

Your Next Strategic Advantage: Organization Intelligence and Innovation

George S. Yip

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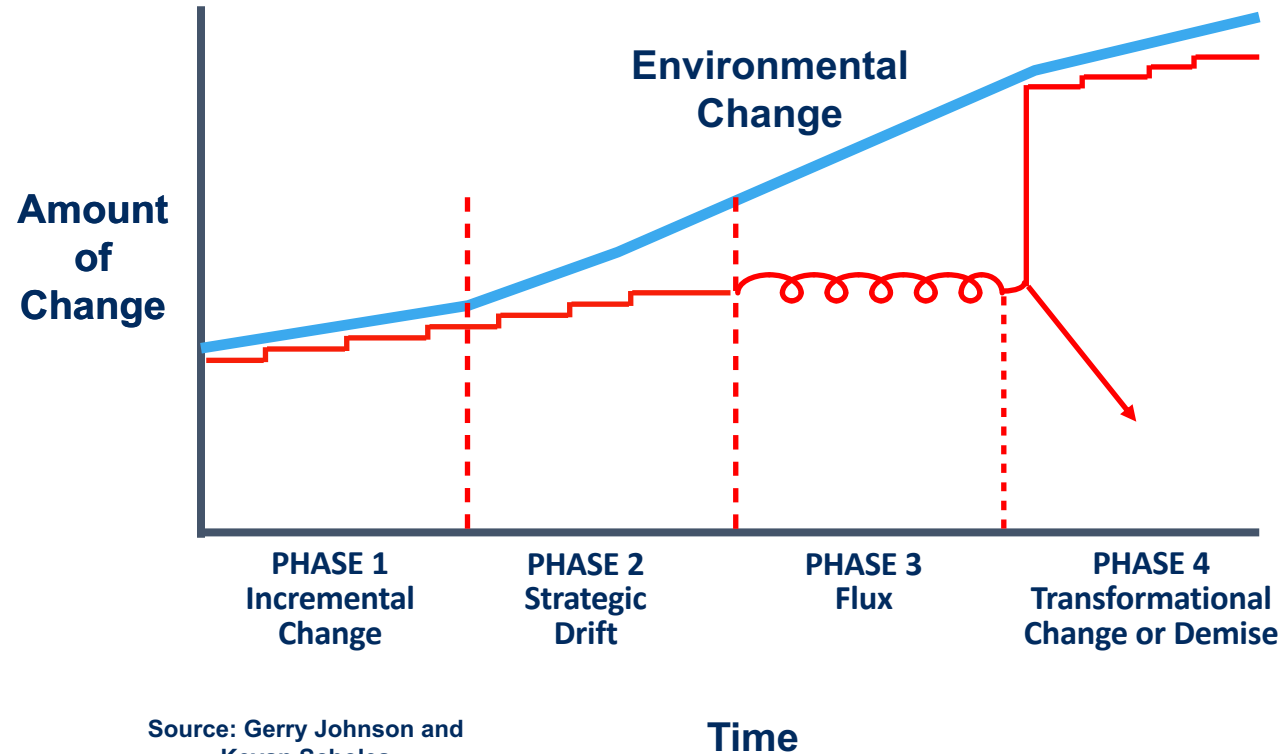
Distinguished Visiting Professor, Northeastern University,
Boston

How Can a Board Lead Strategic Change?



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The Biggest Corporate Problem: Strategic Drift



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Why Strategic Drift?

- Individual cognitive limits
- “Steady as you go”
- Core rigidities
- Organizational culture
- Lagged performance effects
- Past success: The Icarus Paradox

How to Tell When Your Business Needs Strategic Transformation

When it goes bankrupt

When it loses money, consistently

When it loses market share

When sales go down

BUT BY NOW IT IS TOO LATE

**To avoid trauma for the company, shareholders,
employees, customers, partners, **directors and managers.****

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How to Anticipate the Need for Strategic Transformation

Look for the following indicators:

- A new technology or product form introduced into your industry.
- By someone else
- Which your top managers refuse to regard as significant, e.g., **motorcycles, personal computers, coffee, music downloads, Apple iPhone, online MBA.**

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How to Anticipate the Need for Strategic Transformation, cont.

Sales and profits good.

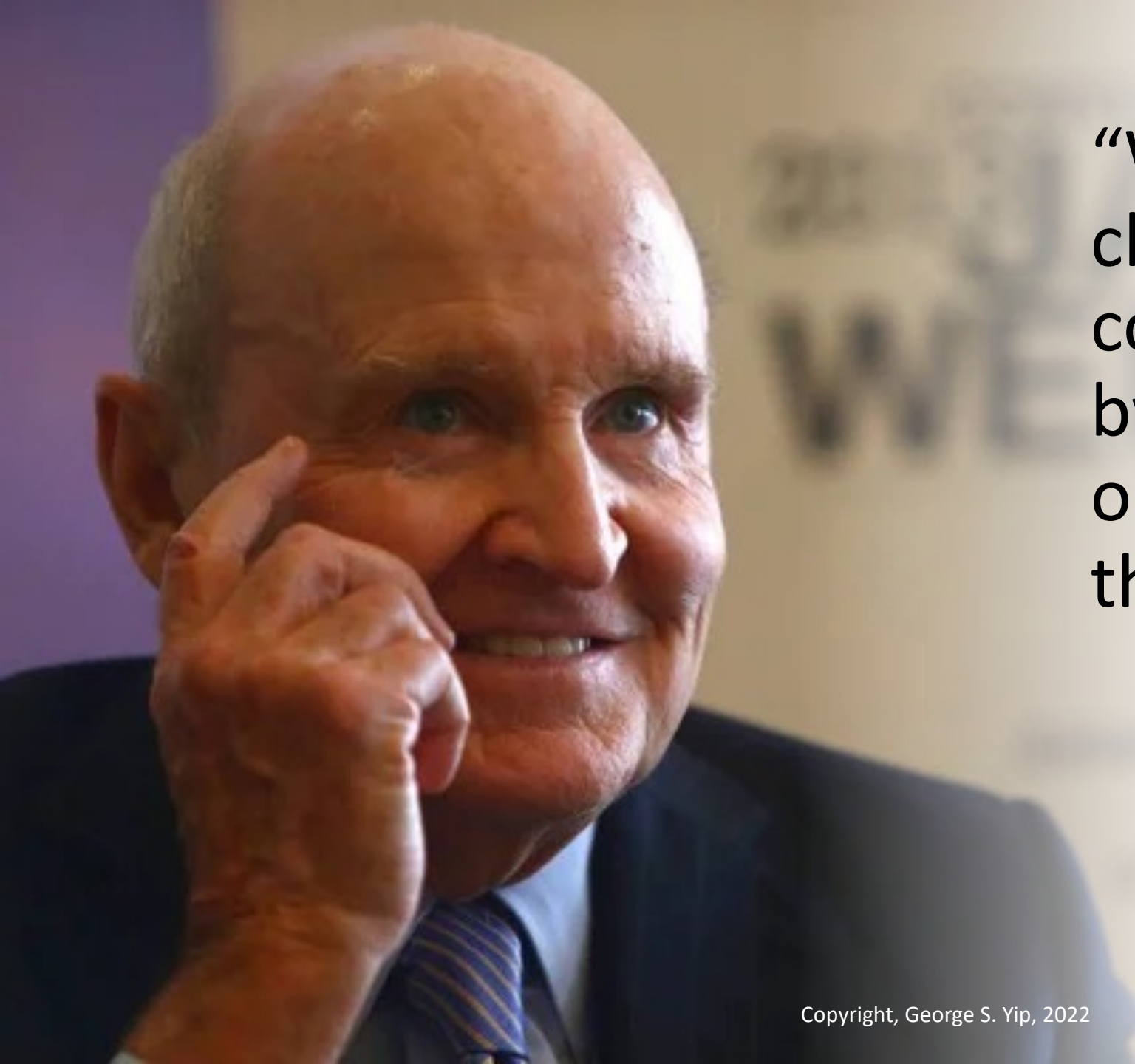
BUT the most innovative/fashionable/desirable customers desert you.

