

Strategy, organization and leadership in a new “transient-advantage” world

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Strategy: Virtually all strategy frameworks and tools in use today are based on a single dominant idea: that the purpose of strategy is to achieve a sustainable competitive advantage. This idea is strategy’s most fundamental concept [. . .] and it’s no longer relevant for more and more companies [. . .] To win in volatile and uncertain environments, executives need to learn how to exploit short-lived opportunities with speed and decisiveness. – Rita Gunther McGrath[1]

Organization: The world is now changing at a rate at which the basic systems, structures and cultures built over the past century cannot keep up with the demands being placed on them. – John Kotter[2]

Leadership: [Responsible leadership today] is, quite often, a version of the good struggle: it is a long effort, demanding perseverance and courage, to make good on serious but profoundly fallible commitments in an uncertain and often unforgiving world. – Joseph Badaracco[3]

Management and innovation guru, Gary Hamel, described the business environment today in a recent presentation on reinventing management for the 21st century: This is “the first generation in history” having to “cope with an inflection point in the pace of change,” he said, with more and more aspects of our wider world changing at an “exponential rate,” from carbon emissions, to Internet connectivity and mobile-device penetration, to data storage and analytics, to gene sequencing. When you add to this the spread of hyper-competition and speed at which knowledge advantages now typically erode, then not only do companies have to become ever more adaptable, but ever more innovative as well.

Hamel suggests that this unprecedented “inflection” in the competitive context poses three fundamental challenges for leaders of most businesses today:

- How do you build a company that can change as fast as change itself?
- How do you build a company where innovation is the work of everybody, all the time, every day?
- How do you create an organization where people are willing to bring you the gifts of their initiative, their creativity and their passion? [www.youtube.com/watch?v=aodjgkv65MM]

Three recent books offer game-changing advice about how to manage these fundamental challenges. They also help to advance the growing dialogue among the corporate strategy, innovation, leadership and entrepreneurship functions:

“McGrath urges using the competitive arena as the new unit of competitive analysis – that is, ‘a combination of a customer segment, an offer, and a place in which that offer is delivered’.”

- In *The End of Competitive Advantage* (Harvard Business Review Press, 2013), strategy and innovation guru Rita Gunther McGrath argues that strategy as we have come to know it is “stuck” in the face of the inflection that Hamel highlights, and she offers a more effective strategy playbook for what she calls the new “transient advantage economy.”
- In *Accelerate* (Harvard Business Review Press, 2014), change leadership supremo, John Kotter, makes the case for developing a new “strategy operating system” to run in tandem with the traditional “performance operating system,” so that renewal can become continuous rather than episodic.
- In *The Good Struggle* (Harvard Business Review Press, 2013), leadership and ethics expert, Joseph Badarraco turns to five enduring questions of responsible leadership and looks for the emerging answers that might offer the most valuable guidance to leaders now having to operate in today’s disruptive “Schumpeterian universe.”[4]

Developing strategy in McGrath’s world of “transient advantage”

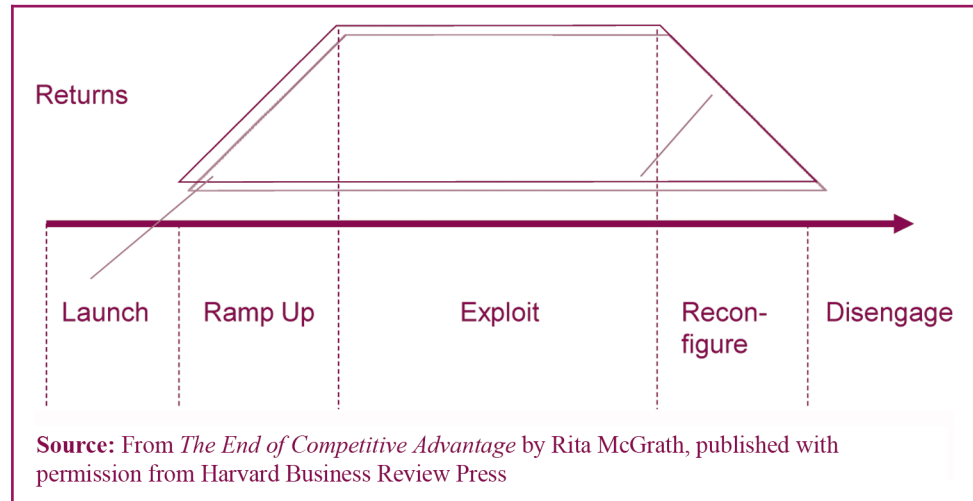
We have known for some time that many conventional ideas on strategy tend to reach their limits when applied to hyper-competition.[5] Rita McGrath now argues that high-velocity competitive contexts are fast becoming the norm. While the traditional principles of strategic positioning may continue to be very effective for companies like General Electric, IKEA and Proctor & Gamble that still compete in relatively stable and predictable industries, they seem ever less relevant in those industries that are buffeted by globalization and the digital revolution, where industry boundaries are continuously shifting. She has written a new strategy playbook that has at its heart clear insight into the nature of “transient” competitive advantage.[6]

