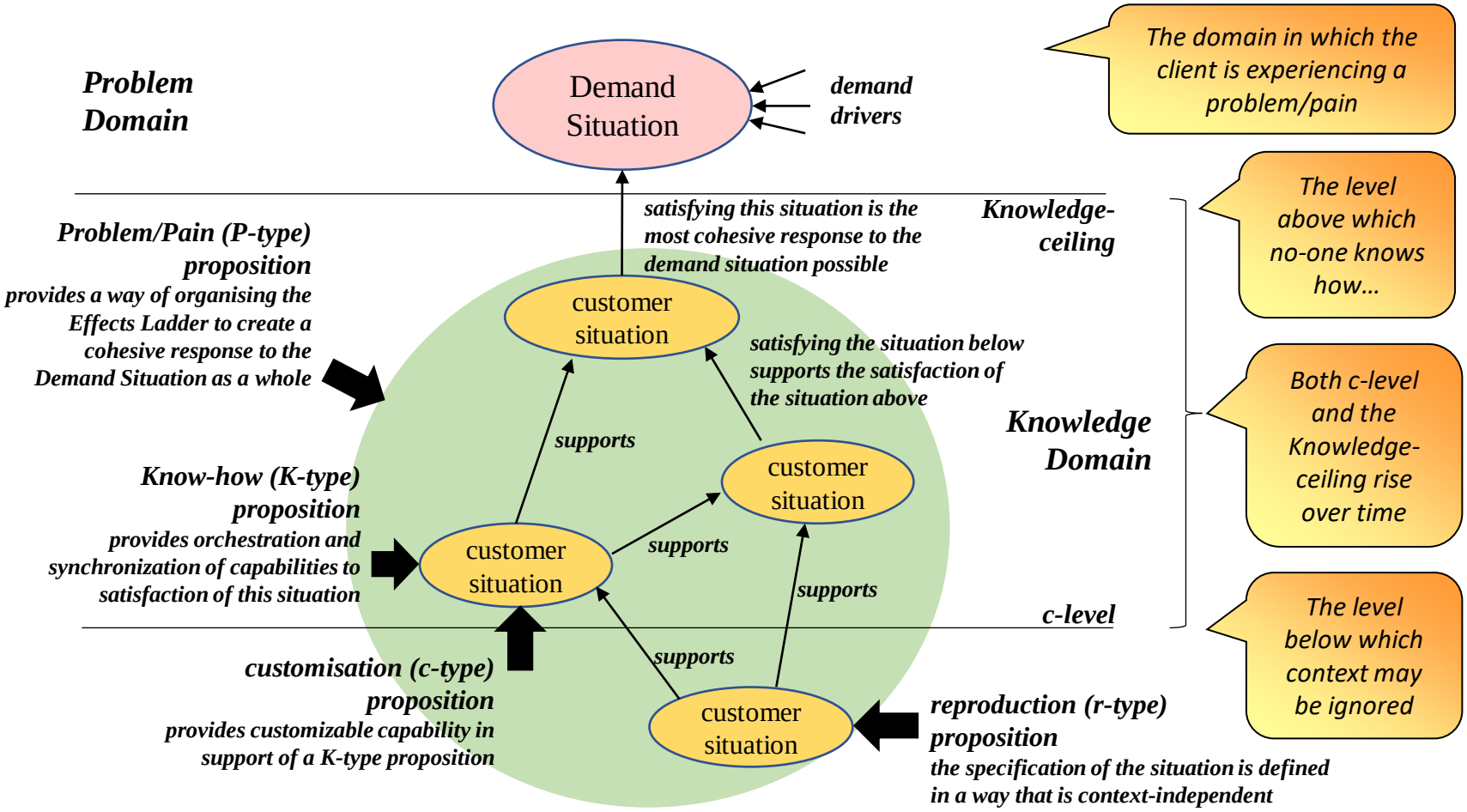
Value Propositions and their relation to the Client's context-of-use



Which kind of relationship is the basis of value creation?

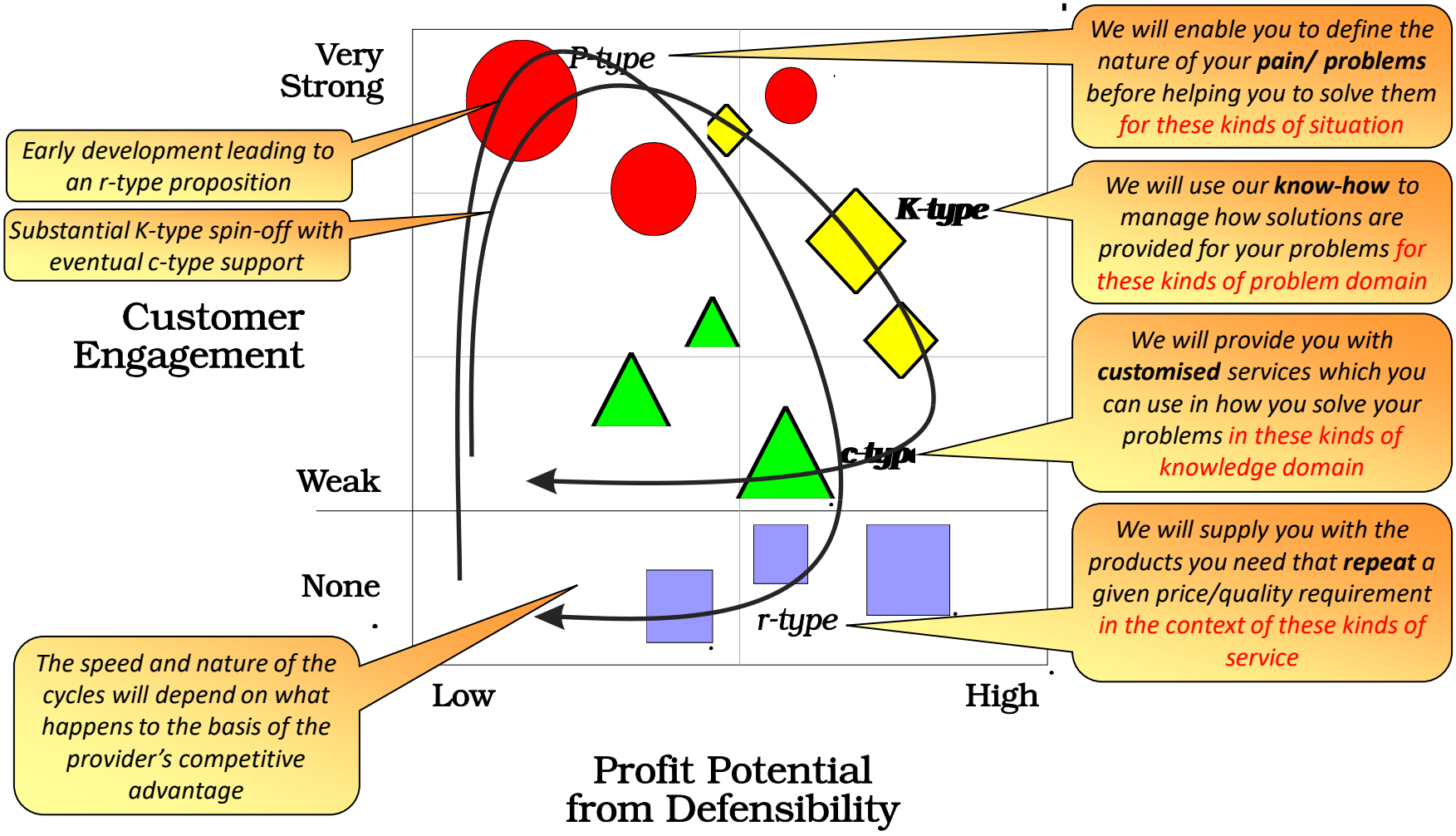


Relationship of rcKP-services to the client's context-of-use (the effects ladder)

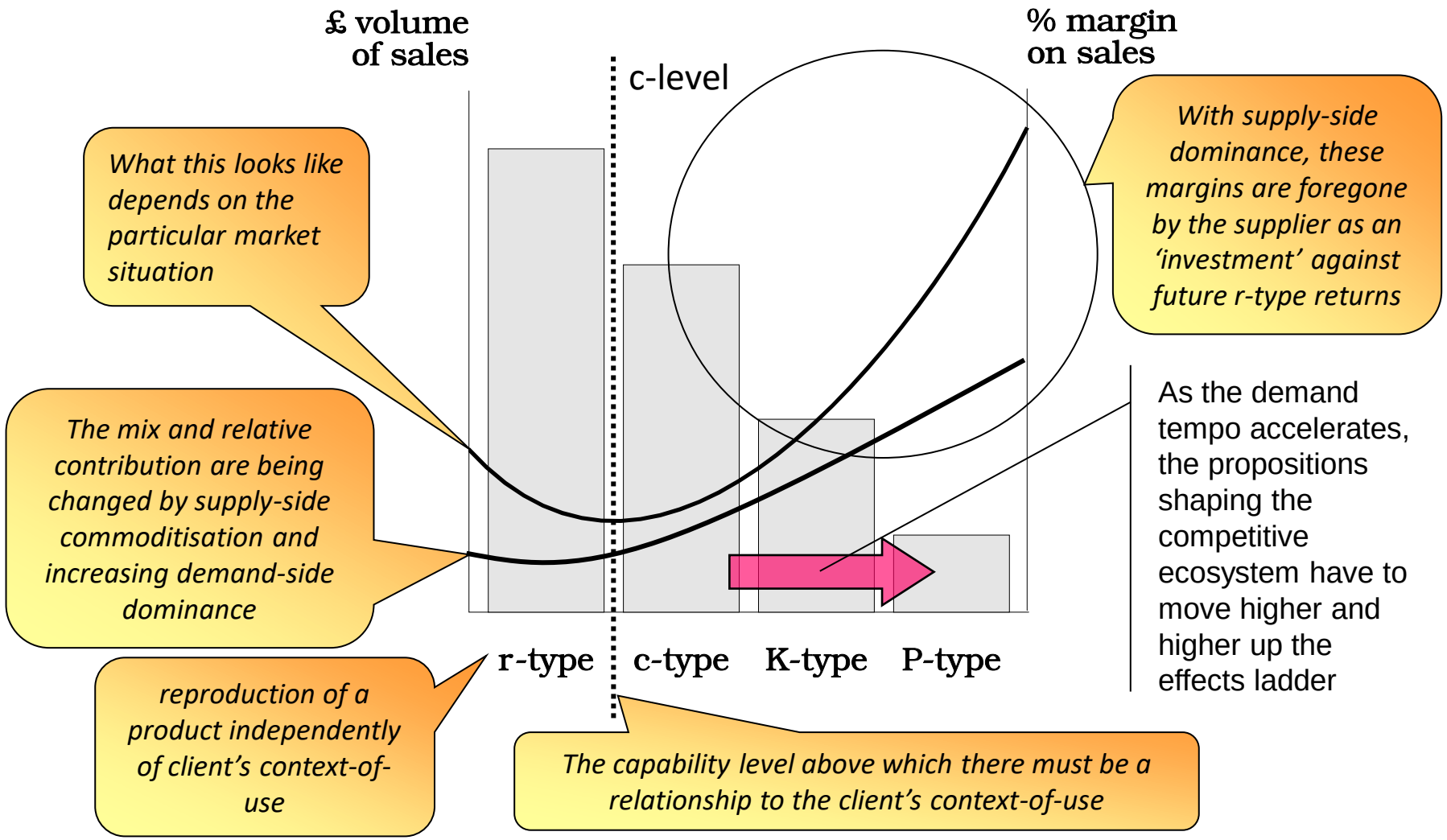


How does knowledge diffusion change the ways in which a supplier can capture value created?

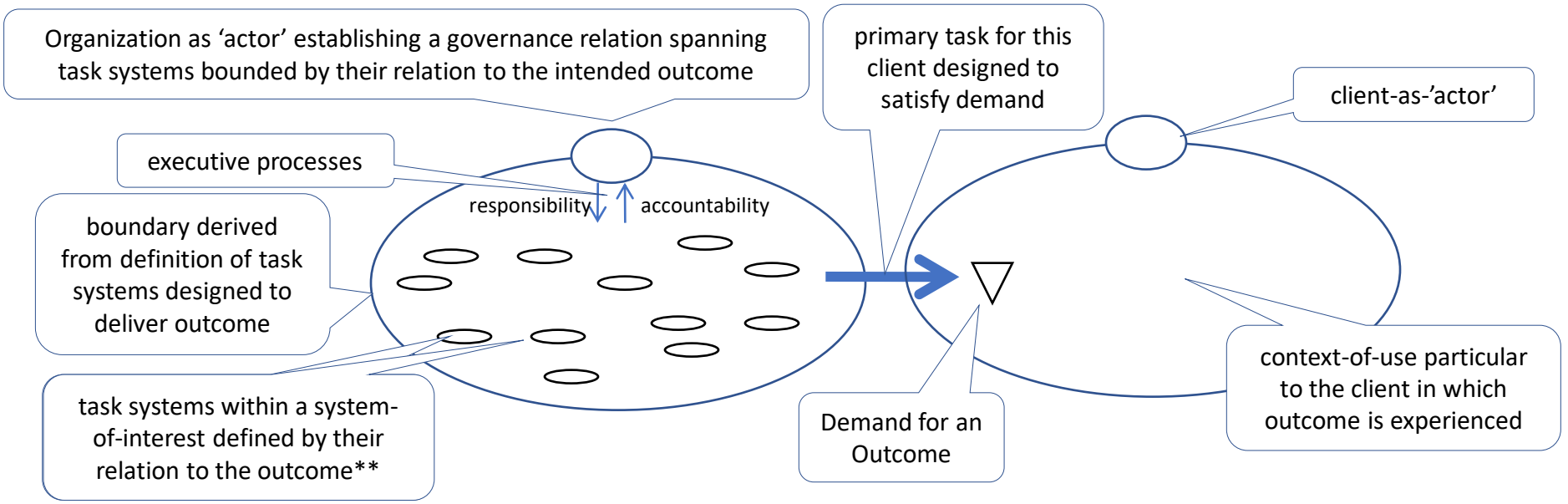
The life-cycle of different kinds of value proposition from the supplier's perspective