e.g., Cadillac

e.g., Nissan in U.S. in 1990s

- Customer loyalty and retention declines
- The smartest employees do not join you
- Your company is worth more broken up

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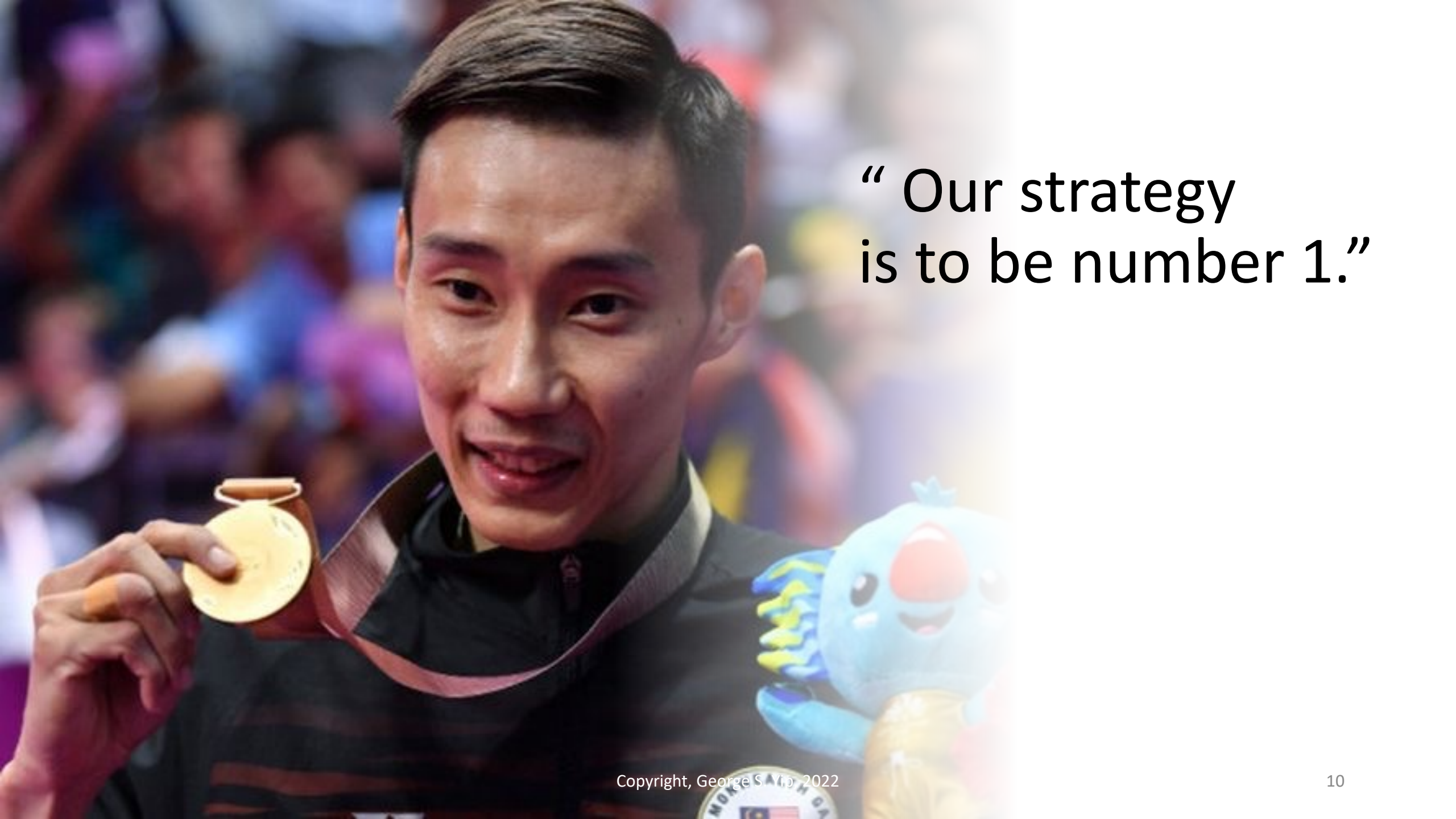


“When the rate of change inside the company is exceeded by the rate of change outside the company, the end is near.”

Strategic Growth Takes 3 Things

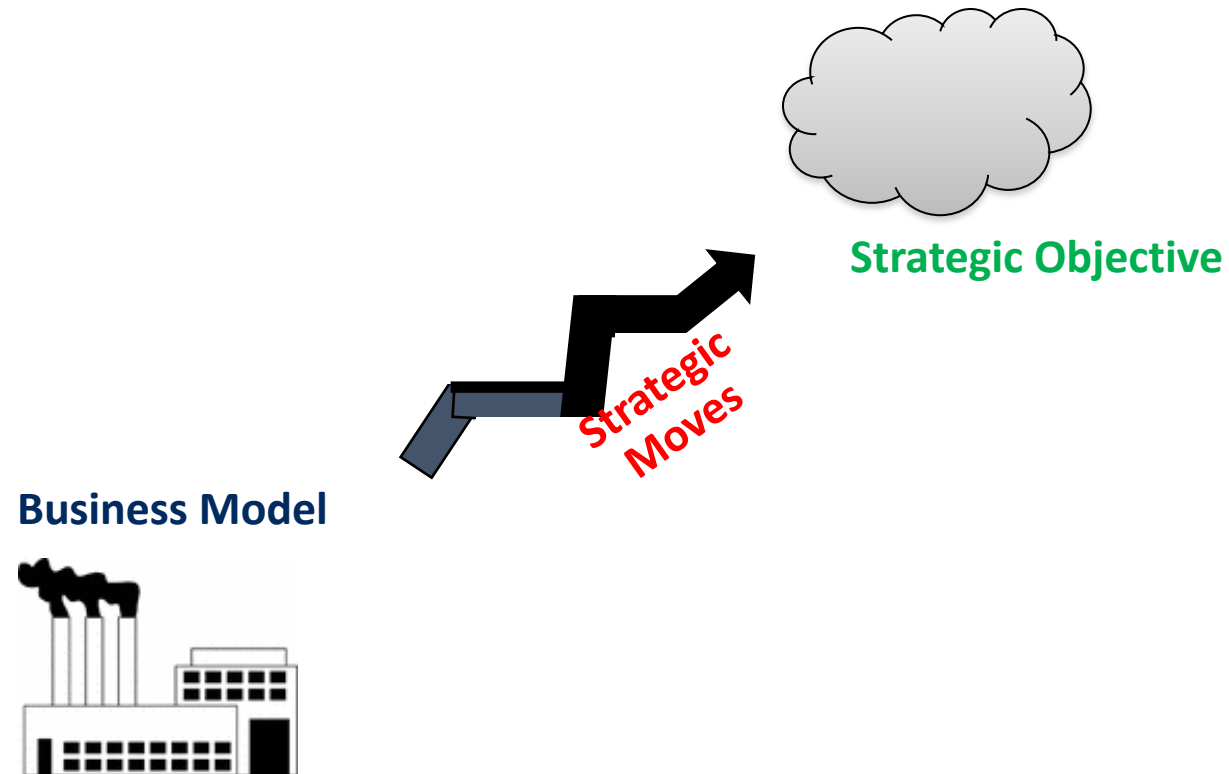
1. Strategic Transformation
2. Innovation
3. Strategy Execution using Organizational Intelligence