In *The End of Competitive Advantage*, McGrath reminds us that any competitive advantage goes through a lifecycle, the five main phases of which are:

- **Launch:** An opportunity is identified and resources are mobilized to capitalize on it.
- **Ramp up:** The business idea is scaled up.
- **Exploitation:** This is the window of opportunity to develop strong strategic positioning (the combination of a clear value proposition and a tailored activity system to deliver it) and to fully exploit the competitive advantage associated with it.
- **Reconfiguration:** This is concerned with keeping the existing source of competitive advantage “fresh” as more and more competitors enter the fray.
- **Disengagement and replacement:** This is about moving on in a timely and strategic fashion before the original advantage is completely eroded (see Figure 1.1).

Seen through this perspective, sustainable competitive advantage is a “long cycle” advantage. In relatively stable industries, the exploitation phase can last for a decade or more, so that operating within this phase becomes “business-as-usual.” Other parts of the cycle tend to be managed through special initiatives. When competition was mainly national and the primary engine of economic activity was manufacturing, “long cycle” advantage was the general case and long-term industry dominance was possible. This was the context that gave birth to the traditional strategic processes of industry analysis, competitive positioning and periodic realignment brilliantly described by Michael Porter.[7]

Figure 1.1 How to compete: the wave of transient advantage



Today, markets where these mental models are determinative are becoming the exception, and now advantage has to be created and recreated more or less continuously in “wave after wave.” Companies have to extend their strategy development tools to all parts of the transient advantage cycle, and “different disciplines and skills sets” are likely to be valuable in the innovation, exploitation, and disengagement phases of each wave.

Major shifts in where-to-play and how-to-win thinking are increasingly required, as the traditional assumption that “within-industry competition” offers “the most significant competitive threat” no longer holds. Inter-industry competition is becoming more prevalent, with barriers to entry rapidly falling and the threat of substitutes growing apace, and traditional industry analysis is too coarse-grained to be effective on its own. McGrath urges using the competitive arena as the new unit of competitive analysis – that is, “a combination of a customer segment, an offer, and a place in which that offer is delivered”. Segmentation based on the notion of “job-to-be-done.”[8] will also be vital “because the most substantial threats to any given advantage are likely to arise from a peripheral or nonobvious location” – for example, Apple versus Sony, Nokia or Amazon; Wal-Mart versus CVS; Kodak versus HP; CBS versus Fox, New York Times Digital and Netflix. “In more and more markets, we are seeing industries competing with other industries, business models competing with business models even in the same industry, and entirely new categories emerging out of whole cloth.”[9]

McGrath’s new playbook is intended to support traditional strategy tools rather than replace them, and three core capabilities are seen as central to what is new about her approach:

- Making innovation an everyday proficiency.
- Practicing healthy disengagement as a normal, regular activity.
- Continuously reconfiguring resources and activities to achieve a dynamic balance between stability and agility.