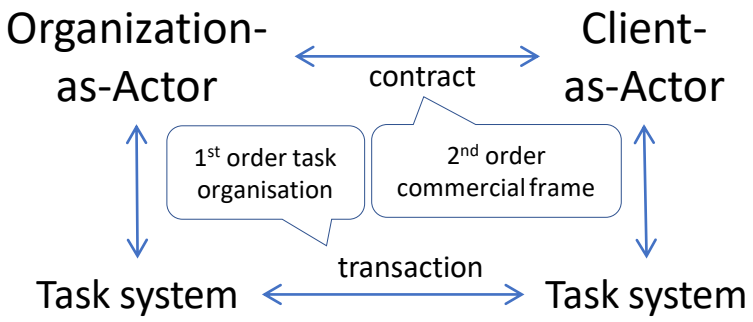


Shaping the Proposition Mix



Distinguishing the commercial frame and task organisation*

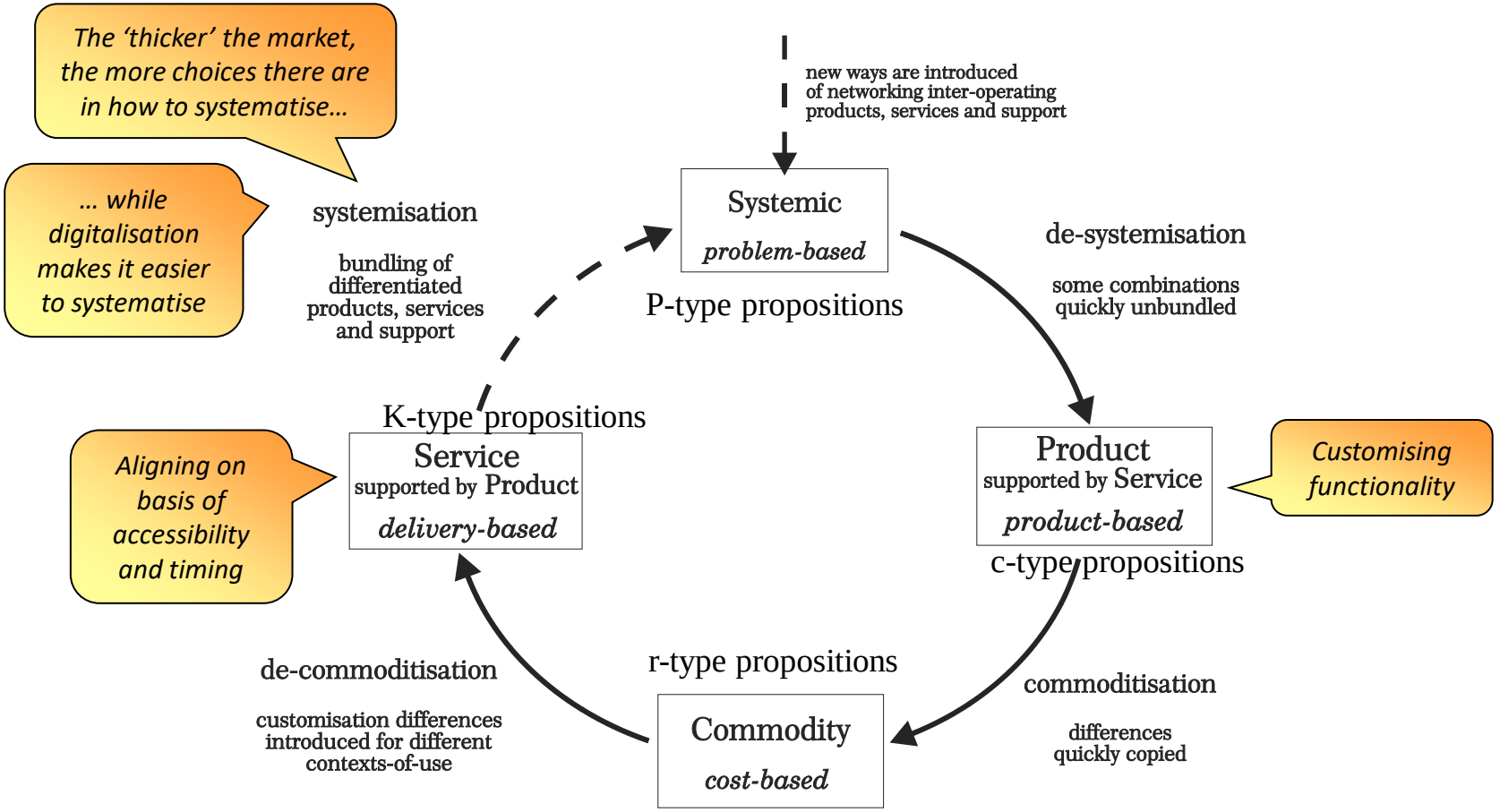




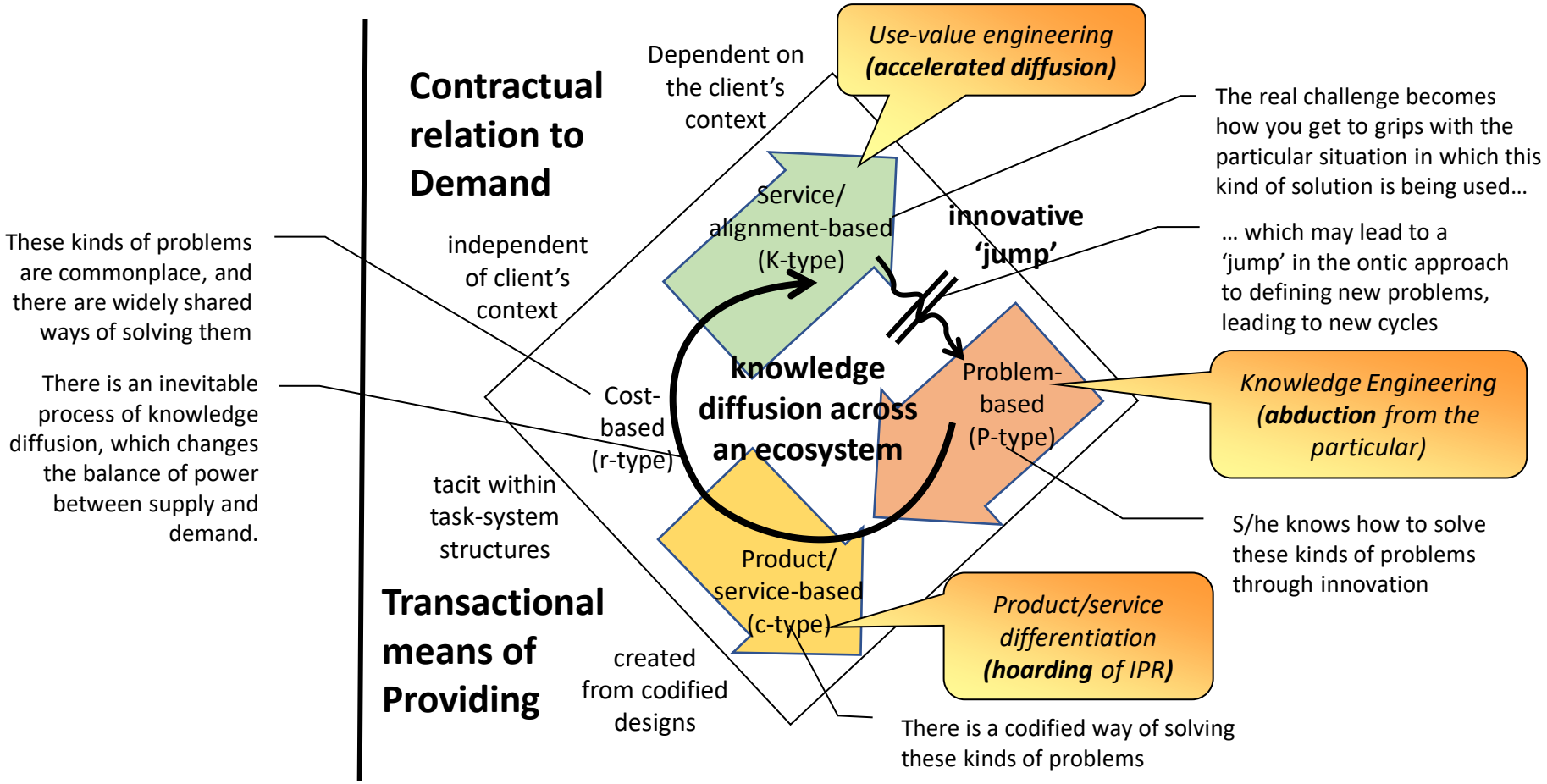
** See Ryan, A. (2006). "Emergence is coupled to scope, not level." Complexity - Complex Systems Engineering **13**(2): 67-77.

* See Baldwin, C. Y. (2007). "Where do Transactions come from? Modularity, transactions, and the boundaries of firms." Industrial and Corporate Change **17**(1): 155-195.

The role of bundling and unbundling in the development of propositions

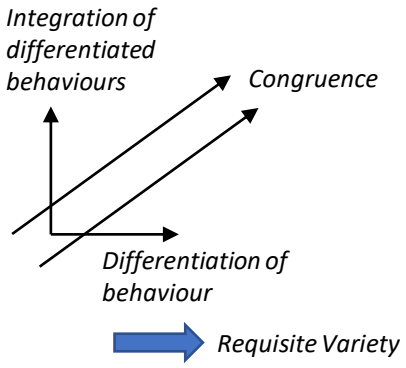


The impact of Knowledge diffusion on the life-cycle



See Boisot, M. (1994). Information and Organizations: the Manager as Anthropologist. London, Harper Collins. and Boisot, M. and L. Xiaohui (2009). Competing and Collaborating in Networks: Is Organizing Just a Game? Strategic Networks: Learning to Compete. M. Gibbert and T. Durand. Malden, Massachusetts, Wiley-Blackwell: 151-169.

The value stairs as a way of defining the conditions under which value can be captured



Lawrence, Paul R., and Jay W. Lorsch. 1967. 'Differentiation and Integration in Complex Organizations', Administrative Science Quarterly, 12: 1-47.

Understanding span-of-complexity

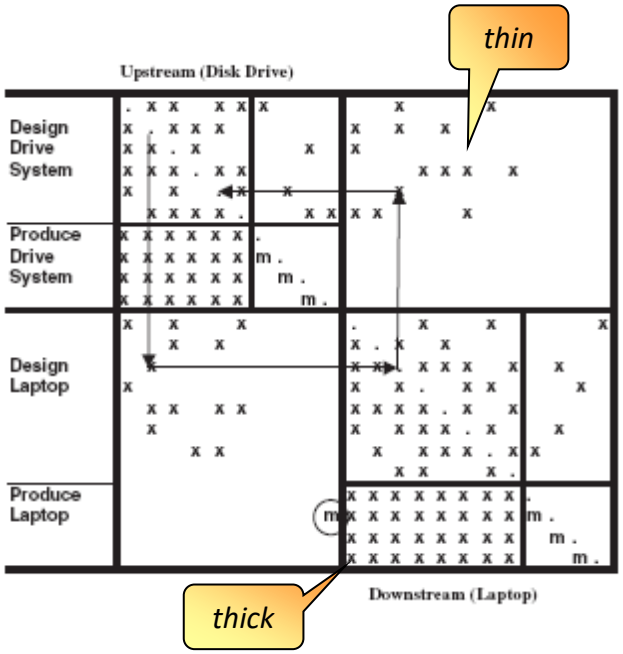
Design Structure Matrix (DSM) Analyses

A DSM can be derived from the modeling of task networks.

thin crossing point - the juncture of the two subnetworks, within each one of which most task-relevant information is hidden, and between which only a few, relatively simple transfers of material, energy and information need to pass.

thick crossing point – a crossing point that is not thin, for which there are two extreme transaction designs, which are respectively minimal and maximal in terms of mundane transaction costs.

Across this boundary there are a range of possibilities, from formal to relational contracting, to creating a transaction-free space through an appropriate form of encapsulation. Such possibilities reduce opportunistic transactions.



	transactions	contracts
Thick crossing point	Multiple complex circular interactions	Encapsulated (within transaction-free system)
		Relational contracting
Thin crossing point	Relatively few simple linear interactions	Formal (contingent contracting)

As the crossing points become thicker, so more complex contractual approaches have to be used

From: Baldwin, C. Y. (2007). Where do transactions come from? Modularity, transactions, and the boundaries of firms. *Industrial and Corporate Change* , 1-41. For the foundational work on the nature of the firm *per se*, see Coase, R. H. (1937). "The Nature of the Firm." Economica 4: 386-405.

Understanding how requisite variety is operationalised - Levels of span-of-complexity*

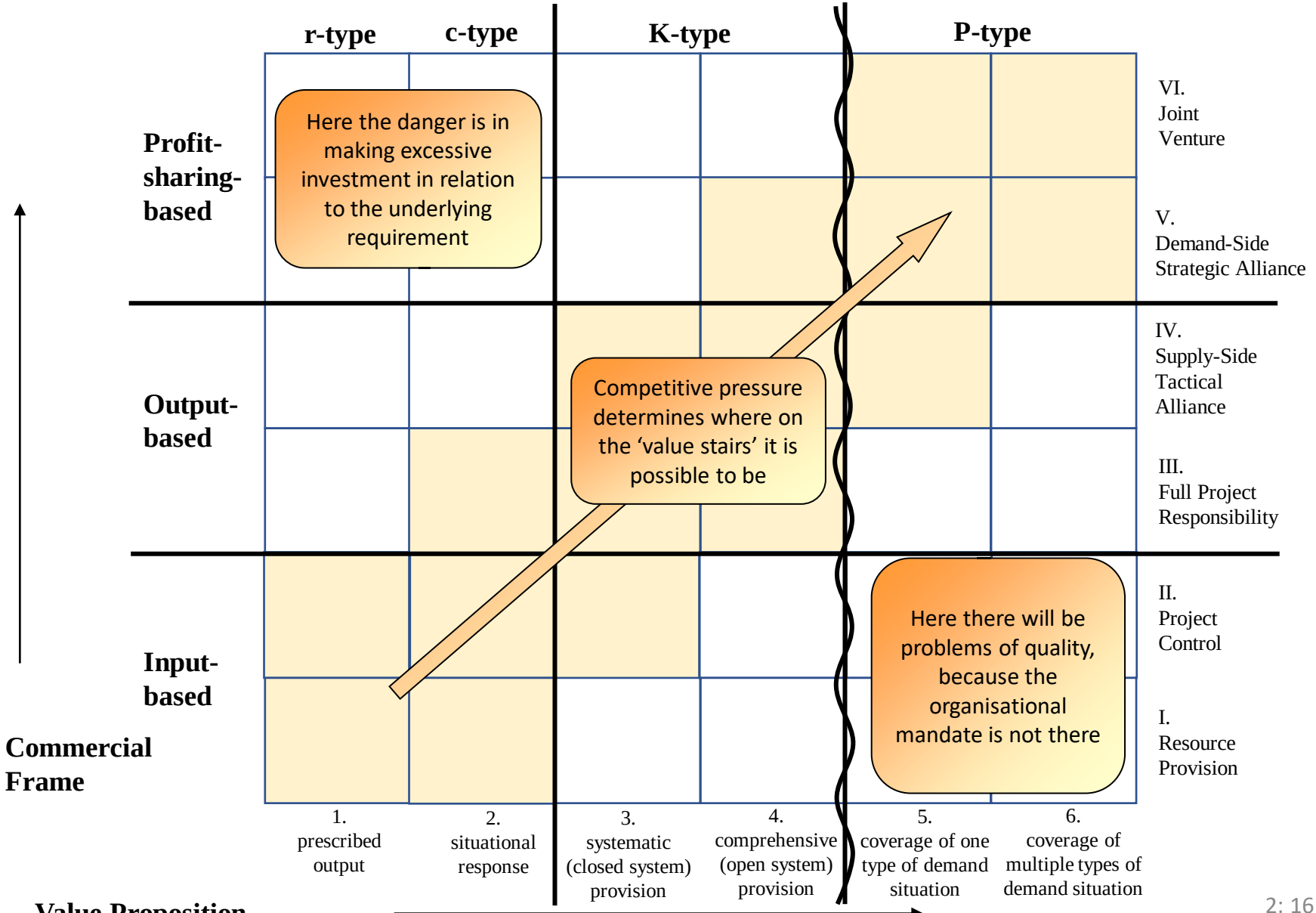
* from Jaques, E., R.O. Gibson, and D.J. Isaac, eds. Levels of Abstraction in Logic and Human Action. 1978, Heinemann: London.