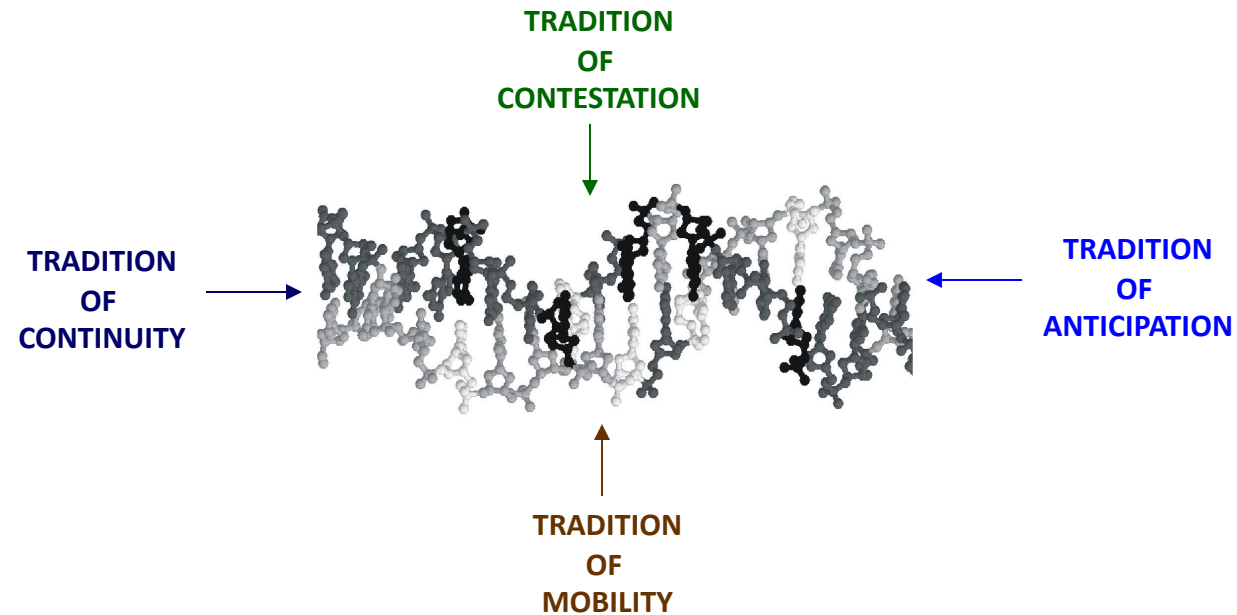
“ Our strategy
is to be number 1.”

Focus on the Right Part of Strategy



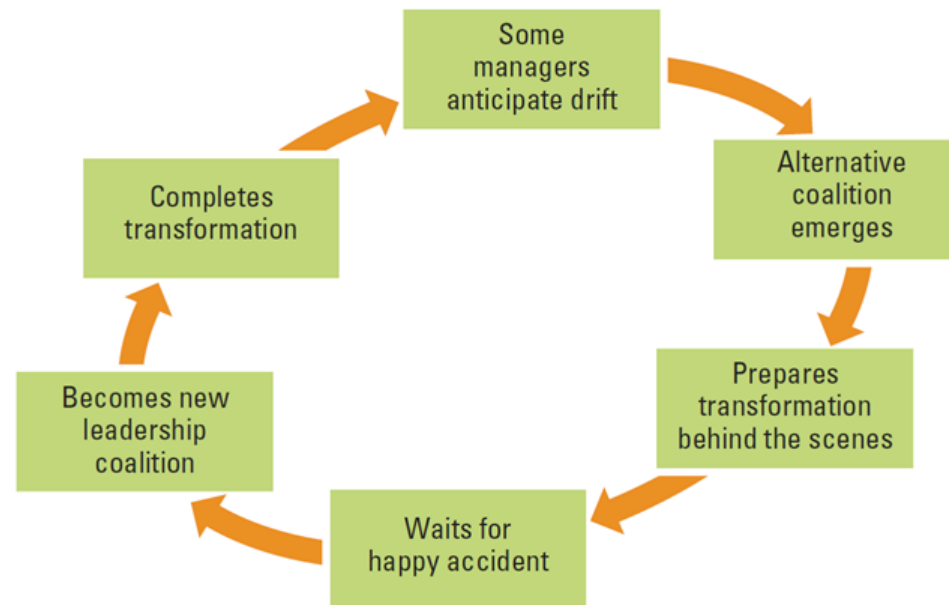
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Traditions of transformation



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Virtuous transformation cycle



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Transformation by Reinventing Microsoft's Culture

Satnam Nadella became CEO in 2014 when Microsoft needed serious reboot: flat stock price, product development lagging, failed move into smart phones, employees competing rather than collaborating.

- New senior team, partly selected for empathy and respect for employees
- From “precision questioning” to “curiosity”
- Dropped stacked rankings
- Growth mindset
- Admitting mistakes (e.g., his conference with women at MS)



→ In 2019 once more the world's most valuable listed company.

Source: Deborah Ancona, Elaine Backman and Kate Isaacs, “Nimble Leadership: Walking the Line Between Creativity and Chaos,” *Harvard Business Review*, July-August 2019, pp. 74 – 83.

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Using Digital to Transform Aeroflot

From one of the world's worst to one of best:

- Used digital technology to improve core activities: operations, reporting, passenger booking, scheduling, customer care
- Created dashboards to provide management with more 450+ KPIs.
- Aggregates sensors from planes
- Repurposed digital architecture to simultaneously run a low cost carrier

→ Net promoter score: 44% in 2010 to 72% in 2016

→ Passenger load: 64.5% in 2009 to 81.3% in 2016



Source: Nathan Furr and Andrew Shipilov, "Digital Doesn't Have to be Disruptive," *Harvard Business Review*, July-August 2019, pp. 95 – 103.

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Ericsson: Transformational leadership key learnings

Start from your
challenges

Agile is not the goal.
But agility helps!

Leaders go first!

Leaders need to role-
model an agile mindset.
Also leaders need
coaches.

Let people
participate!

People need to learn
how to be empowered.
Gradually shift their
experience.

Experiment your way
forward!

You need to run
organizational
retrospectives to deal
with what emerges.

Essentially,
you and your organization learn
how to truly learn and adapt fast.