Turning innovation into “an ongoing systematic” process will require developing the resource allocation “deftness” to be able to organize and re-align around opportunities. It will mean adopting a “real options mindset,” developing a “balanced portfolio of initiatives” with different time horizons and using a “discovery-driven” approach to business planning, with an “experimental orientation” aimed at turning assumptions into knowledge as quickly and as cheaply as possible.[10] It will also involve adopting a human-centered “jobs-to-be-done” perspective in seeking to identify the unarticulated needs of customers, and embracing “intelligent failure,” as a necessary step in the innovation process. The imperative when it

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comes to healthy disengagement is to convert this also to an ongoing activity with a “steady rhythm,” where fading sources of advantage are ended “frequently, formally and systematically,” while deliberate effort is made to extract and retain the learning, and to repurpose and re-leverage any potentially reusable assets and capabilities.[11]

Building adaptive capability by balancing stability and agility

At the heart of McGrath’s new strategy playbook is the capacity for continuous reconfiguration. This is the “secret sauce” that enables “assets, people and capabilities make the transition from one advantage to another” and the process to be one of continuous morphing rather than traumatic, periodic restructuring. Firms adept at such “shape shifting” typically put “equal emphasis on all phases” of the advantage life cycle and exhibit great “fluidity” in the “allocation of talent.” Their strategic direction tends to be marked by “stable vision” combined with extensive empowerment and “variety in execution.”

In her book, McGrath features ten pioneering exemplars of this strategic capability, all having “identified and implemented ways of combining tremendous internal stability while motivating tremendous external agility, particularly in terms of business models.”[12] All have “crafted social architectures” that help to limit “the amount of uncertainty and change that their people have to face” and are characterized by “public” commitment to an outsized “world-class ambition,” with a few clear strategic priorities, that helps to provide a constant “aiming point for their people.” Stability is also provided through the priority given to “creating a common identity” and “culture,” and to “leadership development.” The exemplars “consciously set out to educate and up-skill their people” as they look to transition from advantage to advantage, and their relationships with key stakeholders and ecosystem partners tend to be deep and enduring.

These sources of stability provide the ballast that allows these successful firms to restructure, realign, reconfigure and redeploy in a continuous, flexible, fast and almost seamless fashion, as they develop and deploy new technologies, move into new markets, explore new business models and even open up new industries.[13] Though seemingly “contradictory,” the twin abilities needed for success – to maintain coherence and alignment while at the same time innovating and challenging the status quo – are actually deeply interdependent, according to McGrath. “A stable organizational environment with transparent values is conducive to employees’ feeling confident that they can take the risks that experimentation requires.”[14]

Speeding up – Kotter’s new change accelerator model

In his recent book *Accelerate: Building Strategic Agility for a Faster Moving World*, change guru John Kotter offers his own solution to how best to balance stability and agility in a world where the accelerating pace of change itself has become a “game-changer” for many organizations.

Previously, in his 1996 classic, *Leading Change*, Kotter developed an eight-step template that has since become one of the most widely used change management approaches.[15] It was introduced at a time when companies still enjoyed “long-cycle” advantages and leading major change was an episodic challenge. Through putting it to work, companies could “invest all their energy and resources in doing one new thing very well,” and when the

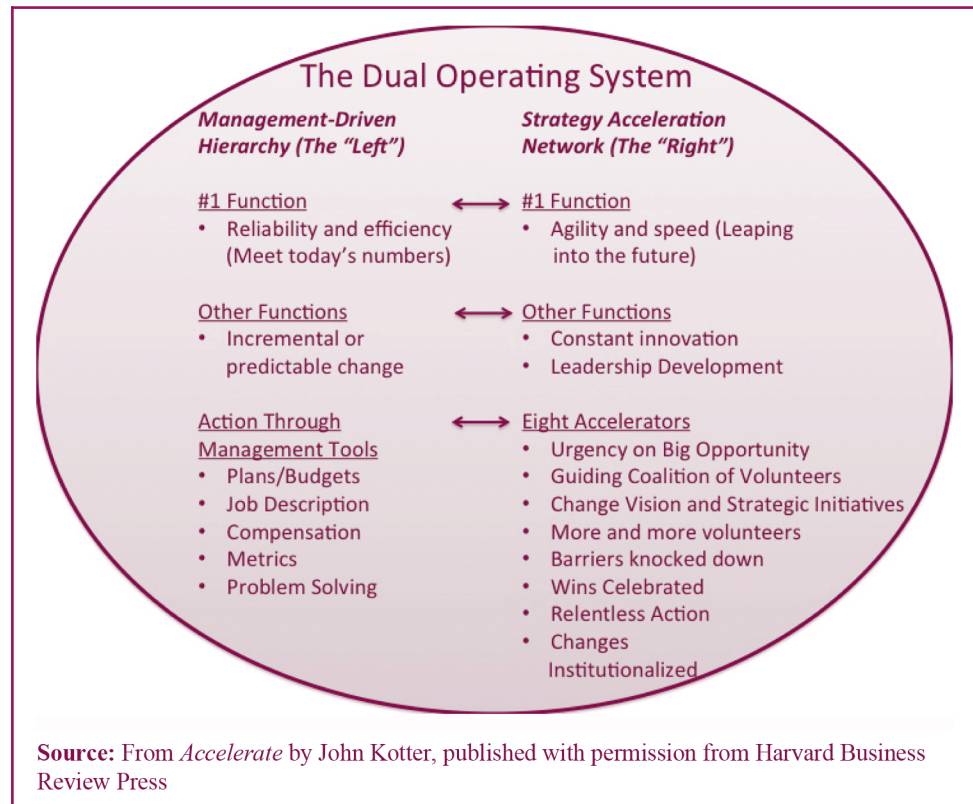
project was over, the methodology could be “packed away” until needed again some years down the line. This classic methodology is no longer so effective in a world where renewal needs to be continuous.