7. **Total coverage** - state and disseminate the values of the whole; consider how these values may best be expressed in contexts with different value systems and different social and political economies; design contexts for the future of the whole in places or activities that may appear peripheral but will eventually be sources of strategic advantage; sustain the whole by producing new strategic units by acquisition, mergers and joint ventures and divesting where appropriate.	Board Governance of the whole
6. **Multi-field coverage** - monitor, obtain and shape intelligence about external contexts; protect the strategic units against excessive turbulence, alerting them of opportunities and likely pressures; representing the organisation in external contexts; judge priorities for corporate investment.	P-type problem-based (Problem)
5. **Field coverage** - represent the organisation to the external context; act as the source of the mission and as the source of both current and new technologies; relate the separate activities of level 4.	
4. **Comprehensive provision** - coordinate and supply resources for the practices that are already in place; develop new systems or practices; meet changes in purpose; terminate those means that are no longer realising the purpose.	K-type solution-based (Know-how)
3. **Systematic provision** - imagine all the possible practices and systems that might be used; select those that are appropriate in the light of local conditions; make the most of the people, the finances and the technologies in order to realise those that have been chosen.	
2. **Situational response** - comprehend each particular situation by exploration, imagination and appraisal, and then resolve it; explain why work is to be done in a particular way; explain/demonstrate how a particular task is to be done.	c-type product/service-based (customized)
1. **Prescribed output** - use expertise in practical judgement in such a way that resources of time, skills, equipment and materials are not wasted or misused.	r-type cost-based (reproduction)

Only needs-based approaches are driven by demand-side individual customer/client differences

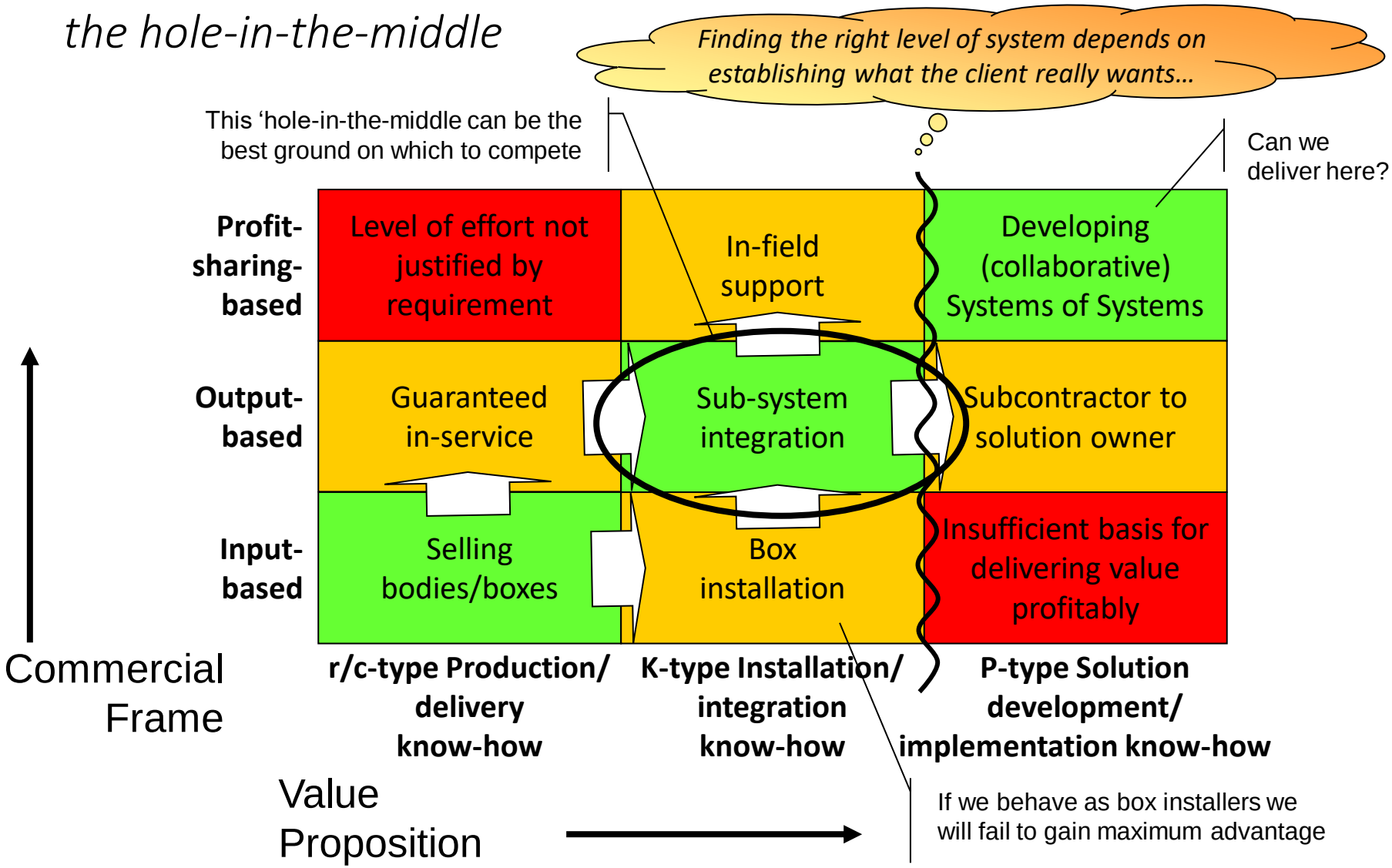
The Executive

But what kinds of Commercial Frame are needed?

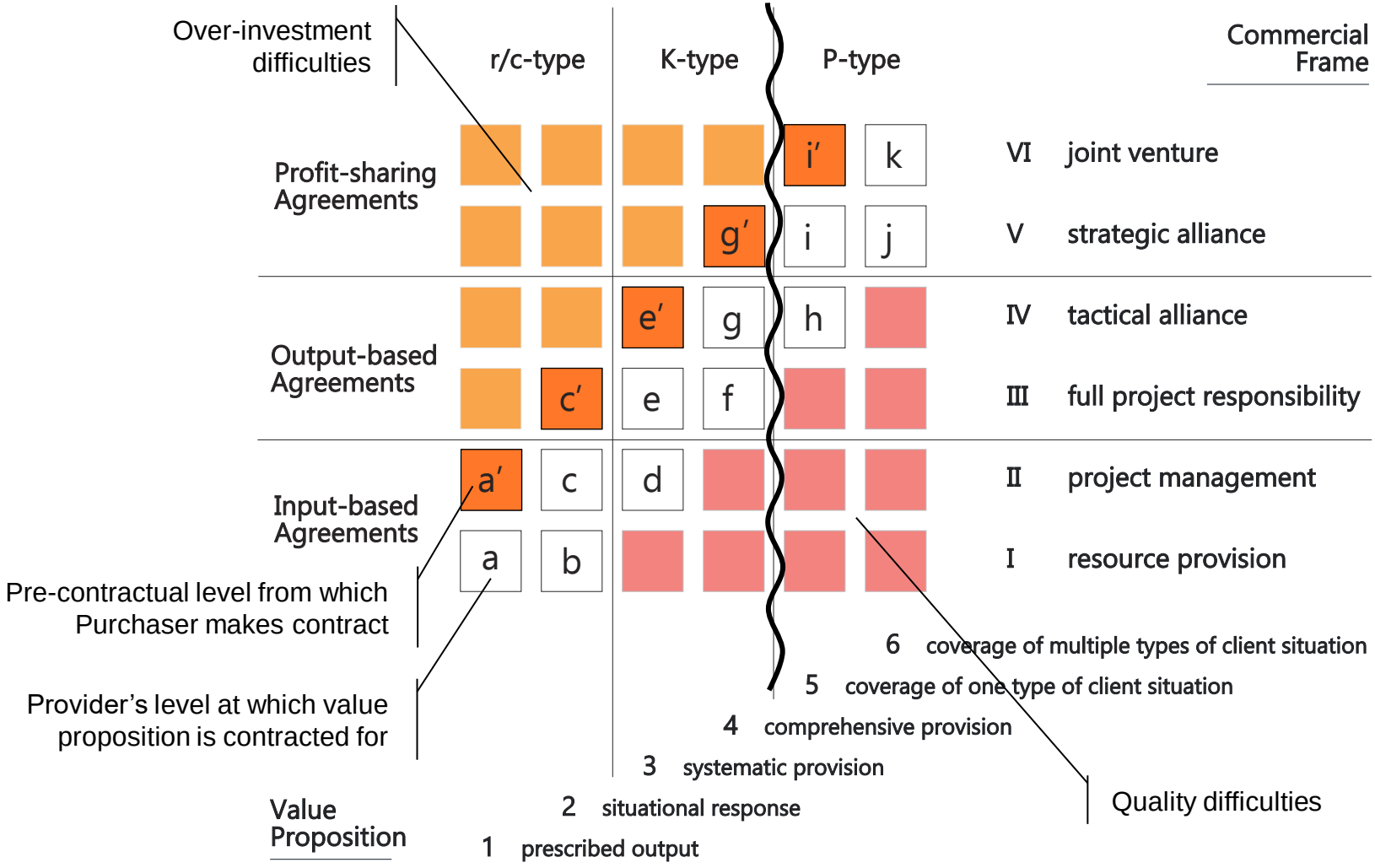


Sustaining the right level on the 'value stairs'

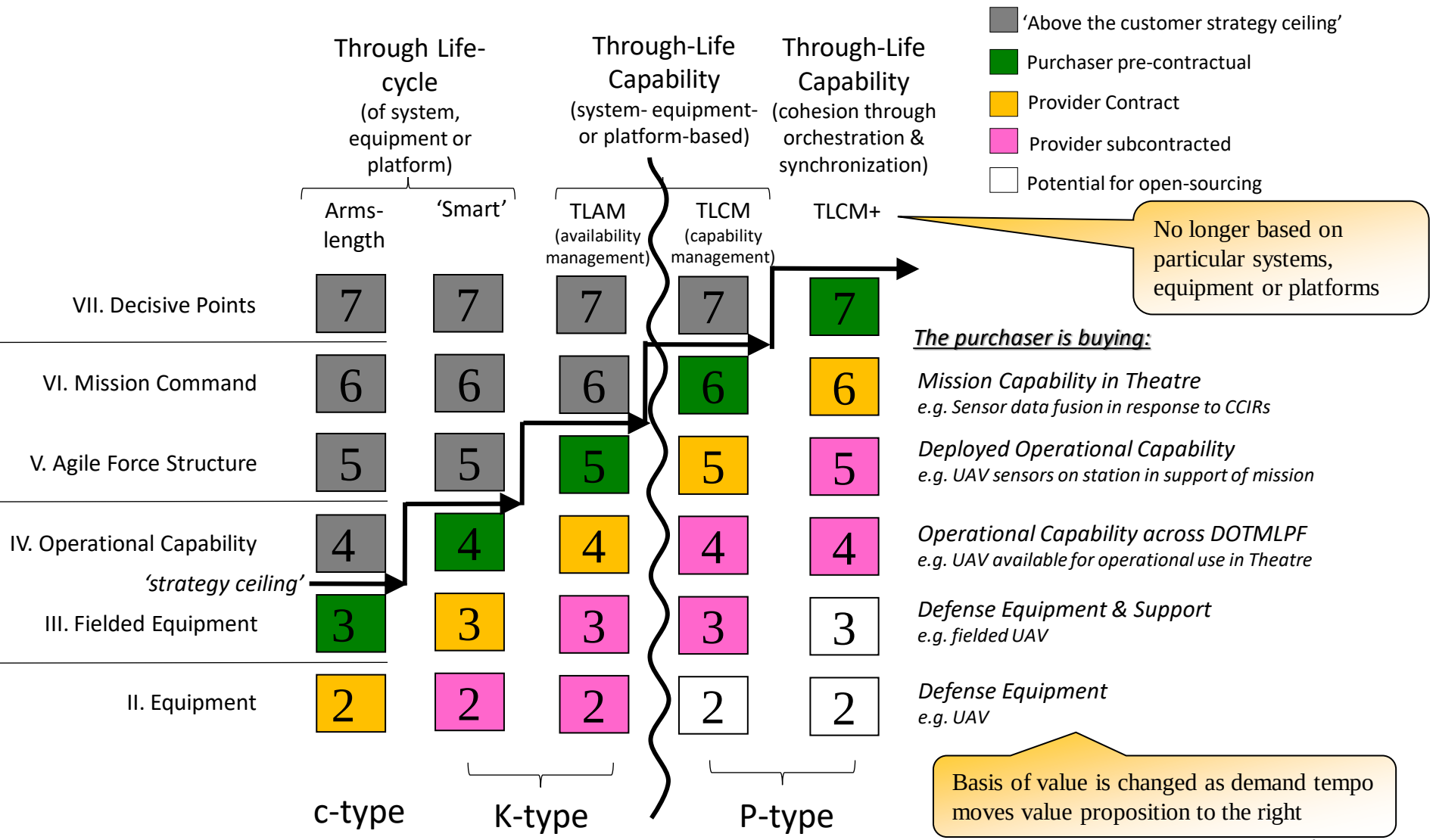
the hole-in-the-middle



Taking a client up the stairs means that *their* strategy ceiling is lifting



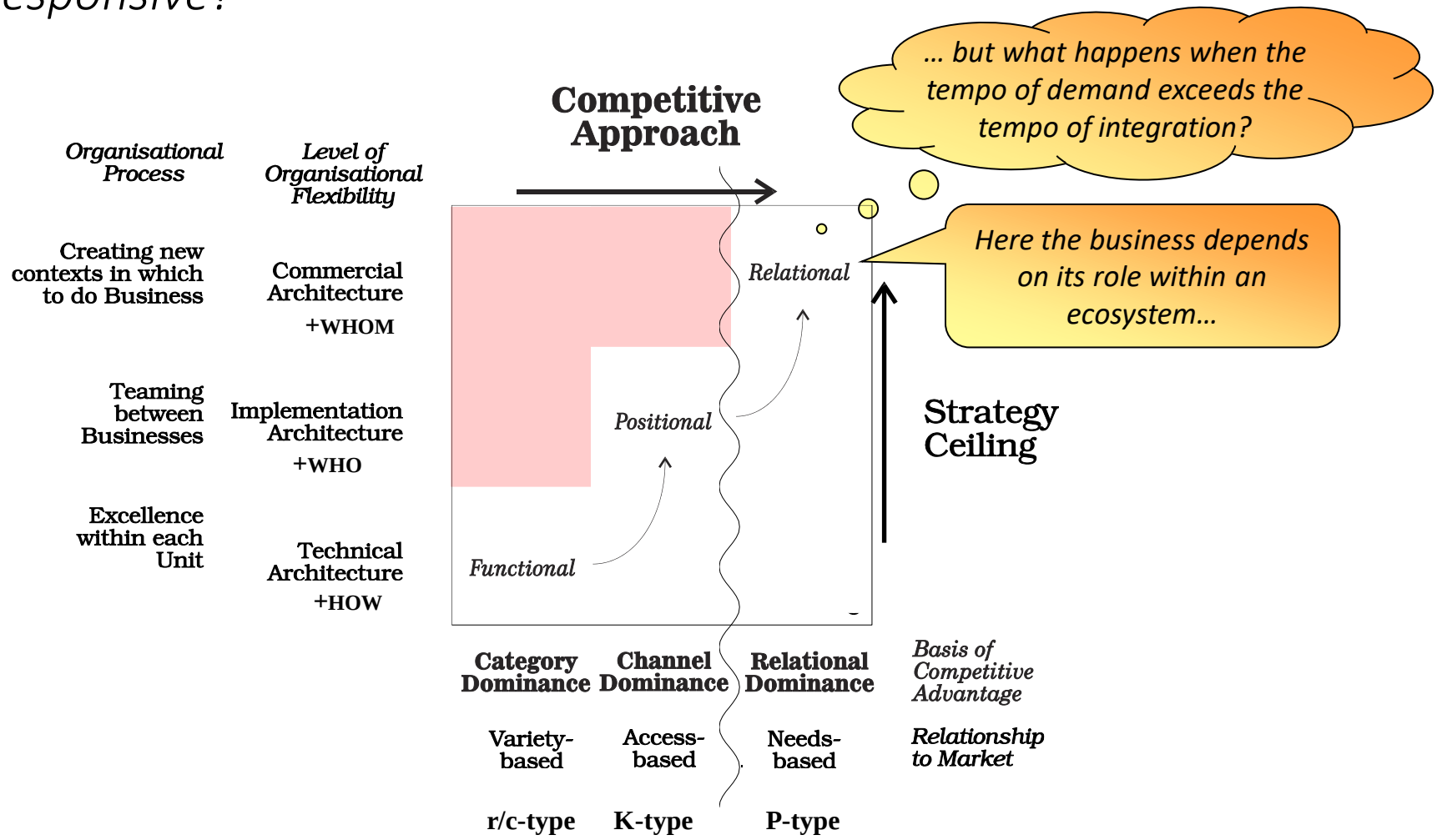
The Value Stairs describe the growing role of the knowledge-based sectors in shaping demand