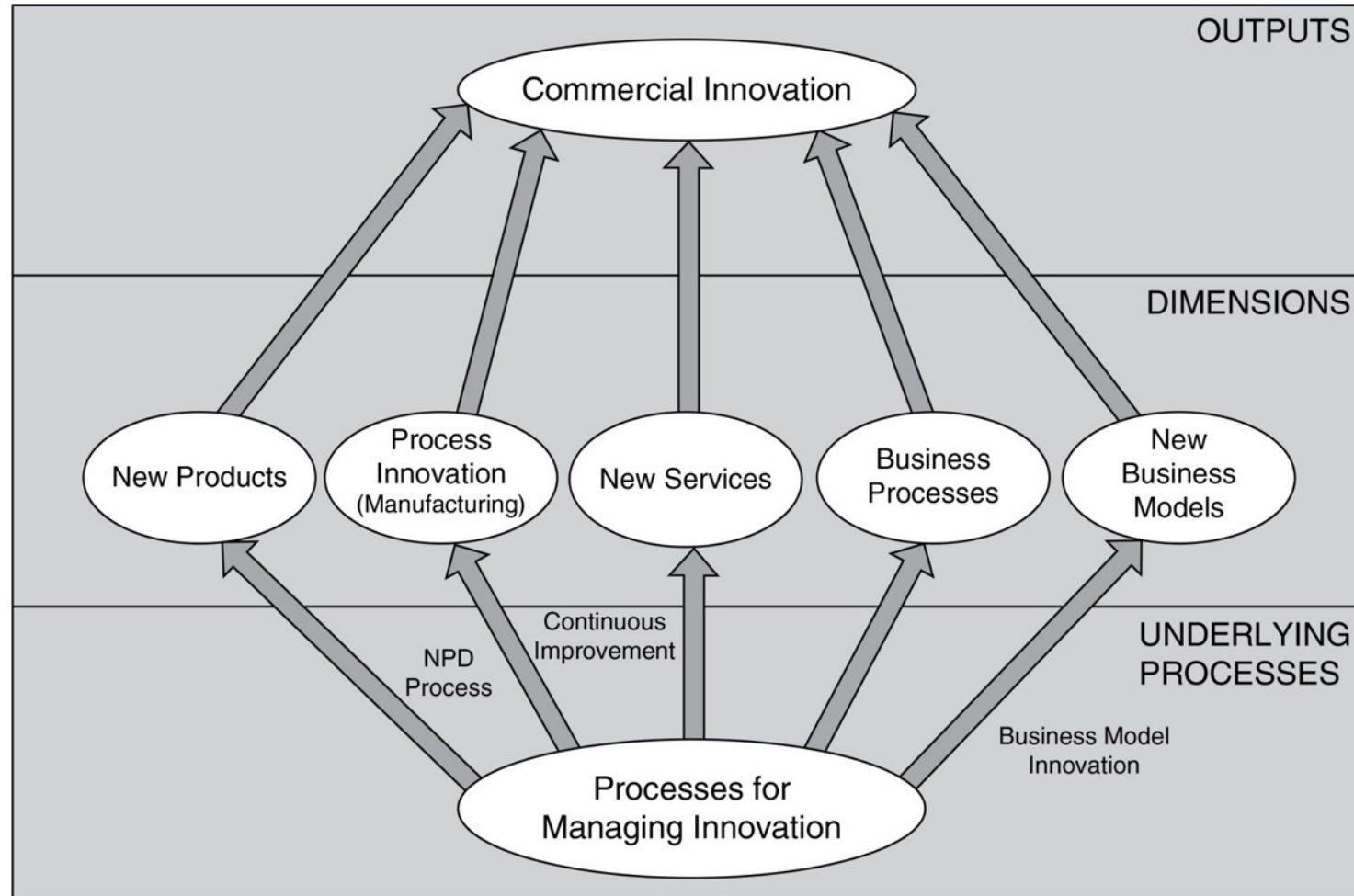
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Strategic Growth Takes 3 Things

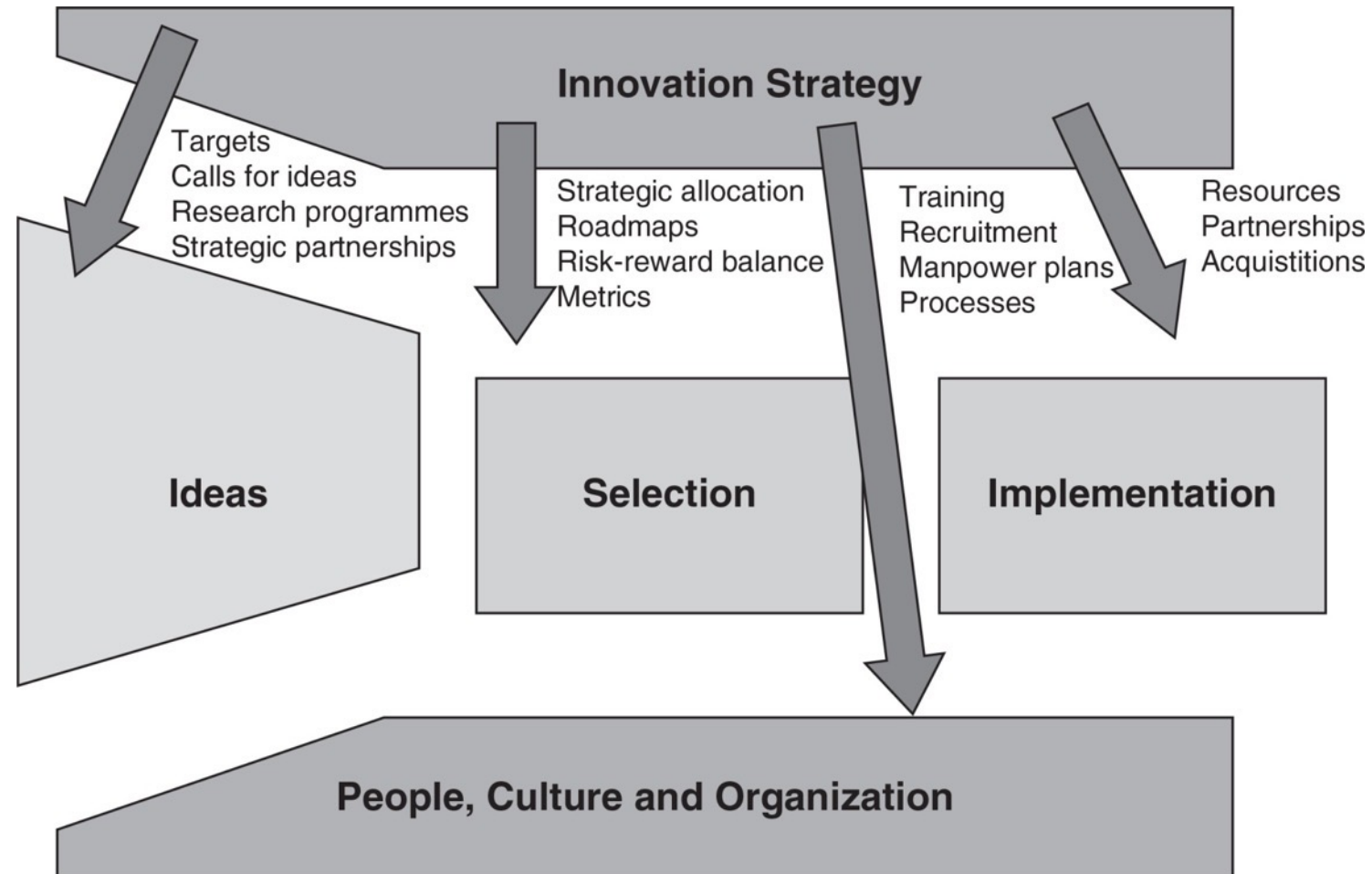
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Dimensions of Innovation



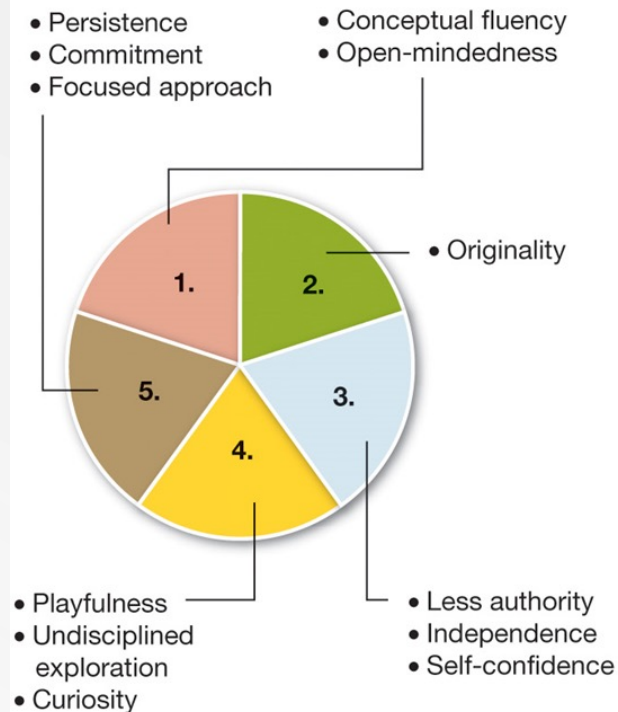
The influence of Innovation Strategy on Other Elements