As Kotter sees it now, the current challenge is that most well-established companies are “optimized much more for efficiency than strategic agility,” and the, “hierarchical structures and organizational processes that we have used for decades to run and improve our enterprises are no longer up to the task of winning in this faster-moving world.” Something else is needed.

Kotter’s solution is a second core system “devoted to the design and implementation of strategy” that “uses an agile, network-like structure and a very different set of processes.” In fact, what he envisages is a new “dual operating system,” with the strategy and performance systems operating “in concert.” The dual system can best be viewed as a combination of “a management-driven hierarchy” and a “strategy acceleration network” (See Figure 2.3 “The dual operating system: Key characteristics”). This solution lets the hierarchy concentrate on “doing today’s job well” and shifts the burden of work that “demands innovation, agility, difficult change and big strategic initiatives” to the network. The network “mimics successful enterprises in their entrepreneurial phase,” where initiatives and sub-initiatives typically “coalesce and disband as needed” and the constellation of relationships and activities “typically morphs all the time with ease.”

The dual system may be a fresh insight, but the phenomenon has long been “hiding in plain sight,” and it’s likely that all successful, well-established organizations have used it very effectively at a particular stage of their growth.[16] New enterprises typically start out operating with network-like properties, and eventually evolve towards the traditional management-driven hierarchy as they scale. In between, they typically go through a phase

Figure 2.3 The dual operating system: key characteristics



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where network and hierarchy are operating organically in a fully interconnected and coherent way, but where the network remains “informal and invisible to most people” and, up to now, has rarely been able to sustain itself.[17]

As Kotter’s sees it, the restoration, by design, of a network element to a company’s core operating system should be guided by five central principles and realized through eight basic processes.

The five principles are that the network should: 1. Seek to involve many change agents from across the organization. 2. Foster a spirit of volunteerism. 3. Pursue actions and activities that appeal to the heart as well as the head. 4. Look to develop lots more leadership, not just more management, because the game here is “all about vision, opportunity, agility, inspired action and celebration”. 5. View the hierarchy and network as inseparable—“two systems but one organization.”

Kotter refers to his eight basic processes as “accelerators,” because actions within the network aim at accelerating activity, “especially strategically relevant activity.” While the accelerators are “much like” the eight steps for leading change, the network “takes those steps and turbocharges them” (see box: “Kotter’s eight accelerators”), and if it is to be widely embraced as an integral part of the company’s overall operating system, the executive committee “must launch it, explicitly bless it and support it.”

This dual system idea is now more than theory. Kotter has already helped several companies to incubate it in their organizations with very promising results. The strategy network can be allowed to start small and grow organically through its own momentum. Version 1.0 might focus initially on trying to promote more agility and innovation in the execution of particular strategic initiatives in a given part of the organization, but “the network and the Accelerators evolve” and “momentum comes faster than you might expect.”