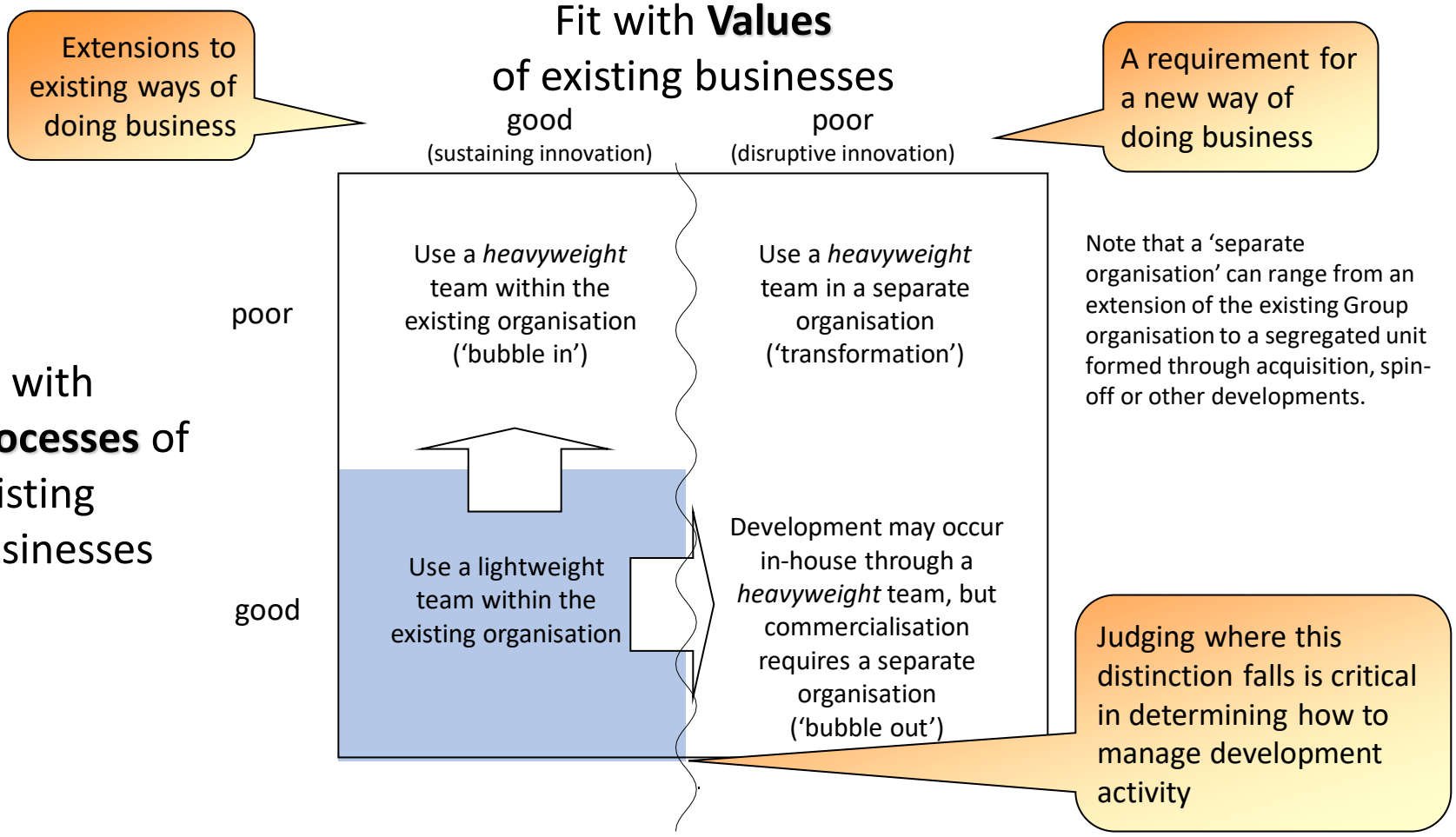
The effects of tempo on the structures of governance

Working up the value stairs…

to what extent must the architectures be competitively responsive?



Developing new ways of doing business in the context of existing business areas



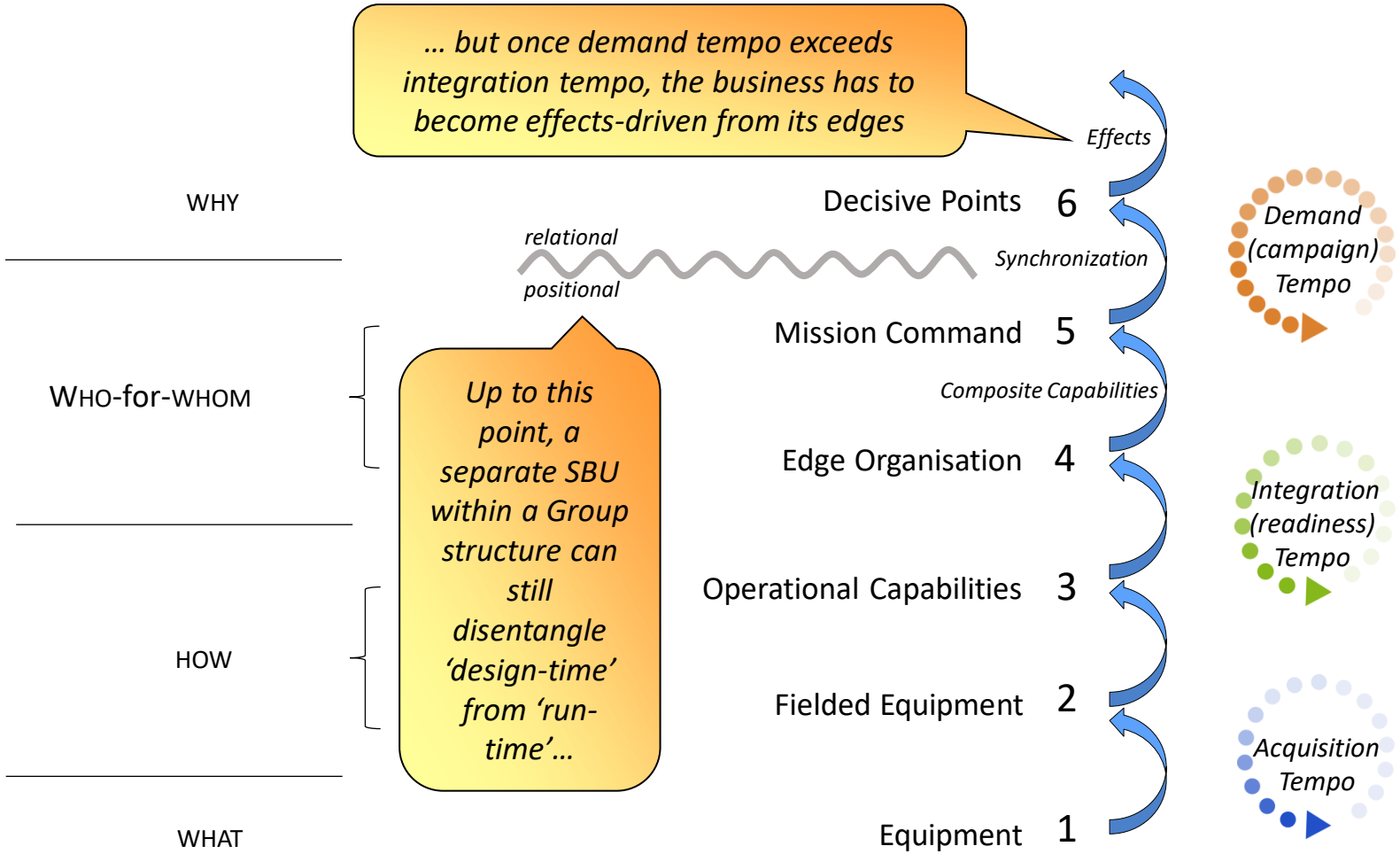
Meeting the Challenge of Disruptive Change. Christensen and Overdorf. HBR March-April 2000

Using Business Units to Develop New Propositions

	Within Professional culture	Within Positional culture	At arms-length from existing cultures
Characteristic	Bubble In	Bubble Out	Transformation
Location of Unit financials **- P&L statements** **- Budgets**	Within an existing Business of the Group.	Outside the existing Business organisation, in a newly defined Strategic Business Unit (SBU), but still within the Group.	Separate Group financial statements and budgeting to reflect financial performance associated with leveraging SBU.
Prime executive reporting structure.	Within an existing Business of the parent company (e.g. Unit leader reports to someone *outside* Group Executive.	New reporting structure attached to current Group (e.g. SBU leader reports to someone *inside* Group Executive.	Executives charged with SBU responsibilities will have seats on Group Executive.
Unit staffing roles & responsibilities	Staff have matrix roles, responsibilities, and reporting within current organisation *and* new Unit.	Staff have new roles, responsibilities, and reporting *only* within new SBU.	Organisation redesigns roles and responsibilities across supply chains to leverage disintermediating effects of SBU.
Unit degree of autonomy	Strategic decisions depend on overall direction of Group. The Unit competes for infrastructure and resources with context of other Business initiatives .	Strategic decision are made *only* within Unit, which is completely autonomous to make infrastructure and resource decisions. Group may retain branding control and year-end profit-taking	SBU is, increasingly, the Group's business and occupies centre in strategic decision making at the Group level.

Source: Meta-Capitalism. G. Means & G. Schneider, Wiley 2000

Dynamic alignment to demand requires stratifying layers of organisation



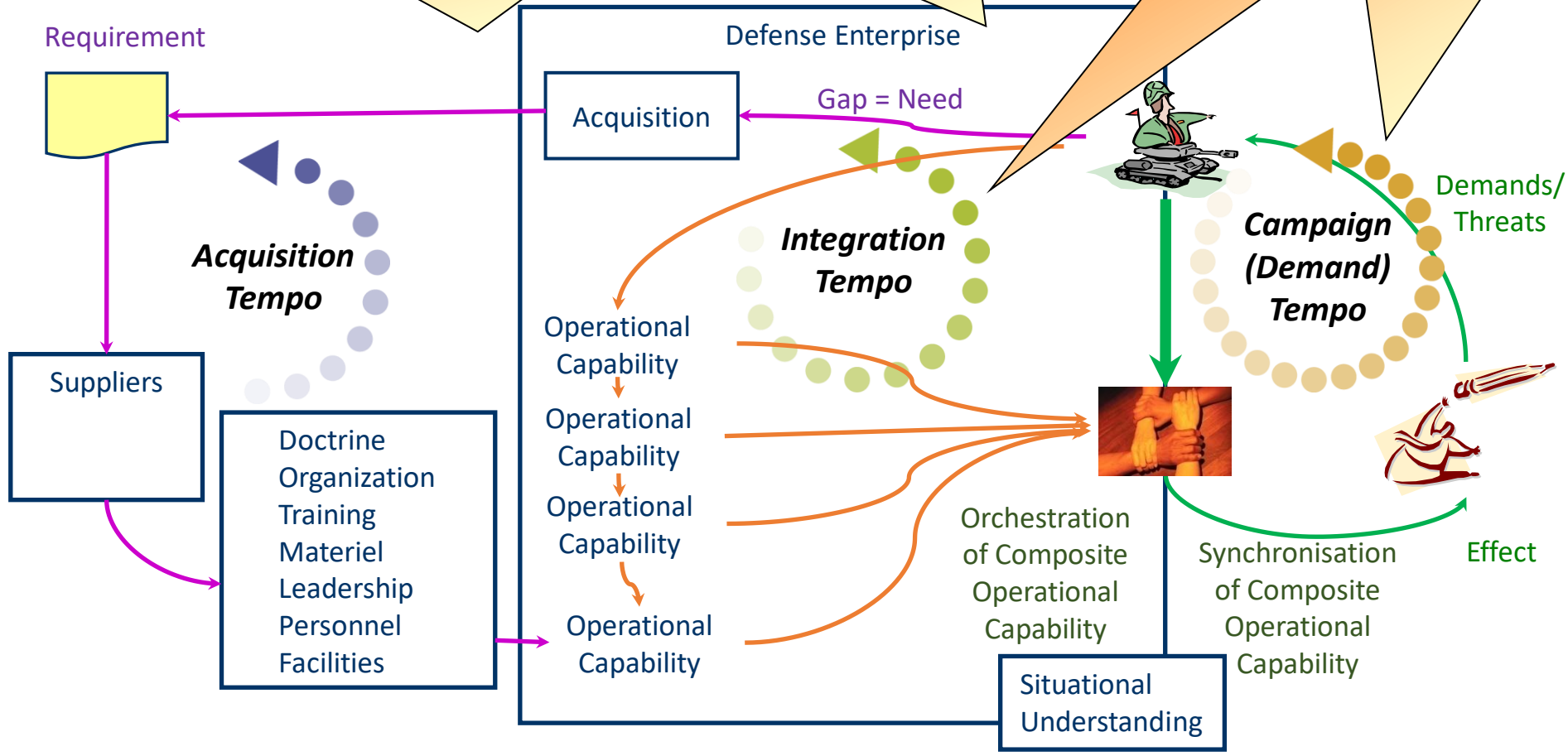
The demand for Tactical Agility:

anticipating the effects of diverging tempos

Divergence of tempos increases demand for Urgent Operational Requirement solutions

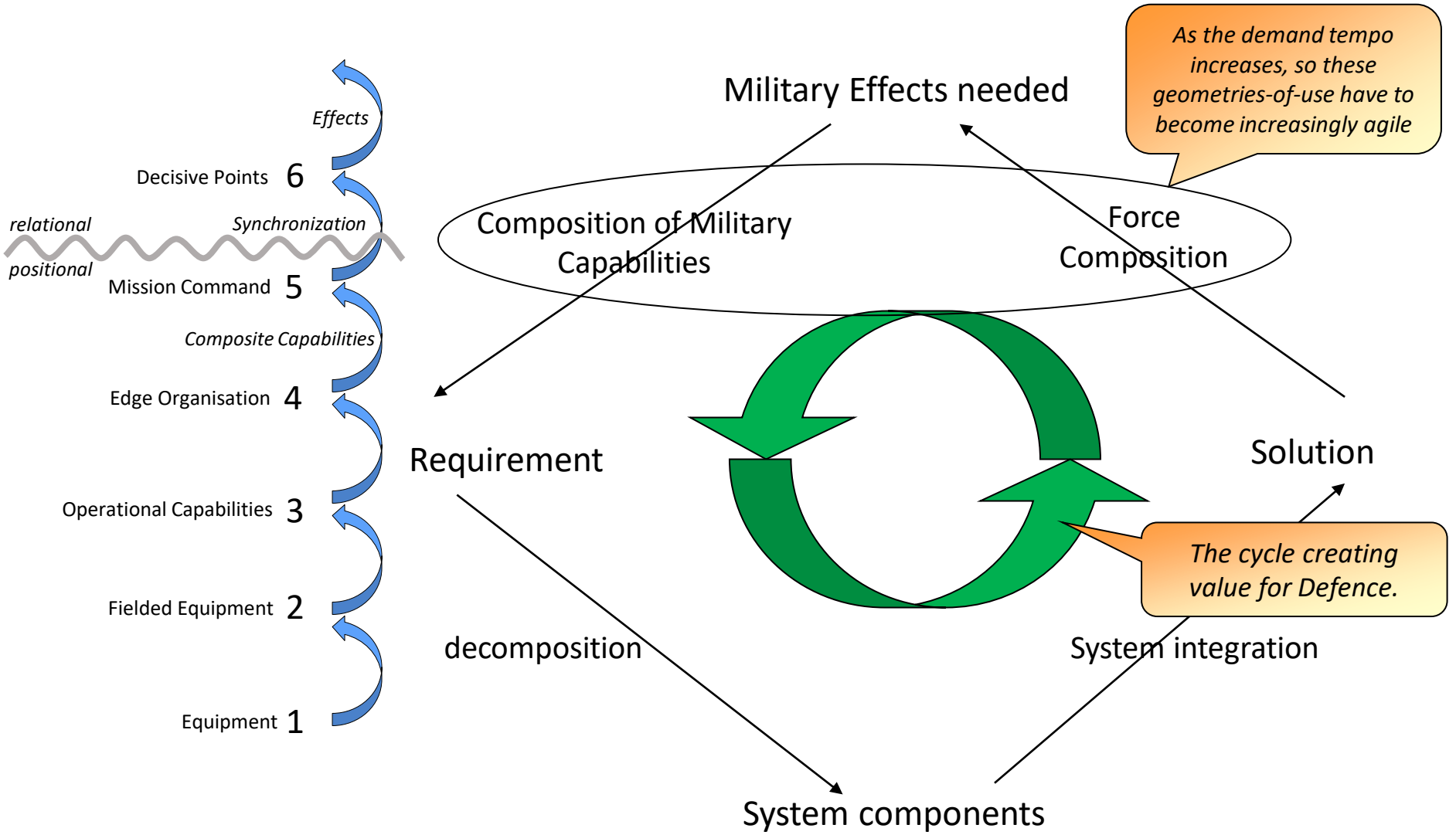
Divergence of tempos increases costs of alignment