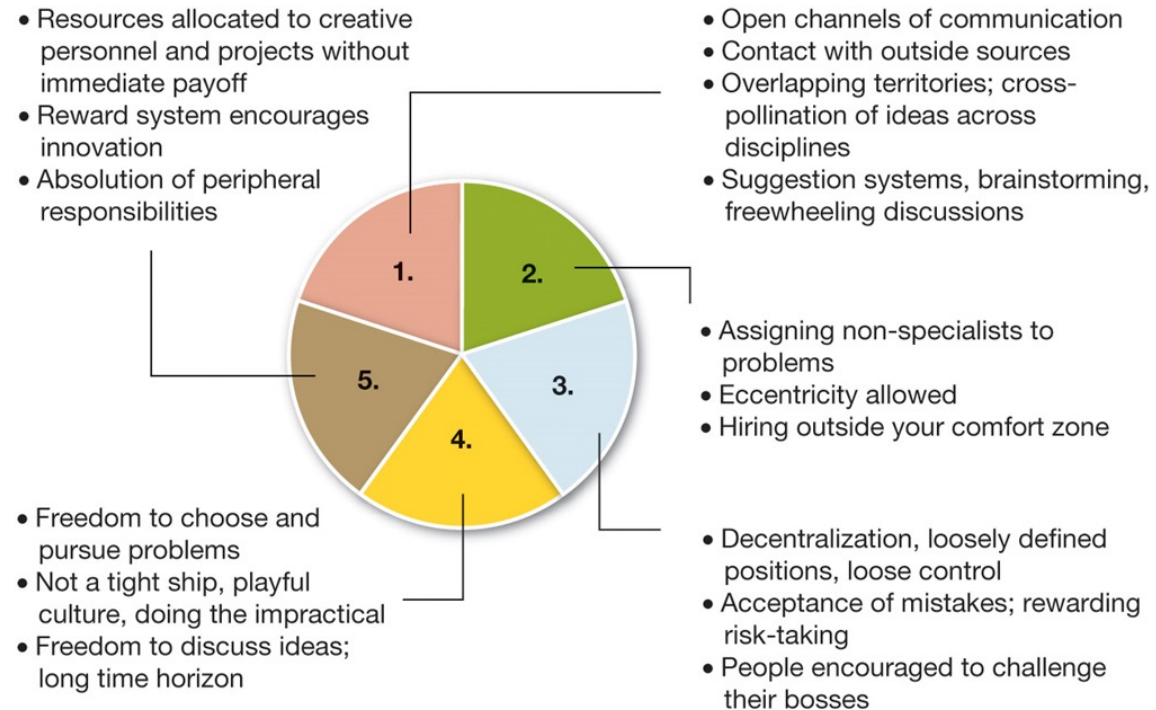
Characteristics of Creative People and Organizations

EXHIBIT 11.2 Characteristics of creative people and organizations

The Creative Individual



The Creative Organization



SOURCES: Gary A. Steiner, ed., *The Creative Organization* (Chicago, IL: University of Chicago Press, 1965): 16–18; Rosabeth Moss Kanter, 'The Middle Manager as Innovator', *Harvard Business Review* (July–August 1982): 104–105; James Brian Quinn, 'Managing Innovation: Controlled Chaos', *Harvard Business Review* (May–June 1985): 73–84; Robert I. Sutton, 'The Weird Rules of Creativity', *Harvard Business Review* (September 2001): 94–103; and Bridget Finn, 'Playbook: Brainstorming for Better Brainstorming', *Business 2.0* (April 2005): 109–114.

Innovation Does Not Have to Be High Tech

FD Johnson Security Vehicles



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Image: FD Johnson

BYD's COVID Pivot to Masks

- One of largest EV makers in China
- BYD = Build Your Dream
- Special task force in late January 2020
- Within 2 weeks manuf. masks and disinfectant
- 5 million masks and 300,000 bottles a day



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The Chinese Innovators Way

Swarming



Upgrading



Tinkering



Resolving



Customizing



Connecting

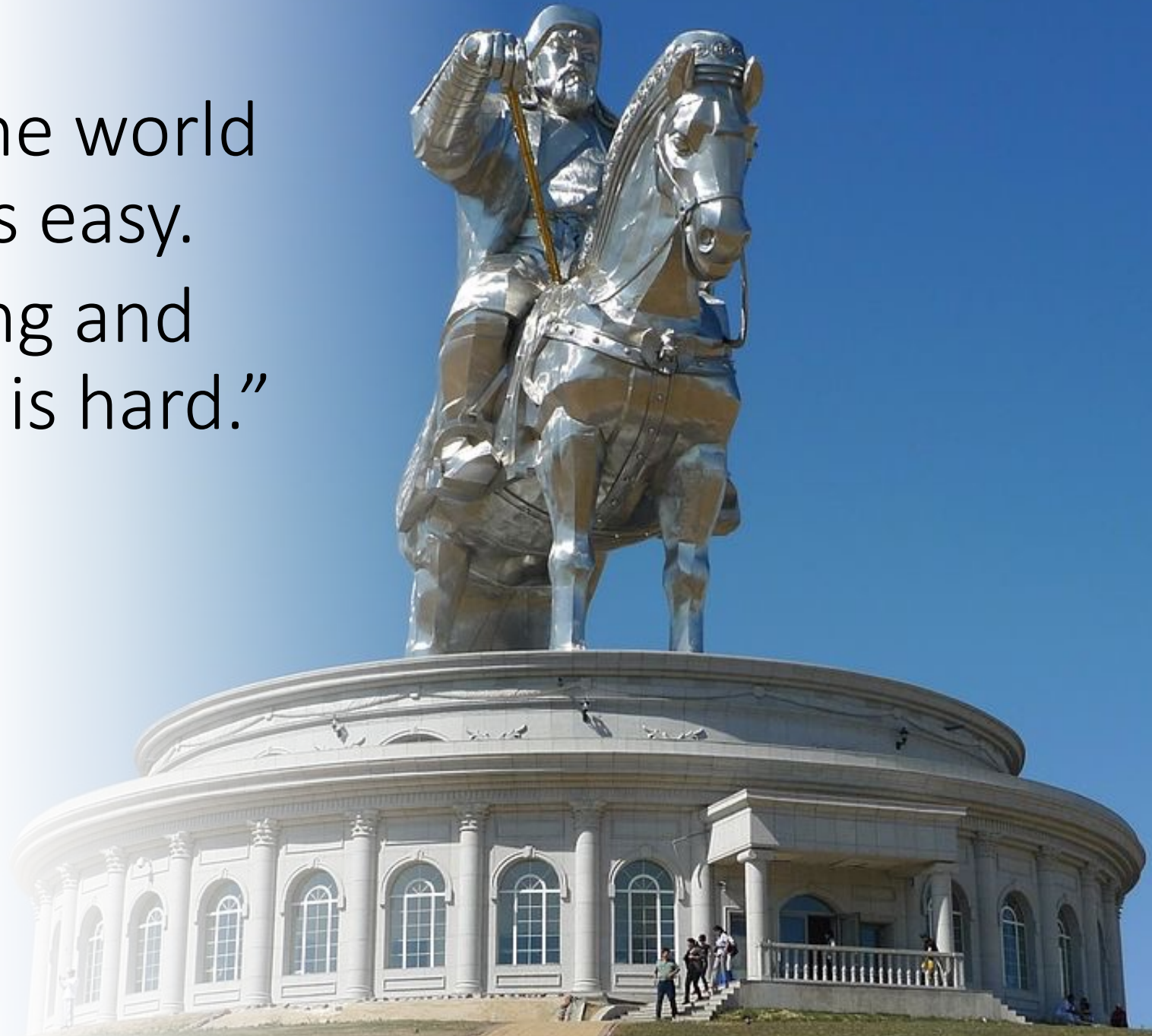


Strategic Growth Takes 3 Things

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“Conquering the world
on horseback is easy.
It is dismounting and
governing that is hard.”
- Genghis Khan