Experience suggests that having 5-10 percent of the employee population actively involved in the network is enough to generate significant and speedy impact. The second system can also be operated at little extra cost because it is peopled by associates with regular jobs in the traditional hierarchy, and fuelled mainly by voluntary effort. The 5-10 percent dual participation helps to keep the two systems closely intermeshed, and the major payoff for those who involve themselves in the network is more engaging work and accelerated personal development. As a senior executive at one of the pioneering companies reports: “I can’t believe how quickly this second operating system gives growth to real talents within the organization.” The other key to maintaining alignment is the right ongoing relationship between the hierarchy’s executive committee and the network’s guiding coalition. It is most important that the senior leadership team models behaviors for the rest of the organization that clearly value the network and the hierarchy as equal partners.

The biggest challenge of all is how to make people who are accustomed to the single-system hierarchy “believe that a dual system is even possible.” This is why creating and maintain a focus on a “Big Opportunity” is so necessary. It becomes the central energy source through which all the other accelerators are kept in continuous motion.

Kotter's eight accelerators

The eight accelerators, as defined by Kotter, and the key actions needed to get the dual system up and running initially, are:

1. **Create a sense of urgency around a "Big Opportunity."** Building the dual system starts here because a sense of urgency around a "Big Opportunity" allows behavior to happen that many who have grown up in mature organizations would think impossible.
2. **Build and evolve a guiding coalition.** A guiding coalition (GC) is formed from those who most want to be in the vanguard of the effort to pursue the big opportunity. This group will have the drive, the intellectual and emotional commitment, the connections, the skills, and the information to form the entrepreneurial core of the strategic network. The GC is drawn from diverse parts, functions and levels of the organization and seeks to operate in a non-hierarchical way.
3. **Form a change vision and strategic initiatives.** The GC clarifies a vision that best fits the Big Opportunity. The initiatives that the nascent network side attacks first will be those that the pioneering members of the GC will have the greatest passion to work on and the organization's executive committee agrees make sense.
4. **Enlist a volunteer army.** The GC, and others in the vanguard who wish to help, communicate information about the change vision and the strategic initiatives to the organization in ways that lead large numbers of people to buy into the whole flow of action.
5. **Enable action by removing barriers.** Everyone on the network side works swiftly to achieve initiatives and find new ones that are strategically relevant, much like an entrepreneurial start-up, but much of the action here also has to do with identifying and removing barriers which slow down or inhibit strategically important activity. Within a dual system this process guides people to pay attention to the hierarchy to avoid unnecessary overlap or duplication, and to help maintain alignment.
6. **Generate and celebrate short-term wins.** Action here ensures that all of the wins, big and small, are as visible as possible to the entire organization, because these wins and their celebration can carry great psychological power and play a crucial role in building and sustaining the dual system.
7. **Sustain acceleration.** Sustaining the sense of urgency is so central to the strategy part of the dual operating system because it helps to keep people going and keep energy focused relentlessly on new opportunities and challenges. It helps to keep in motion innovation and change activities in the network that once started never stop.
8. **Institute change.** This helps to institutionalize wins, integrating them into the hierarchy's processes, systems, procedures and behaviors, so that the changes infuse into the culture of the company. With more and more change there is a cumulative effect, and after a few years such action drives the whole dual system approach into the organization's very DNA.

[Adapted with slight modifications from *Accelerate*.]

Badaracco's value code for leading responsibly amid "recombinant" capitalism

Both McGrath and Kotter recognize that new demands will be placed on top leaders and the question of what exactly, in this new transient advantage environment, the challenge of leading responsibly will require is the central theme of Joseph Badaracco's book, *The Good Struggle: Responsible Leadership in an Unforgiving World*.

For much of the 20th century, the business world went through a period when the "visible hand" or corporate management had replaced market as the primary mechanism of resource allocation across the corporate world.[18] This was the heyday of the "giant industrial machine" when the "fundamentals" that determined competitive success were scale, hierarchy and control. The most admired leaders of such dominant companies, like Thomas Watson at IBM or Alfred Sloan at General Motors, were "industrial statesmen" who "used their power responsibly," providing stable employment and promoting "corporate values that shaped the

work and even the lives of their employees.” All of this made for “a powerful conception of responsible leadership” and many of our prevailing ideas are legacies from this era.