Agility means being able to align composite capabilities to demands/ threats at campaign tempo



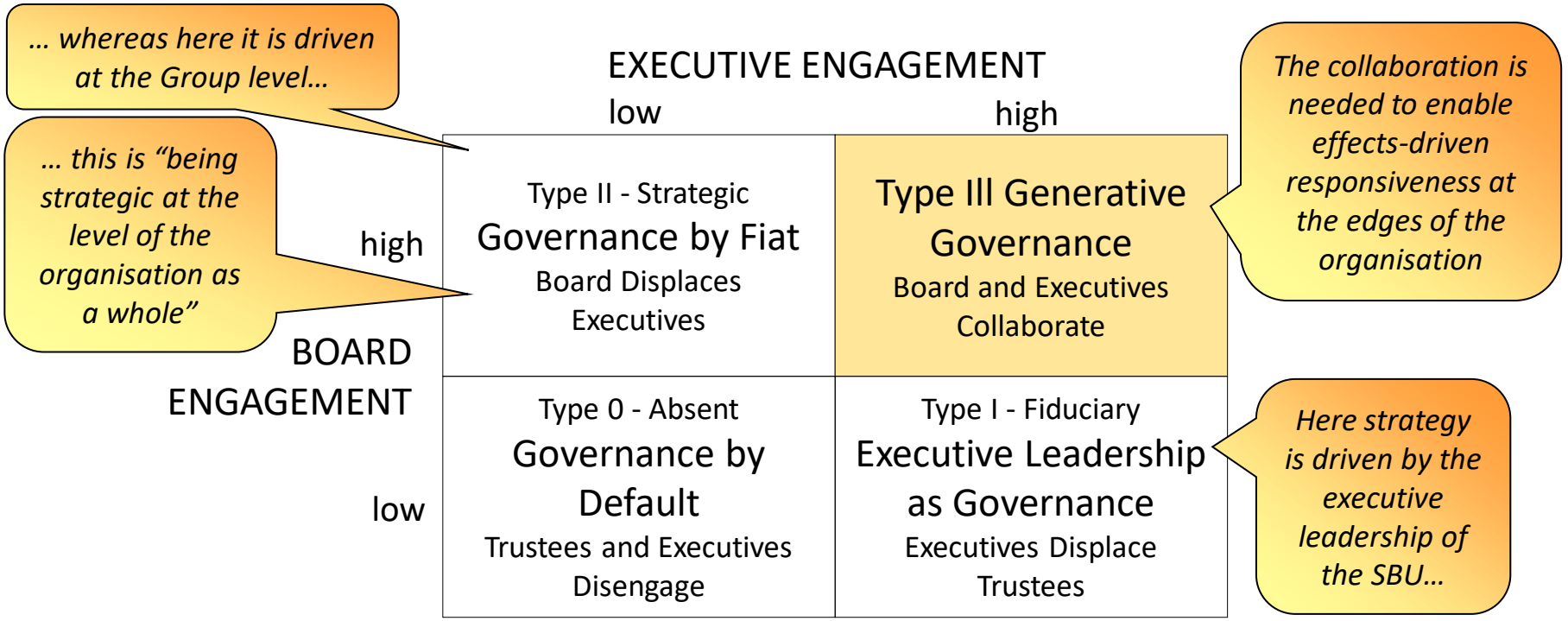
Adapted from: *Appropriate Collaboration and Appropriate Competition in C4ISTAR Transformation*, Dr Nicholas Whittall RUSI 2007

Dynamic Alignment of the Proposition Mix depends on cycling around a ‘double-V’



Learning from the Non-Profits

Generative Governance is needed to enable strategy to be effects-driven from the edges of the organisation

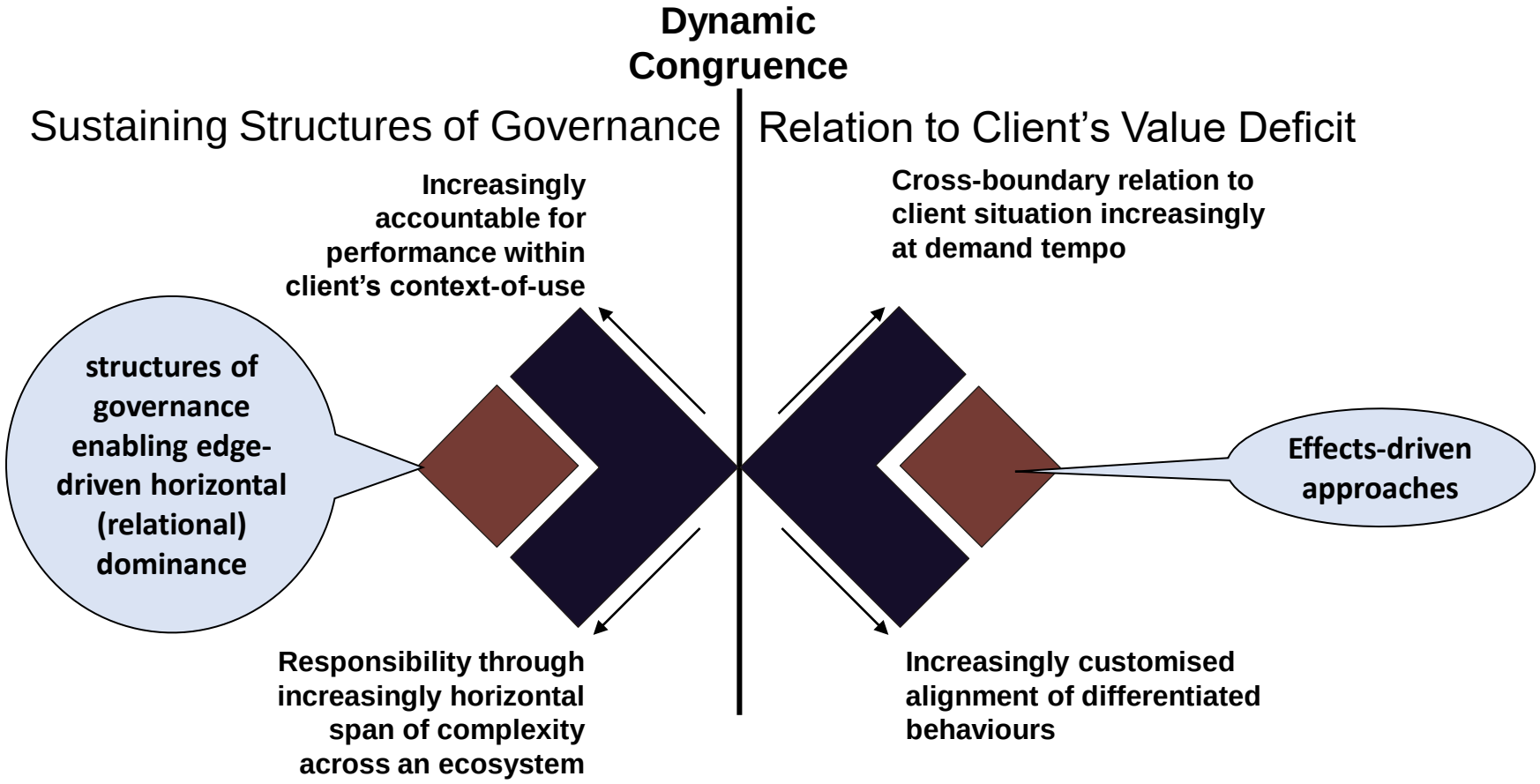


When the engagement of both board and executive in generative work is high (Type III), the result is optimal. The other quadrants depict unbalanced engagements that lead to problematic situations. In Type II, the board commandeers most of the generative work, and imposes the results on the executive. This might be described as governance by fiat. In Type 0, neither executive nor board attend to generative work. This produces generative governance by default, where the generative work of other actors inside and outside the organization (for example, staff, funders, regulators, and industry groups) exert greater influence than board and executive over strategy, mission, and problem solving. In Type I, the executive dominates generative work, which renders leadership as governance.

Source: Chait, R. P., W. P. Ryan and B. E. Taylor (2005). Governance as Leadership: Reframing the Work of Non-profit Boards. Hoboken, NJ, Wiley. EXHIBIT 5.2 GENERATIVE THINKING: FOUR SCENARIOS

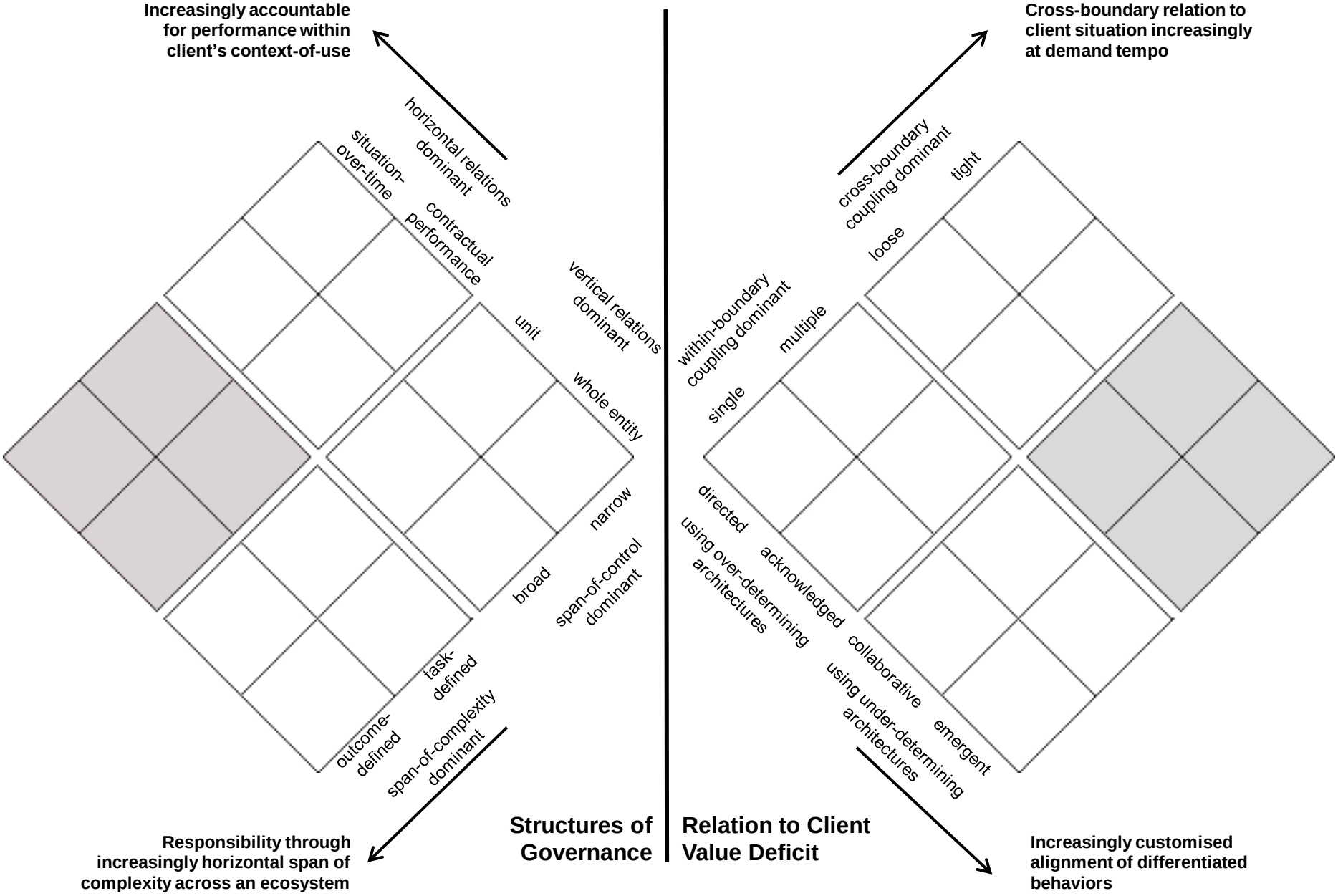
Generative governance faces a double challenge in sustaining dynamic alignment