Defining Strategy Execution

- All strategies need to be executed
- Not the same as operational execution
- Strategy execution → new, different situation (Lexus)
- Operational execution → same situation (perhaps better but not different)
- Some strategies are more difficult to execute than others, depending on
 - Extent of stretch in strategic objectives
 - Fit with current business model
 - Change capabilities of organization
 - Implementation capabilities of organization

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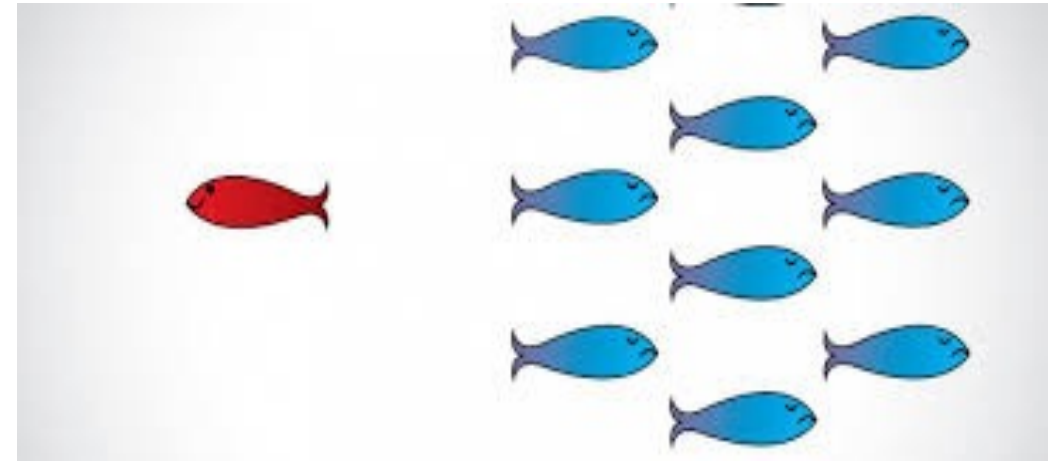
Cascade of Objectives, Strategic Moves and Execution

EXECUTIVE	STRATEGIC OBJECTIVE (example of one)	STRATEGIC MOVES (example of one)	EXECUTION (example of one)
Chief Executive	Diversify	Create new line of business	Select and start up new business, appoint general manager
General Manager	Make the new business a success	Develop appealing new products	Set up new product development unit, appoint unit manager
New Product Development Unit Manager	Run the unit well, including delivering successful new products	Put in the right processes, systems, and workers	Monitor processes, systems and workers

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Dilemma for Leaders

The central dilemma for corporate leaders has always been that you are one person who needs to motivate an organization of thousands or hundreds of thousands to embrace and implement the strategies that you are leading.



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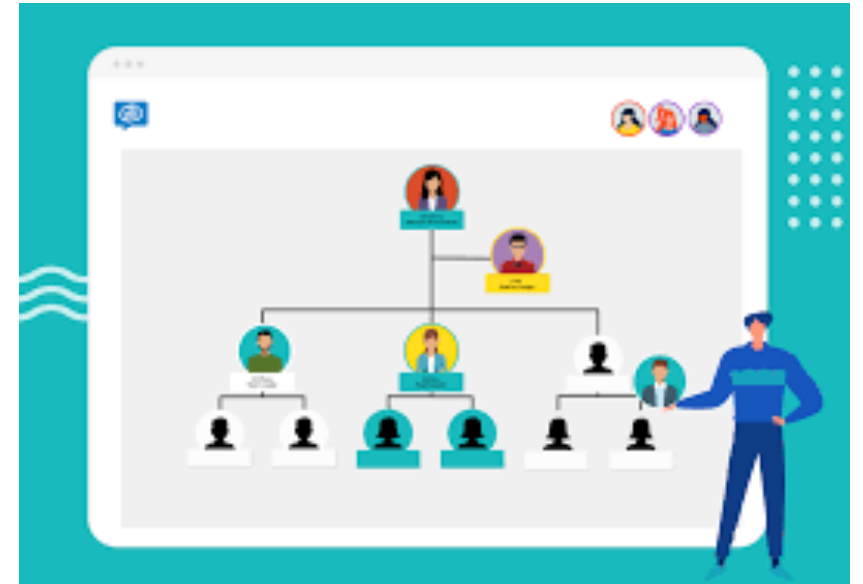


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Leaders Need Organizational Intelligence, OQ, not just IQ, EQ and BQ

BQ = intelligence about the business

EQ and IQ = the ability of one person to influence others



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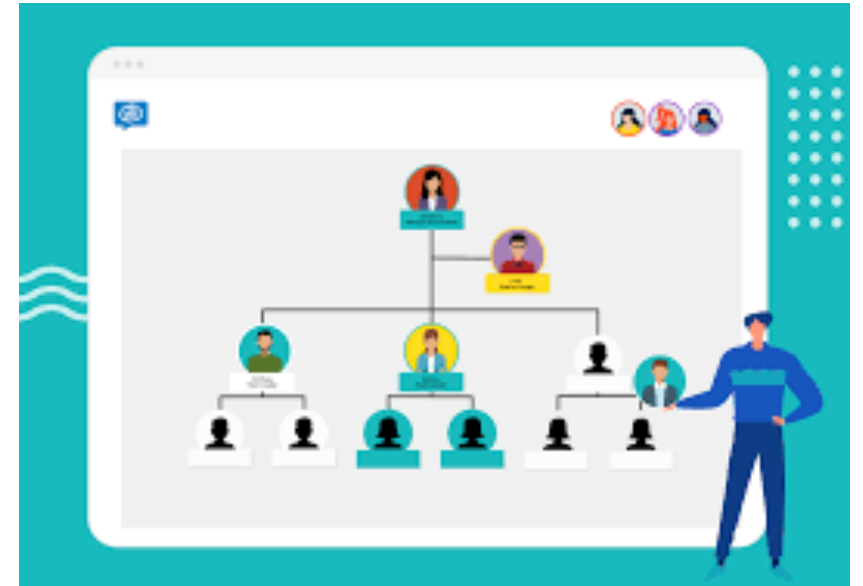
Leaders Need Organizational Intelligence, OQ, not just IQ, EQ and BQ

BQ = intelligence about the business

EQ and IQ = the ability of one person to influence others

OQ harnesses much or all of an organization to magnify a leader's words and actions.

OQ can also make up for a lack of EQ.



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OQ = Five Competencies

Having OQ means the ability

1. to send **messages** that reinforce strategy
2. to foster an **ethos**
3. to **rebel** from the top,
4. to stage moments of **theater**
5. to use **action strategy**