Today, we seem to be returning to the kind of “open-field, brawling capitalism” that preceded the rise of these powerful, monolithic industrial enterprises. “Markets, rather than religion or government or family or ideology,” now seem to be “the most powerful force” and “we are living in Joseph Schumpeter’s universe,” a “recombinant world” full of “extraordinary opportunity, complexity, fragility, and uncertainty,” where most organizations are coming to look more and more like “fluid, permeable networks that compete – like many entrepreneurial firms – by rapidly and successfully assembling and reassembling resources of all kinds.”

In this new world, what it means to lead responsibly has become an “urgent and challenging” issue, and Badaracco sets out to address it by trying to articulate contemporary answers to five enduring, role-defining questions.

1. **Am I really grappling with the fundamentals?** The first responsibility of leaders is “analytical rather than ethical.” CEOs who don’t strive hard enough to try to understand the driving forces “shaping the economy and society around them” can easily lead their organizations astray, even if they “are deeply committed to all the right values,” and where they fail in this endeavor, markets move “swiftly and remorselessly.” The most valuable attribute in meeting this challenge is intellectual honesty – the willingness and acuity to see the world as it really is. Intellectual honesty also demands emotional courage, because strategy and setting direction are essentially “bets on the future,” and the vulnerability of such bets has never been higher. A central paradox for today’s leaders is that “they can only succeed if they are intensely committed,” notwithstanding their full knowledge of “the vulnerability and fallibility of these commitments.”[19] The answers to the other four questions “strongly reflect” the answer to this first one.
2. **Do I know what I am really accountable for?** This concerns both clarity about the basic job itself and “what counts as success and failure,” and clarity about accountability to society more broadly. Our “familiar institutions of accountability,” such as boards, laws, regulation and government oversight, “are becoming much less effective because of the pace and complexity of market-driven change.” So the emerging answer is both “extraordinary and disconcerting,” because “to a significant degree, leaders are left to define their own accountability.” It “takes confidence, determination and courage to accept that responsibility” and to know when to be responsive to particular stakeholder pressures and when to resist them, as “governance by markets” increasingly replaces governance by “traditional institutions.”[20]
3. **How should leaders make critical, destiny-determining decisions?** In the era of the industrial machine the view was that “best way to predict the future was to control it,” and leaders could look to methodical, long-range planning to help them do it. In a market-driven world responsible leaders “can often do little more than make open-ended, evolving and fundamentally fallible commitments,” to be “fleshed out, in

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time through experiment, experience, error, failure and serendipity” in cycles of evolving “commitment and adaptation,” where a premium is put on the courage to commit in the face of uncertainty and the humility to learn and correct. A leader’s approach to this challenge must also be guided by the fourth question.

4. **Do we have the right core values?** To answer discerningly, leaders must penetrate beyond the “consensus approach” of vague commitments to such “universal principles” as “honesty, integrity, respect for individuals, and so forth,” to get to the core of what a leader is fully prepared to “make good on” when “sacrifice is unavoidable.” At its most fundamental, this is more about identity, and knowing who you are, than cost-benefit calculation.[21]
5. **Why have I chosen this life?** For Badaracco, the most serviceable answer today can be found in antiquity’s notion of “the Good Struggle.” The “central theme of this book can be summarized in two short statements: responsible leadership is commitment, and commitment is struggle,” and the answers emerging from all four earlier questions suggest that leaders will “have to think about commitment and struggle in very personal ways.”[22] More and more, leaders will have to be drawn to the role because of its intrinsic value, since “a recombinant world offers few guarantees and markets are indifferent to the fates of individuals.” For those who have the intellectual and moral strength to “make sound but fallible commitments,” the emotional courage to “struggle hard and creatively” to make good on them, and the willingness to “take risks, to sacrifice, and to doggedly pursue some larger, higher aim,” the job of leaders today offers all the satisfactions of the “good struggle.” It is a struggle that will present them with a “long rigorous challenge that tests their competence and their characters fully, gives purpose and intensity to their lives, and helps them lead the kind of life they really value.”

In the end, as Badaracco points out, “none of these enduring questions is ever answered finally and permanently,” but “thinking hard” about them can “help leaders raise the odds of working successfully and responsibly in the exciting, uncertain, recombinant, market-driven world” that now surrounds us all.