The Double Challenge in sustaining dynamic alignment

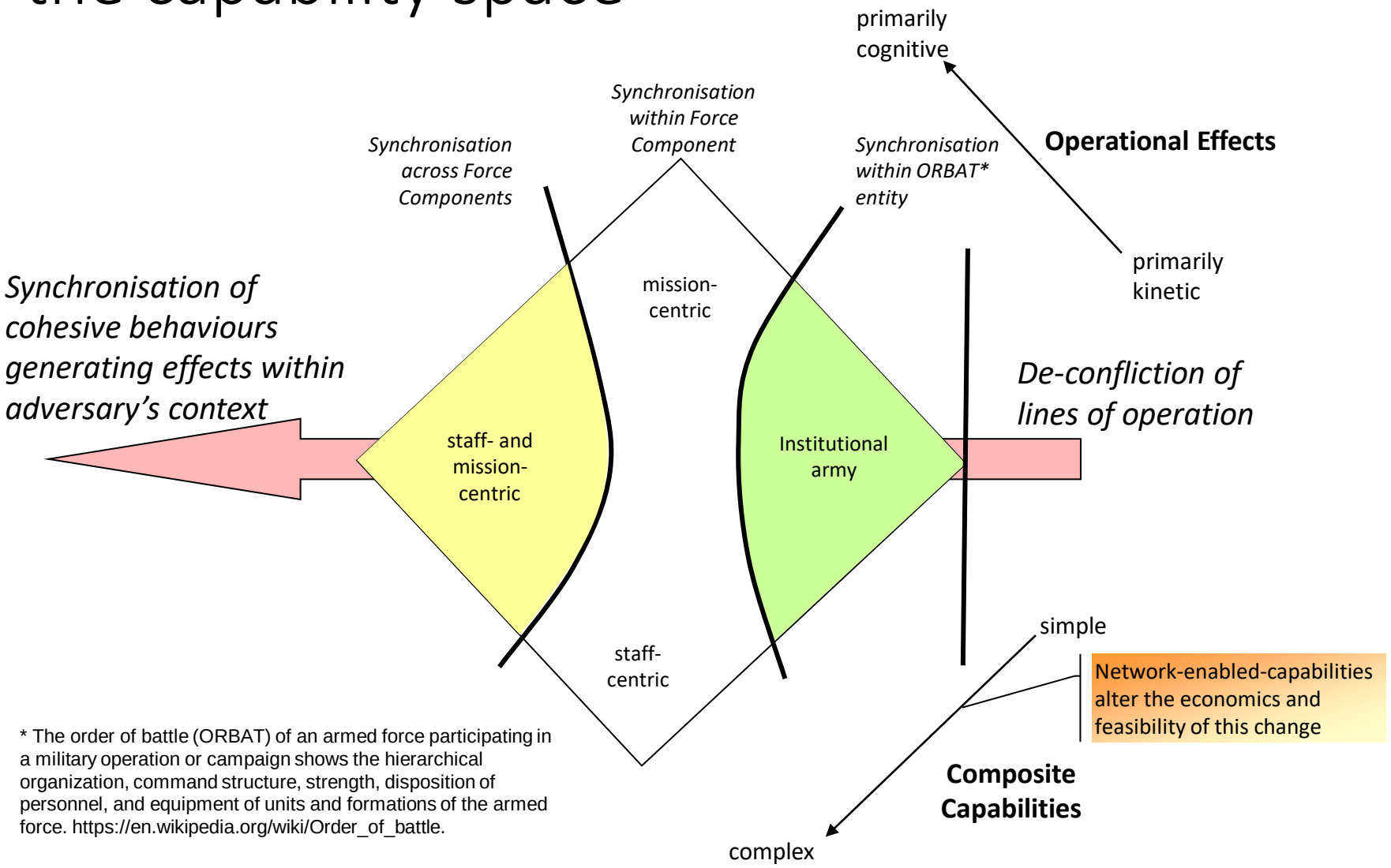


http://www.asymmetricdesign.com/2006/03/the-double-challenge/

v11

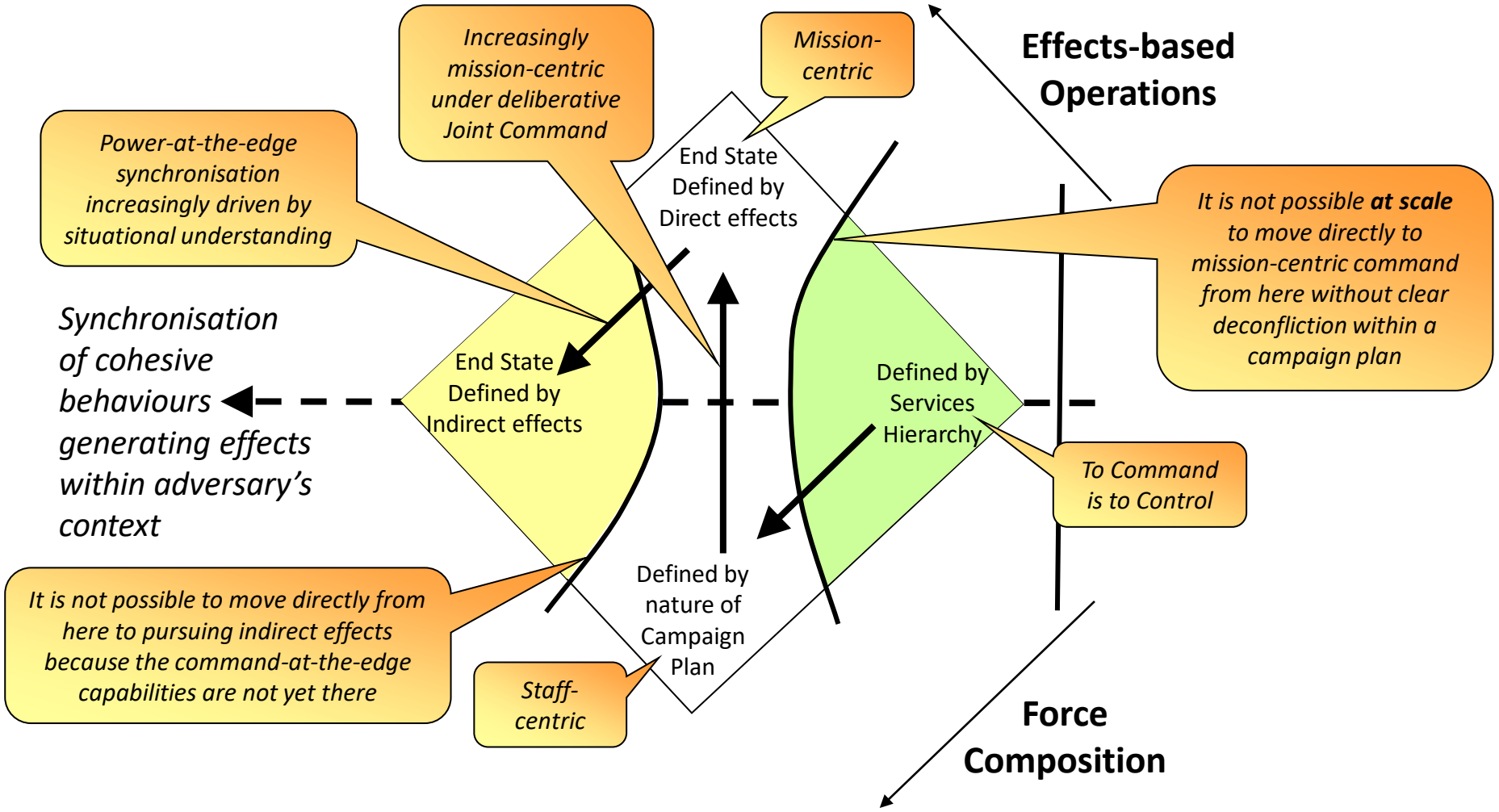


How the Force operates from within the capability space

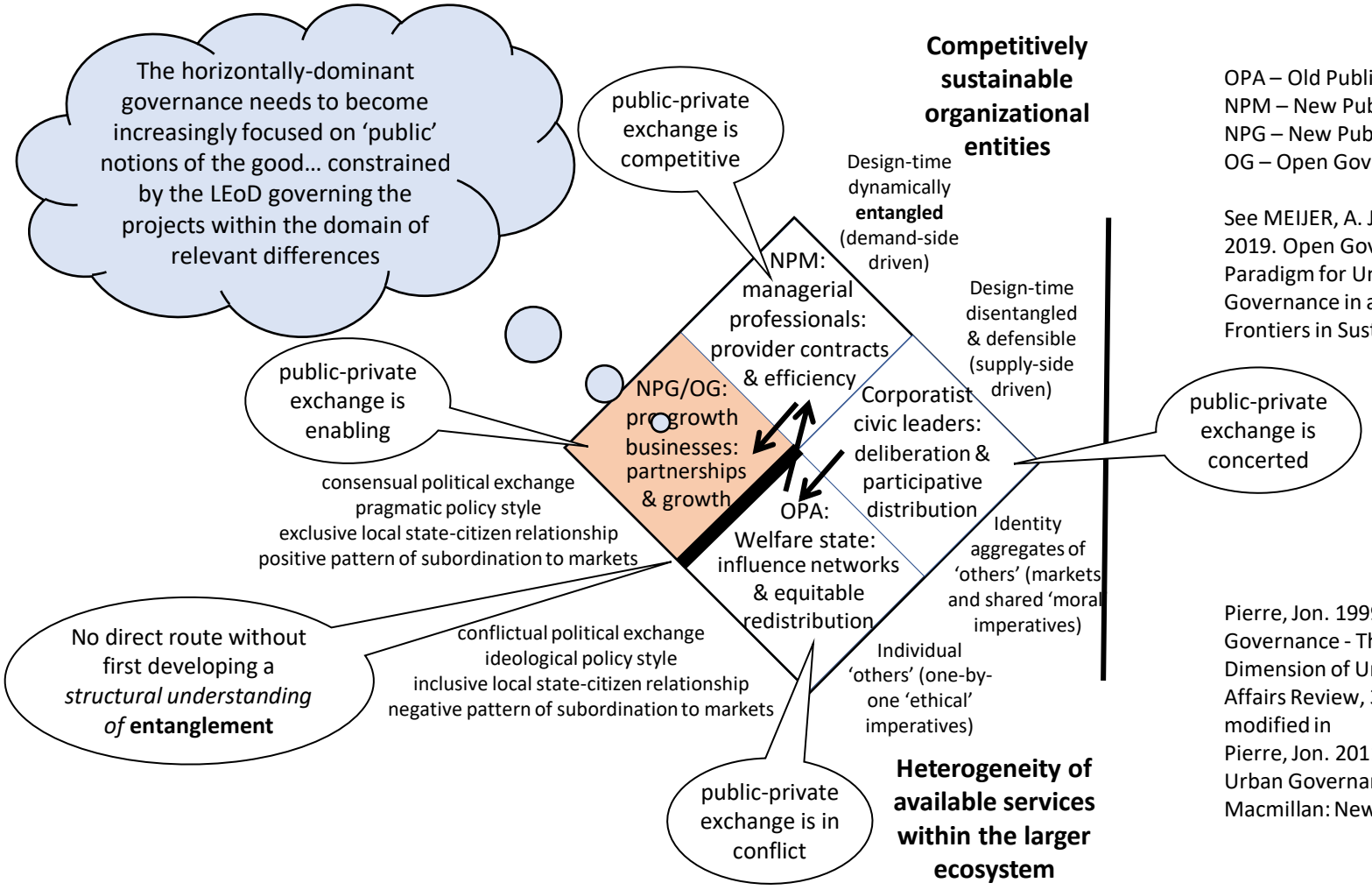


* The order of battle (ORBAT) of an armed force participating in a military operation or campaign shows the hierarchical organization, command structure, strength, disposition of personnel, and equipment of units and formations of the armed force. https://en.wikipedia.org/wiki/Order_of_battle.

Zig-zag evolution of structures-of-governance



Understanding how urban governance supports the demands of citizens within an ecosystem

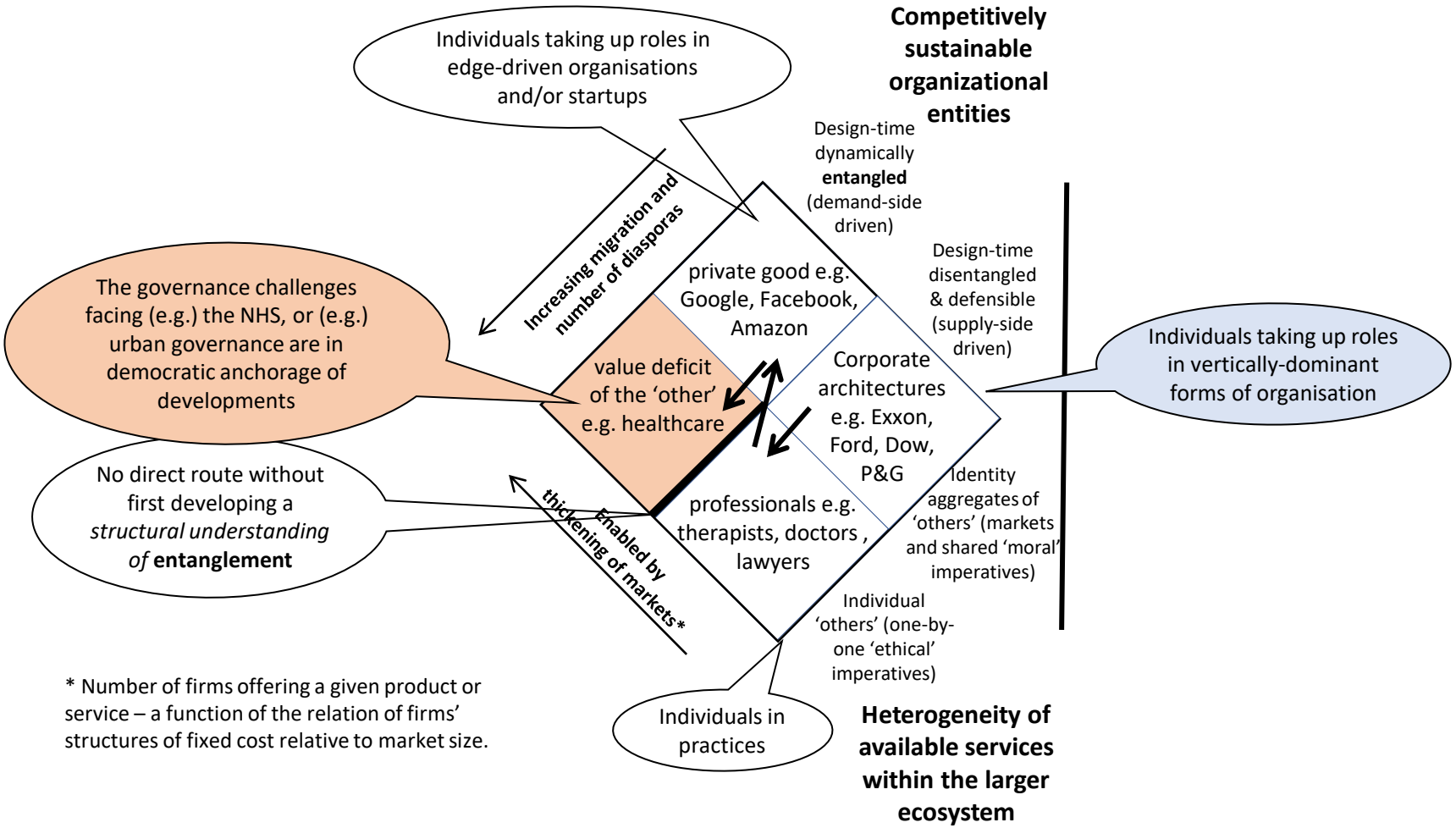


OPA – Old Public Administration
NPM – New Public Management
NPG – New Public Governance
OG – Open Governance

See MEIJER, A. J., LIPS, M. & CHEN, K. 2019. Open Governance: A New Paradigm for Understanding Urban Governance in an Information Age. Frontiers in Sustainable Cities, 1, 1-9.

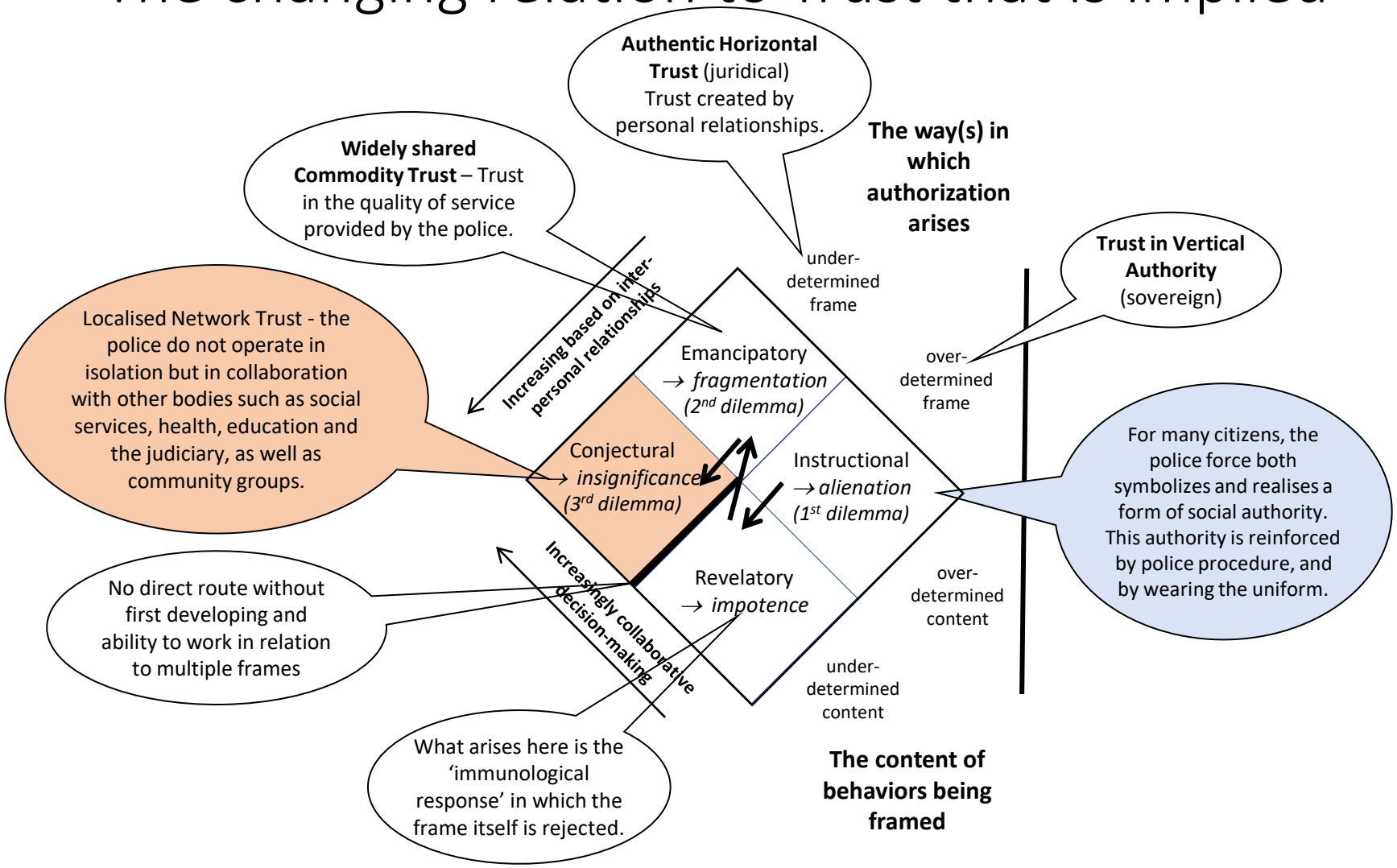
Pierre, Jon. 1999. 'Models of Urban Governance - The Institutional Dimension of Urban Politics', Urban Affairs Review, 34: 372-96.
modified in
Pierre, Jon. 2011. The Politics of Urban Governance (Palgrave Macmillan: New York).