George Yip and Nelson Phillips, HBR.org, June 2020

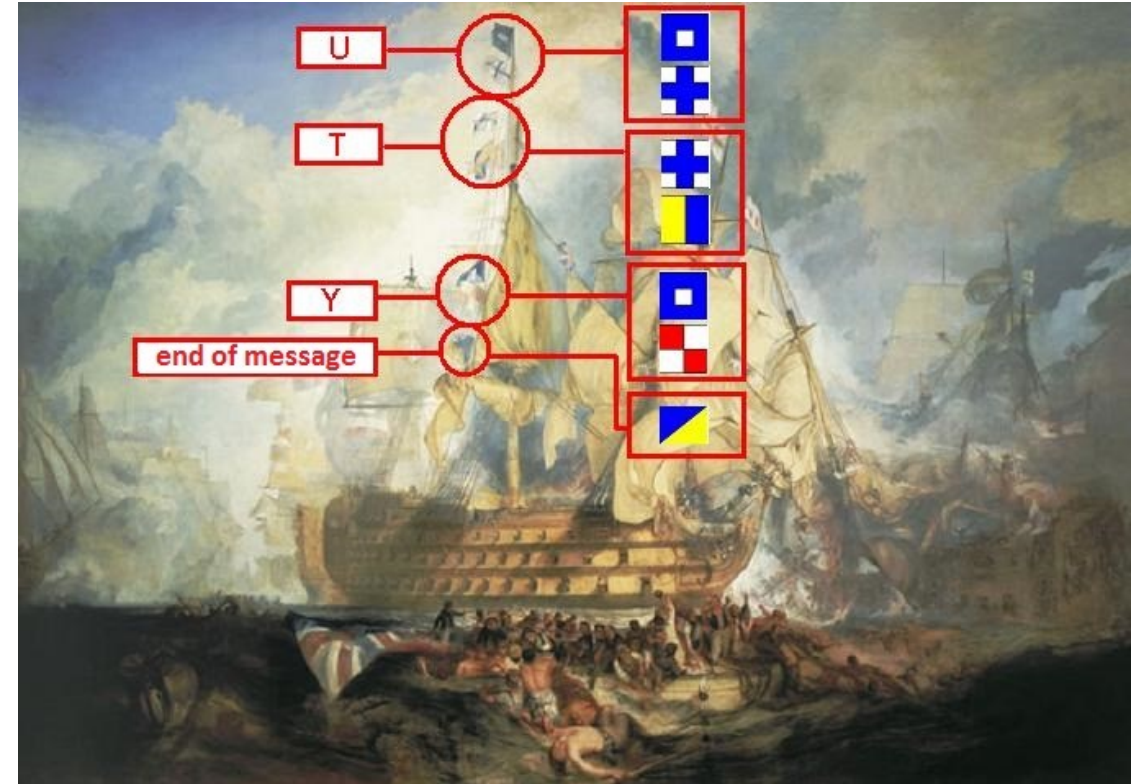
"Good Leadership Hinges on Organizational Intelligence"

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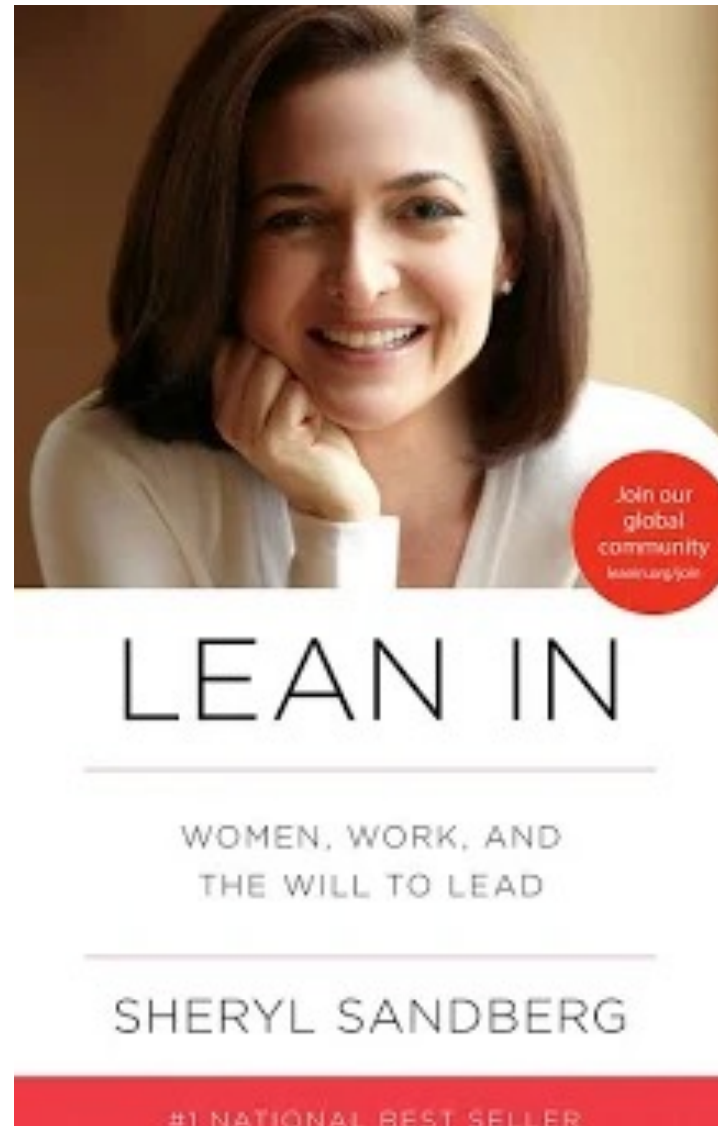
Send Messages that Reinforce the Strategy

“England expects that every man will do his duty.”

Admiral Nelson, Battle of Trafalgar, 1805.



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Rebel From the Top

Really effective leaders learn early to target only important issues – and ones where they have a fair shot at winning.

Rebelling from the top means taking on the biggest challenges only when you have the most firepower.



George Yip and Nelson Phillips, HBR.org, June 2020

“Good Leadership Hinges on Organizational Intelligence”

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Stage Moments of Theatre

A good theatrical moment reverberates throughout the organization as stories and videos of the event are passed along.

Effective moments of theater have three important characteristics:



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Effective moments of theater have three important characteristics:

- clear message
- out of the ordinary and unexpected.
- generally low cost, require limited planning, and are relatively easy to execute.



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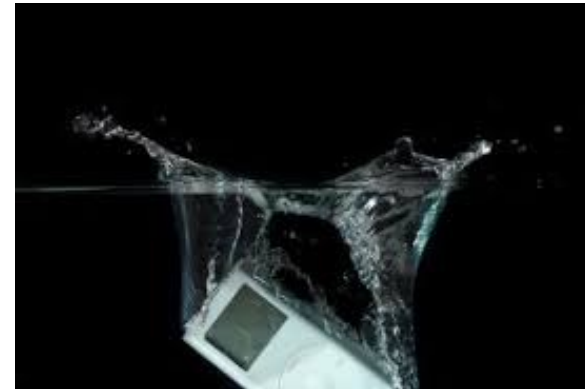
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Off to a Smashing Start

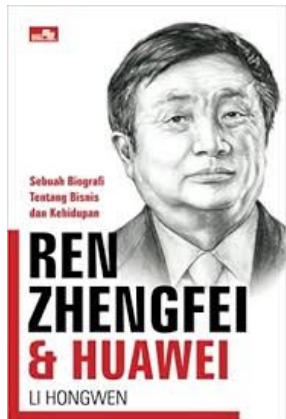
Zhang Ruimin Took a Sledge Hammer to **76** Defective Washing Machines in 1985 to Emphasize Qingdao Refrigerator Plant's New Commitment to Quality



Foster An Ethos

“Wolf Spirit of Huawei”

“Huawei people, especially the leaders, are destined to work hard for a lifetime and to devote more and suffer more than others.”



Being the boss in China

“In the West, it is 90% process and 10% boss.

In China, it is 30% process and 70% boss.”