Notes

1. McGrath, R.G. (2013), *The End of Competitive Advantage: How to Keep Your Strategy Moving as Fast as Your Business*, Boston: Harvard Business Review Press.
2. Kotter, J. (2014), *Accelerate (XLR8): Building Strategic Agility for a Faster Moving World*, Boston: Harvard Business Review Press.
3. Badaracco, J.L. (2013), *The Good Struggle: Responsible Leadership in an Unforgiving World*, Boston: Harvard Business Review Press.
4. Rita Gunther McGrath is Professor of Management at Columbia Business School. John P. Kotter is the Konosuke Matsushita Professor of Leadership, Emeritus, at Harvard Business School and founder of Kotter International. Joseph Badaracco is the John Shad Professor of Business Ethics at Harvard Business School.

5. For example, see D'Aveni, R. (1995), *Hyper-Competitive Rivalries: Competing in Highly Dynamic Environments*, New York: Free Press; see also Brown, S.L. and Eisenhardt, K.M (1998), *Competing on the Edge: Strategy as Structured Chaos*, Boston: Harvard Business School Press.
6. All quotes in this Masterclass are extracted from the featured readings unless otherwise stated or cited. Additional quotes in the sections where their books are being featured are also drawn from McGrath, R.M. (2013), "Transient advantage," *Harvard Business Review*, June, pp. 64-70, and from Kotter, J. (2012), "Accelerate," *Harvard Business Review*, November, pp. 46-58.
7. See Porter, M.E. (1980), *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New York: The Free Press and Porter, M.E. (1996), "What is strategy?" *Harvard Business Review*, November-December, pp.61-71.
8. The "jobs-to-be-done" approach to segmentation is a basic element of Clayton Christensen's disruptive innovation playbook. For more, see Christensen, C.R. and Raynor, M.E. (2003), *The Innovator's Solution: Creating and Sustaining Successful Growth*, Boston: Harvard Business School Press; see also Anthony, S.D., Johnson, M.W., Sinfield, J.V. and Altman, E.J. (2008), *The Innovator's Guide to Growth: Putting Disruptive Innovation to Work*, Boston: Harvard Business Press.
9. According to McGrath, there is "a big difference between thinking about strategy in terms of arenas as opposed to industries." The "imagery of arena-based strategy is more that of orchestration than of plotting a compelling victory," and "implementation on the ground by those actually confronting conditions within a specific arena becomes increasingly important." The aim of her new playbook is to help companies learn to "ride the wave from one transient advantage to another," and its conceptual foundations are to be found in a fusion of the innovation, competitive strategy and change management disciplines. Traditional sources of advantage such as product features and new technologies are "proving to be less durable than we once thought," and companies will have to create "capabilities and skills that will be relevant to whatever arenas they happen to be operating in."
10. For more on these ideas on how to approach the innovation and disengagement phases, see McGrath, R.M. and MacMillan, I.C. (2009), *Discovery-Driven Growth: A Breakthrough Process to Reduce Risk and Seize Opportunity*, Boston: Harvard Business Press.
11. Similar advice is offered by Geoffrey Moore (2005) in *Dealing with Darwin: How Great Companies Innovate at Every Stage of their Evolution*, Penguin, on the need to continuously "extract resources from context to repurpose for core" (where "core" refers to future sources of competitive differentiation, and everything else is considered to be "context.").
12. McGrath's ten exemplars are: Infosys (HQ in India – Founded in 1981), Yahoo Japan (Japan – 1996), HDFC Bank (India – 1994), ACS (Spain – 1983), Cognizant (US – 1994), Tsingtao Brewery (China – 1903), Indra Sistemas (Spain – 1921), Krka dd Novo Mesto (Slovenia – 1954), FactSet (US – 1978), and Atmos Energy Corporation (US – 1906).
13. This is similar in ways to Michael Beer's Theory E/Theory O perspective on strategic and organizational change in high performance organizations, which highlights the ability to drive economic realignment (Theory "E") and build organizational capability (Theory "O") simultaneously. For more, see Beer, M. (2009), *High Commitment, High Performance: How to Build a Resilient Organization for Sustained Advantage*, San Francisco: Jossey-Bass.
14. As Sanjay Purohit, head of strategy at Infosys, one of the exemplars, explains: "When we decide to get out of something, we slow down on allocating resources to those things. They find their way to insignificance in a period of time . . . You don't need to chop it off, you need to let it live its life . . . It's easy for us to repurpose the leadership and the talent, to look at some other area. We are a company that never fires its people. We transition the customers out of it, and people take other responsibilities." Infosys is also a company where business unit leaders regularly volunteer to give resources they do not need back to corporate for use elsewhere.
15. Kotter's original eight steps are: (1) establishing a sense of urgency; (2) forming a guiding coalition; (3) creating a vision; (4) communicating the vision; (5) empowering others to act on the vision; (6) planning for and creating short-term wins; (7) Consolidating improvements and producing still more change; and (8) Institutionalizing new approaches. For more on this change