Understanding how organizations support the demands of clients within an urban ecosystem

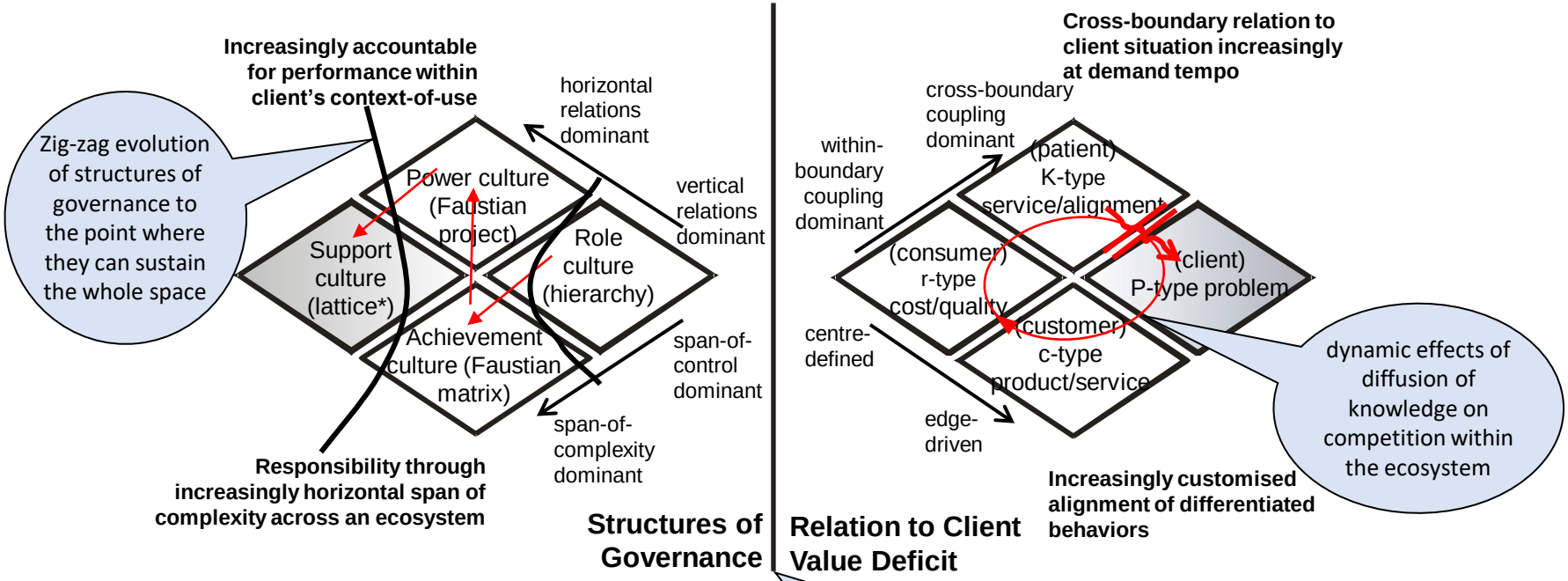


* Number of firms offering a given product or service – a function of the relation of firms' structures of fixed cost relative to market size.

The changing relation to Trust that is implied



Structures of governance must span the whole space as demand tempo accelerates



* Benko, C., M. Anderson and S. Vickberg (2011). "The Corporate Lattice: A strategic response to the changing world of work." Deloitte Review.

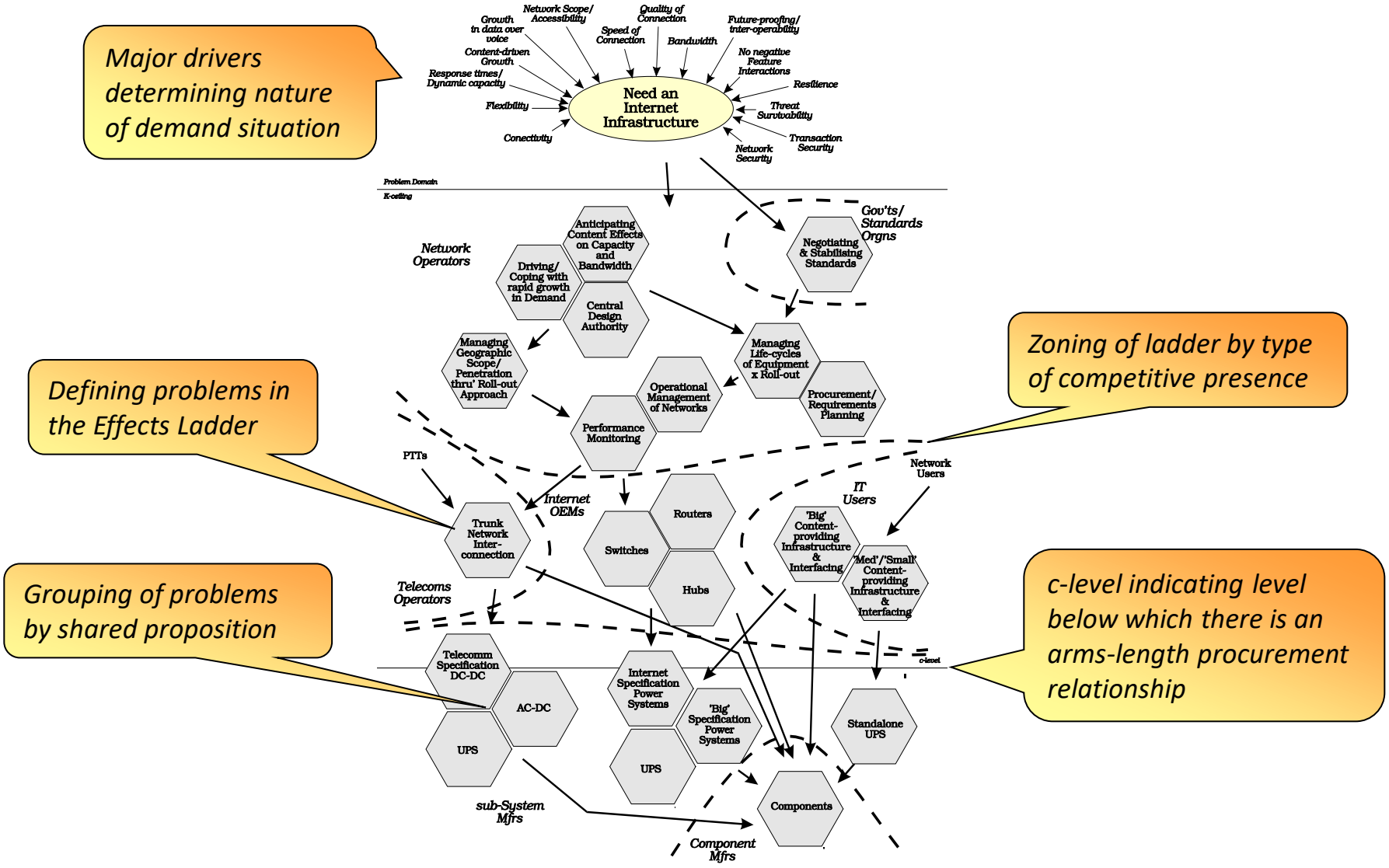
https://www.asymmetricleadership.com/2013/10/requisite-authority-when-is-triple-loop-learning-necessary/

Our interest is in situations where there is not congruence between the vertical and the horizontal – and why this arises