....A Chinese CTO

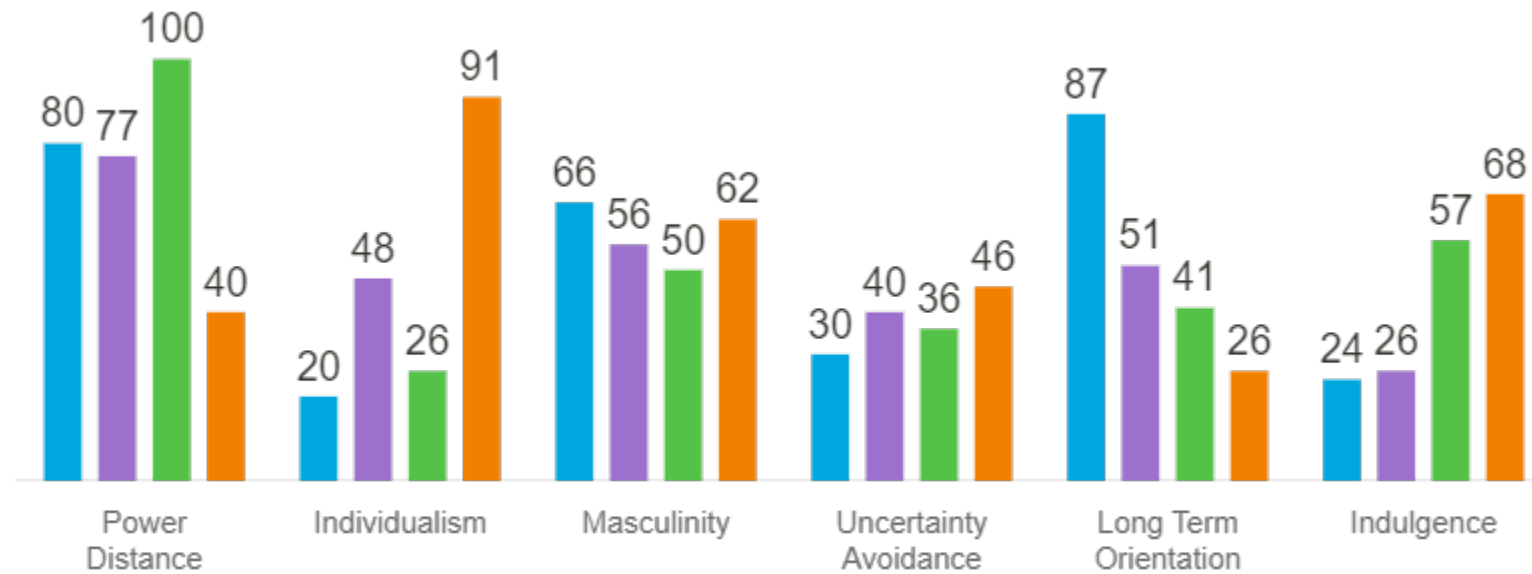


Jack Ma: “A good boss is better than good company.”



Zhang Yue is hands-on at BROAD

National Culture Affects Leadership: Hofstede Cultural Dimensions



CHINA, INDIA, MALAYSIA, USA

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Use Action Strategy

“It is easier to **act** your way into a better way of thinking than to **think** your way into a better way of acting.”

Richard Pascale, Stanford Business School



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How to Develop Your OQ:

1. Embrace bureaucracy

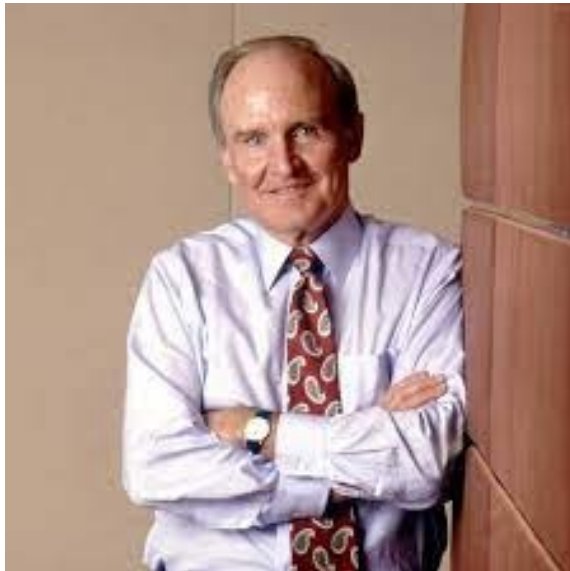


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How to Develop Your OQ

2. Create your organizational persona

“Neutron Jack”
GE



Dong Mingzhu
Gree Electric Appliances



“Where Sister Dong walks no grass grows.”

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How to Develop Your OQ

3. Follow the small rules so you can break the big rules



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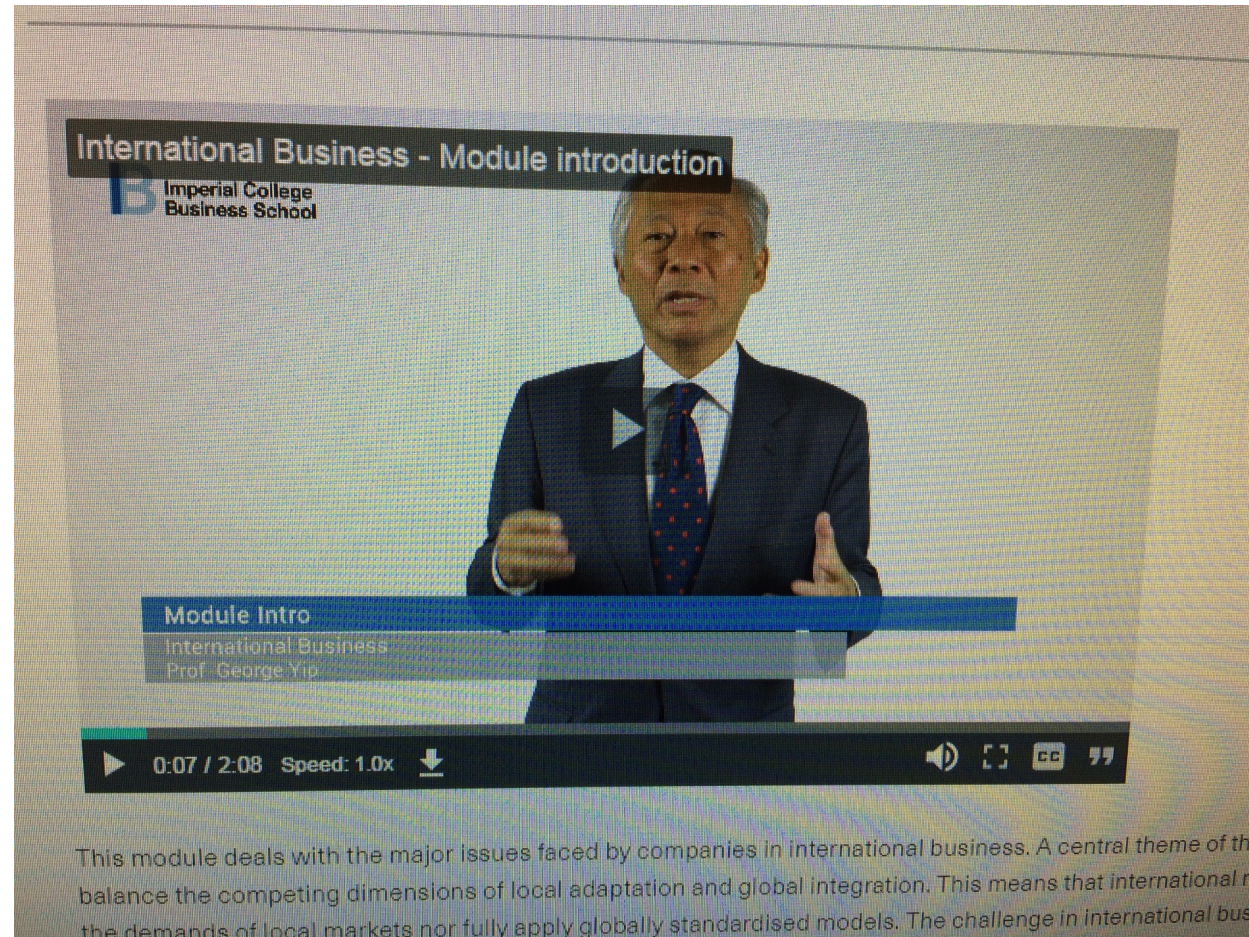
Be Willing to Transform Yourself First

“I am not worried about online education.
That is not a real MBA.”

George Yip, 2014

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Two years later



A high-angle photograph of a kayaker in a red and blue outfit, wearing a blue helmet, navigating a turbulent white-water rapid. The kayaker is positioned in the lower-left foreground, leaning forward with a black paddle. The kayak is orange and yellow. The water is churning with white foam, and the surrounding rocks are grey and jagged. The background shows more rapids and a dense forest.

My Greatest Personal Learning?

Do what is best for the organization even if a risk to your job.