methodology, see Kotter, J. (1996), *Leading Change*, Boston: Harvard Business School Press, and Kotter, J.P. (1995), "Leading change: why transformation efforts fail," *Harvard Business Review*, March-April, pp.59-67.

16. Ideas similar to Kotter's two-system partnership are described in Gilbert, C., Ewing, M. and Foster, R.N. (2012), "Two routes to resilience," *Harvard Business Review*, December, pp.67-73, and also in Govindarajan, V. and Trimble, C (2010), *The Other Side of Innovation: Solving the Execution Challenge*, Boston: Harvard Business Review Press.
17. The network is sometimes recreated, at least in part, in leading episodic change, as happened in Nissan where temporary non-hierarchical, cross-functional teams, were to play a pivotal role in Carlos Ghosn's successful revival program. See Ghosn, C. and Ries, P. (2003) *Shift: Inside Nissan's Historic Revival*, New York: Doubleday.
18. See Alfred Chandler's classic *The Visible Hand: The Managerial Revolution in American Business*, Cambridge MA: Belnap Press, 1977.
19. This is very similar to the "Stockdale Paradox," which features as one of Jim Collins' seven factors in explaining how companies make the transition from good to great. Named after Admiral James Stockdale who survived seven years in a Vietcong POW camp, it refers to a leader's ability to confront "the brutal facts" of current reality, while maintaining "absolute faith" that they will prevail in the end come what may, that is, the ability "to hold both disciplines – faith and facts – at the same time, all the time." For more see Collins, J. (2001), *Good to Great: Why Some Companies Make the Leap and Others Don't*, New York: HarperBusiness, and Collins, J. (2001), *Level 5 leadership: the triumph of humility and fierce resolve*, Harvard Business Review, January, pp.67-76.
20. For similar reflections on the role and accountability of top leadership today, see Lafley, A.G. (2009), "What only the CEO can do," *Harvard Business Review*, May, pp.54-62.
21. Organization theorist, James G. March makes an interesting distinction in examining how leaders make their most defining choices between a "logic of identity" and a "logic of consequence." A "logic of consequence" is fairly self-explanatory, and is a kind of cost-benefit calculation. In contrast, a "logic of identity," asks: What kind of person am I? – What kind of situation am I in? – What does a person like me do in a situation like this? For more, see the lecture/film *Don Quixote's Lessons for Leadership*, written and presented by Professor March, directed by Steven C. Schechter and produced by Stanford Graduate School of Business. Such logic of "identity" also seems to lie at the heart of Bill George's conception of "authentic" leadership. See George, B. (2007), *True North: Discover your Authentic Leadership*, San Francisco: Jossey-Bass (with Peter Sims).
22. This was a central theme in the work of the late public leadership guru, John Gardner: "In stable periods of history, meaning was supplied in the context of a coherent community and traditionally prescribed patterns of culture. Today you can't count on any such heritage. You have to build meaning into your life, and you build it through your commitments . . . Your identity is what you've committed yourself to." See Gardner, J. (1991) "Personal renewal," *The McKinsey Quarterly*, Number 2, pp.71-81. Gardner served as President Lyndon Johnson's secretary of Health, Education and Welfare. In his own memoirs, President Johnson reflected on this theme in the context of the civil rights struggle: "Nothing makes a man come to grips more directly with his conscience than the Presidency. Sitting in that chair involves making decisions that draw out a man's fundamental commitments. The burden of his responsibility literally opens up his soul. No longer can he write off hopes and needs as impossible. In that house of decision, the White House, a man becomes his commitments. He understands who he really is. He learns what he genuinely wants to be." Quoted in Heifetz, R.A. (1994), *Leadership Without Easy Answers*, Cambridge: Belknap, p.148.

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