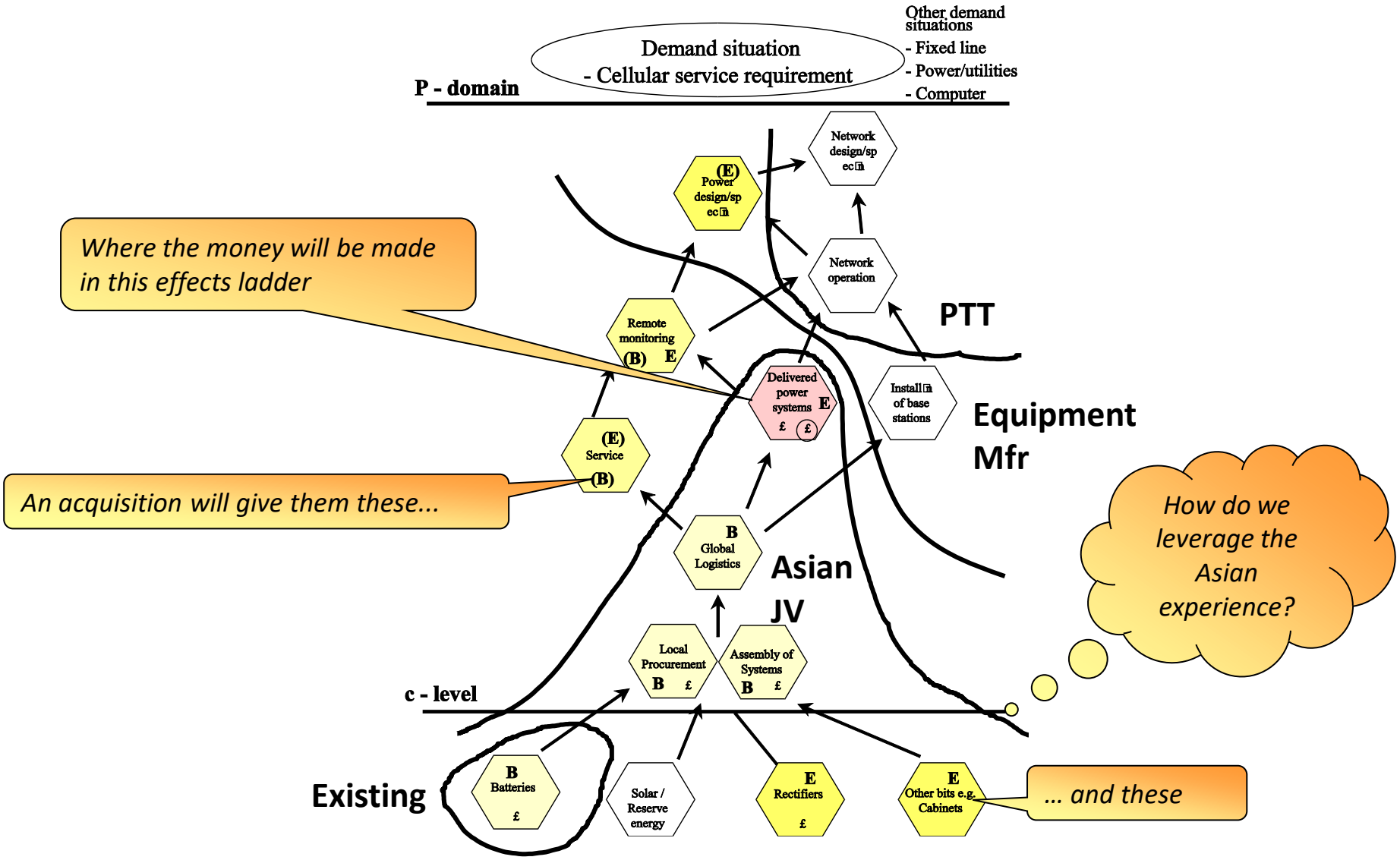
end

Targeting Effects Ladders

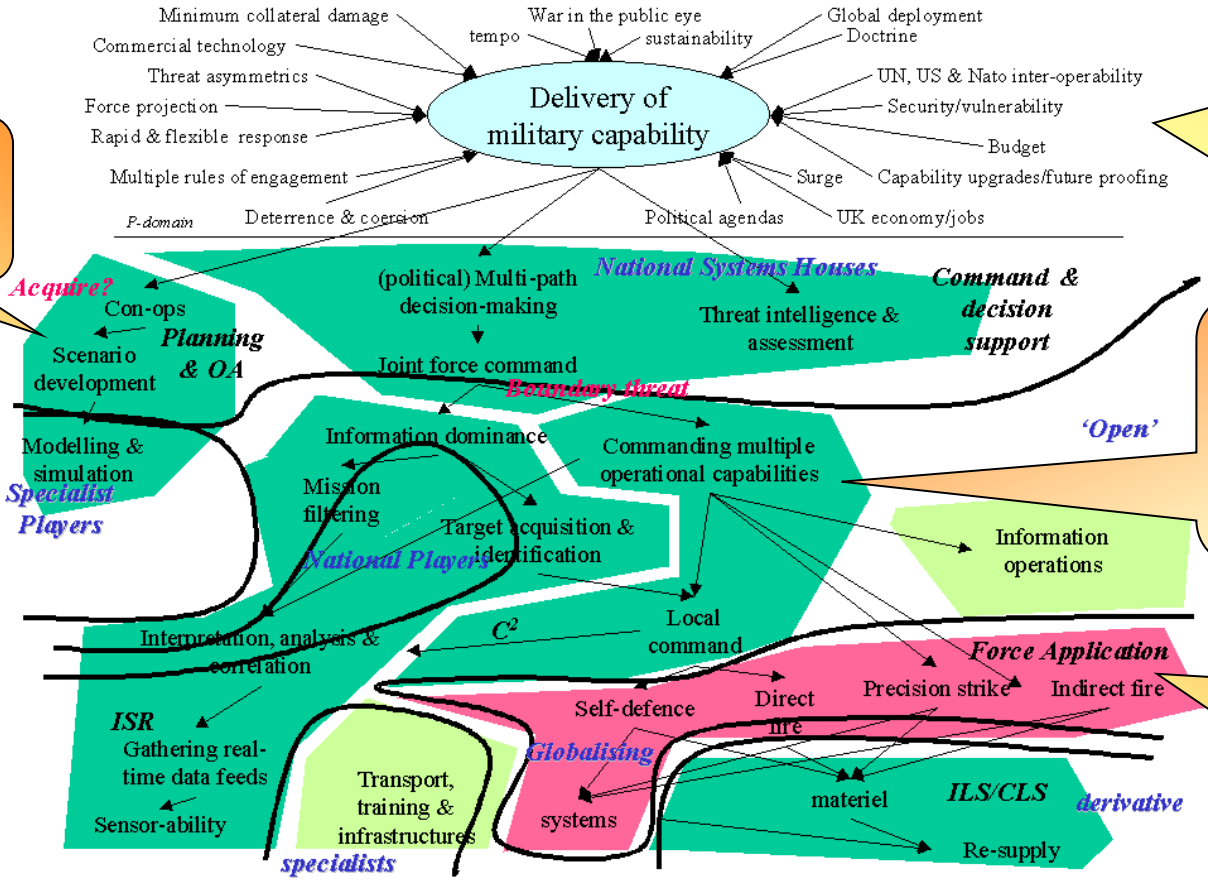
Positioning on the Effects Ladder



Targeting the Value and Zoning



The C4ISTAR Effects Ladder…



Major drivers determining nature of demand situation

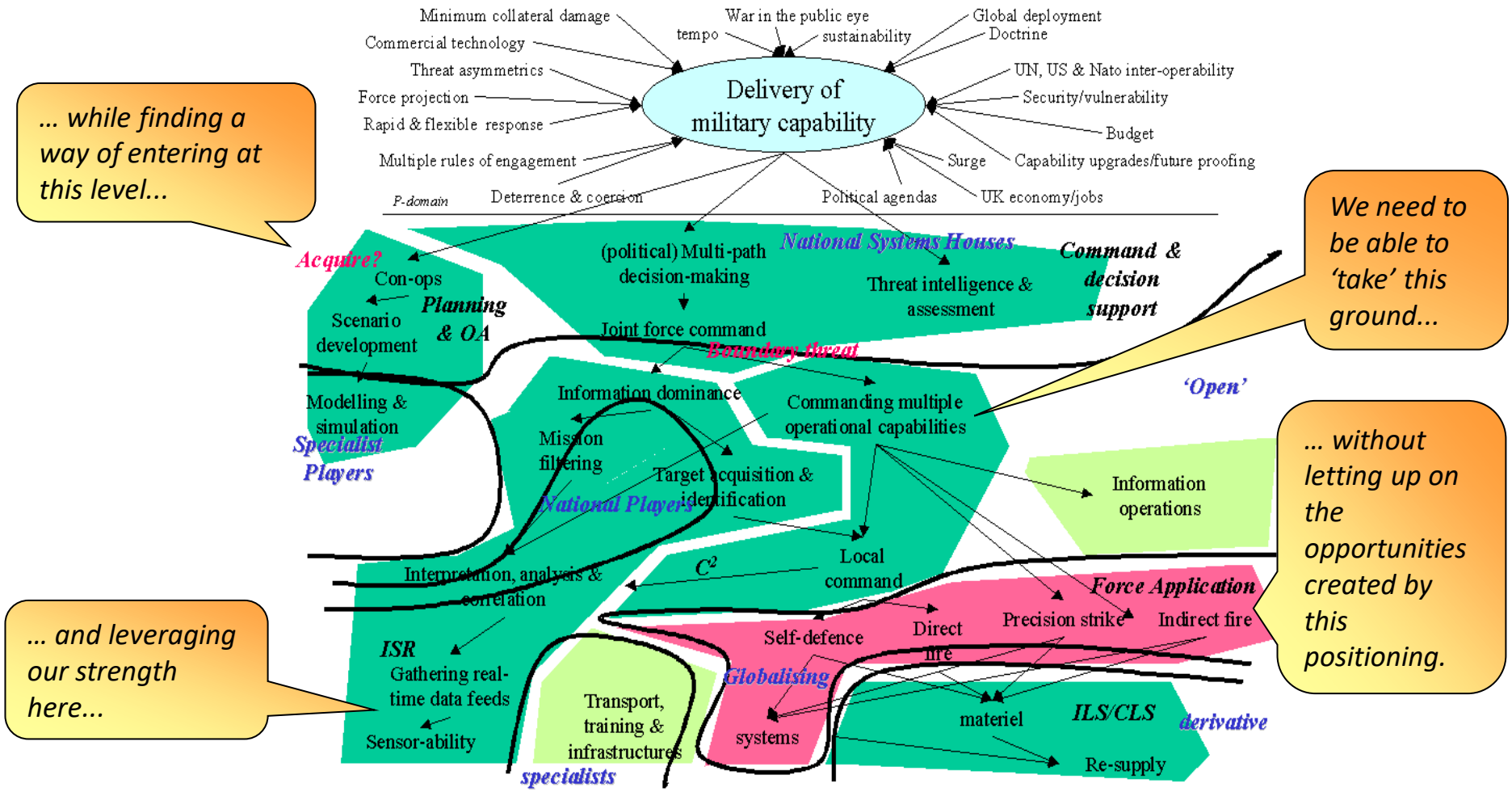
Grouping of problems by proposition

This is the crucial ground to 'take' competitively through establishing design leadership

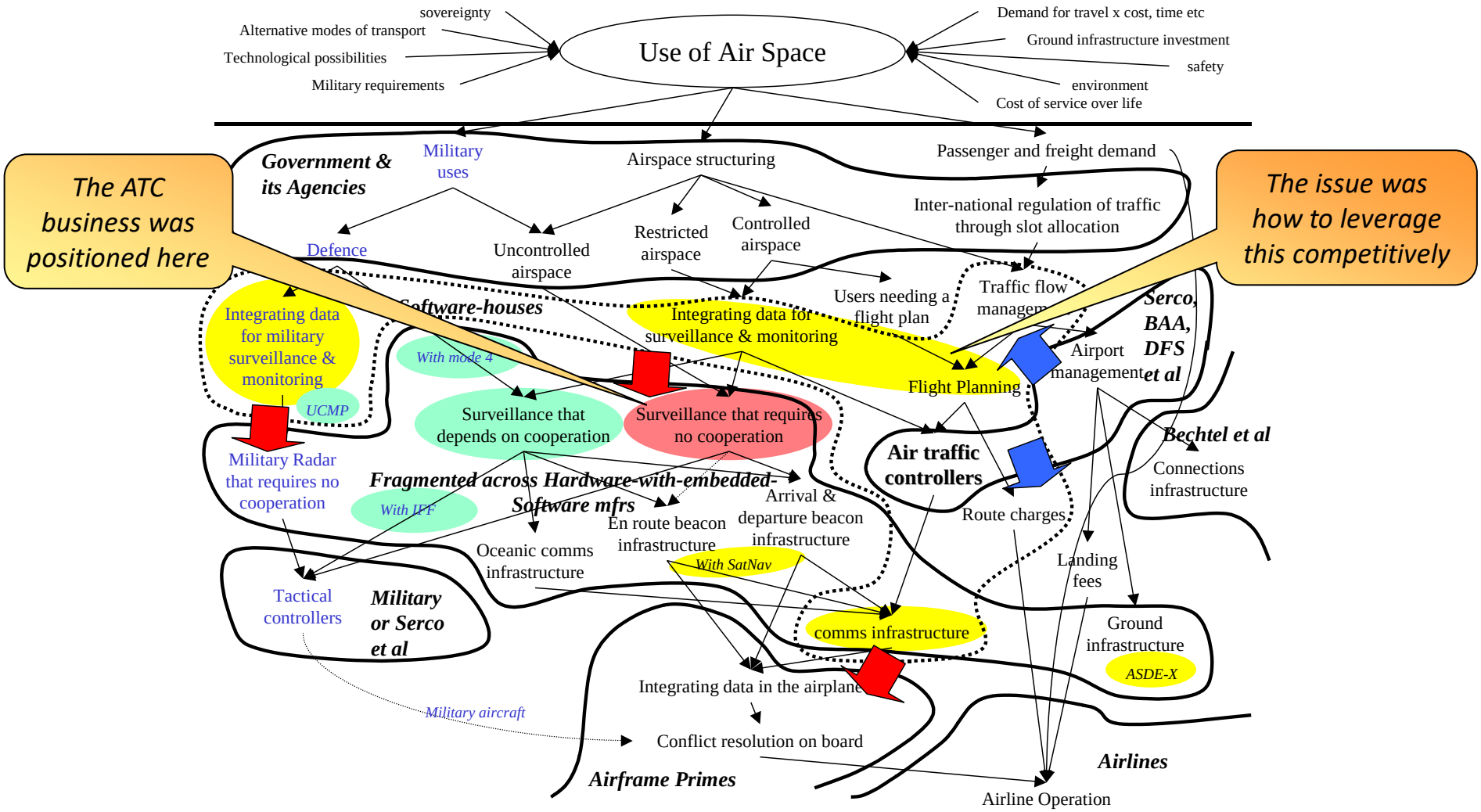
Zoning of ladder by type of competitive presence

c-level indicating level below which there can be an arms-length procurement relationship

… and where we could be positioned

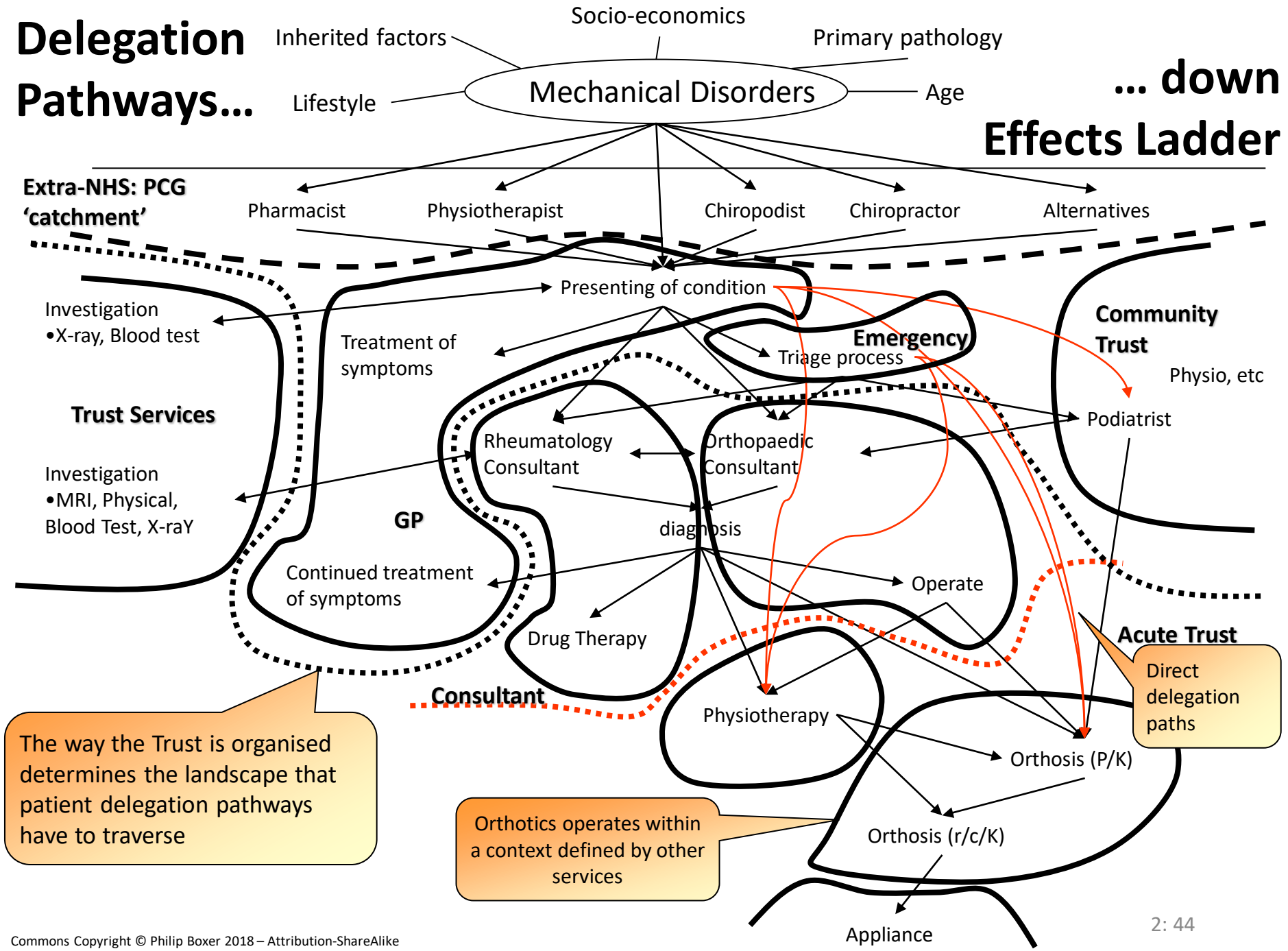


The Air Traffic Control Effects ladder



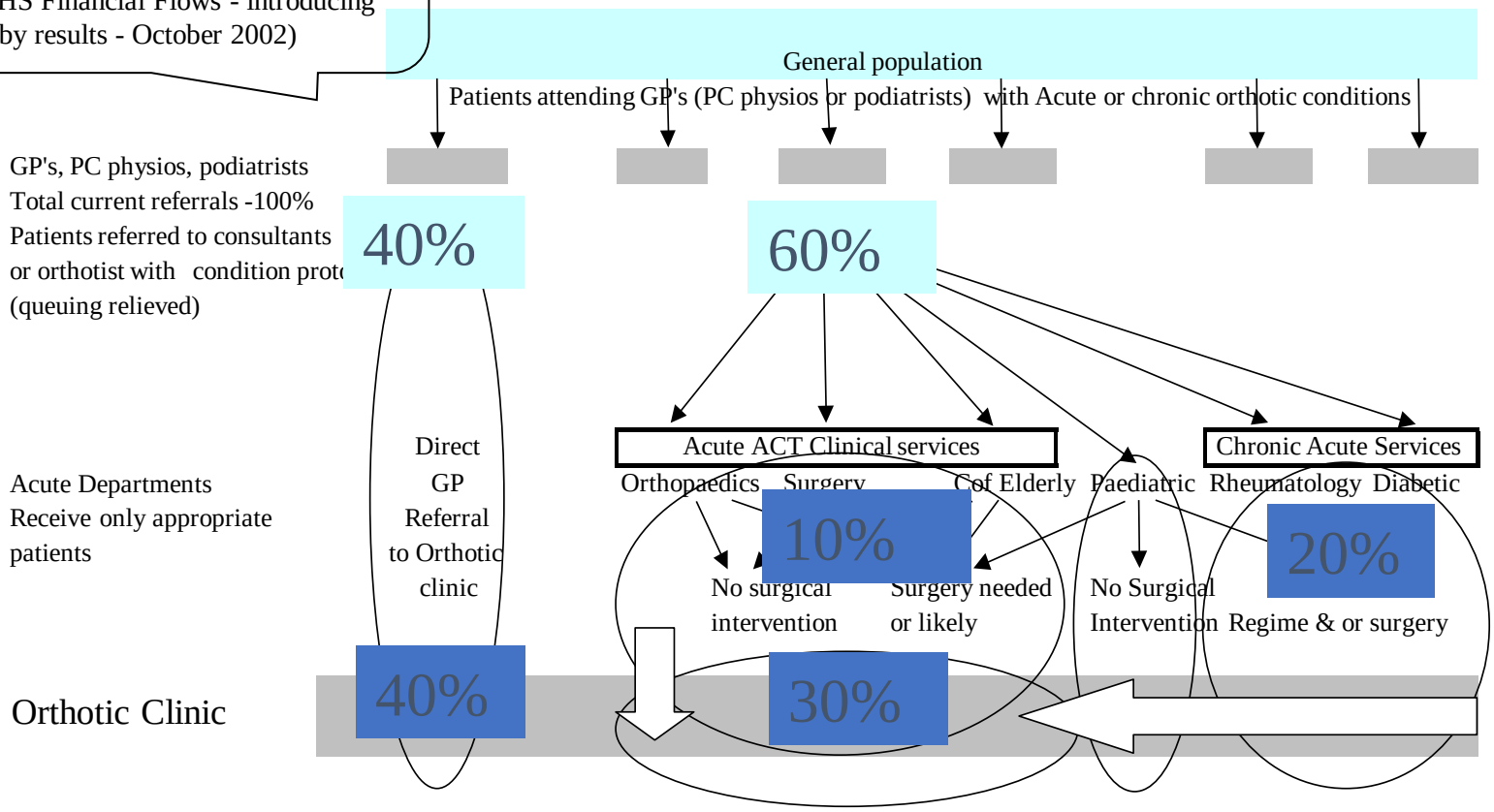
Delegation Pathways…

… down Effects Ladder



Changing delegation pathways

Acute Care Trusts, under cost pressure and needing to charge by procedure*, must separate Acute Care and Primary Care provision
(* Reforming NHS Financial Flows - introducing payment by results - October 2002)



Double Diamond congruence