

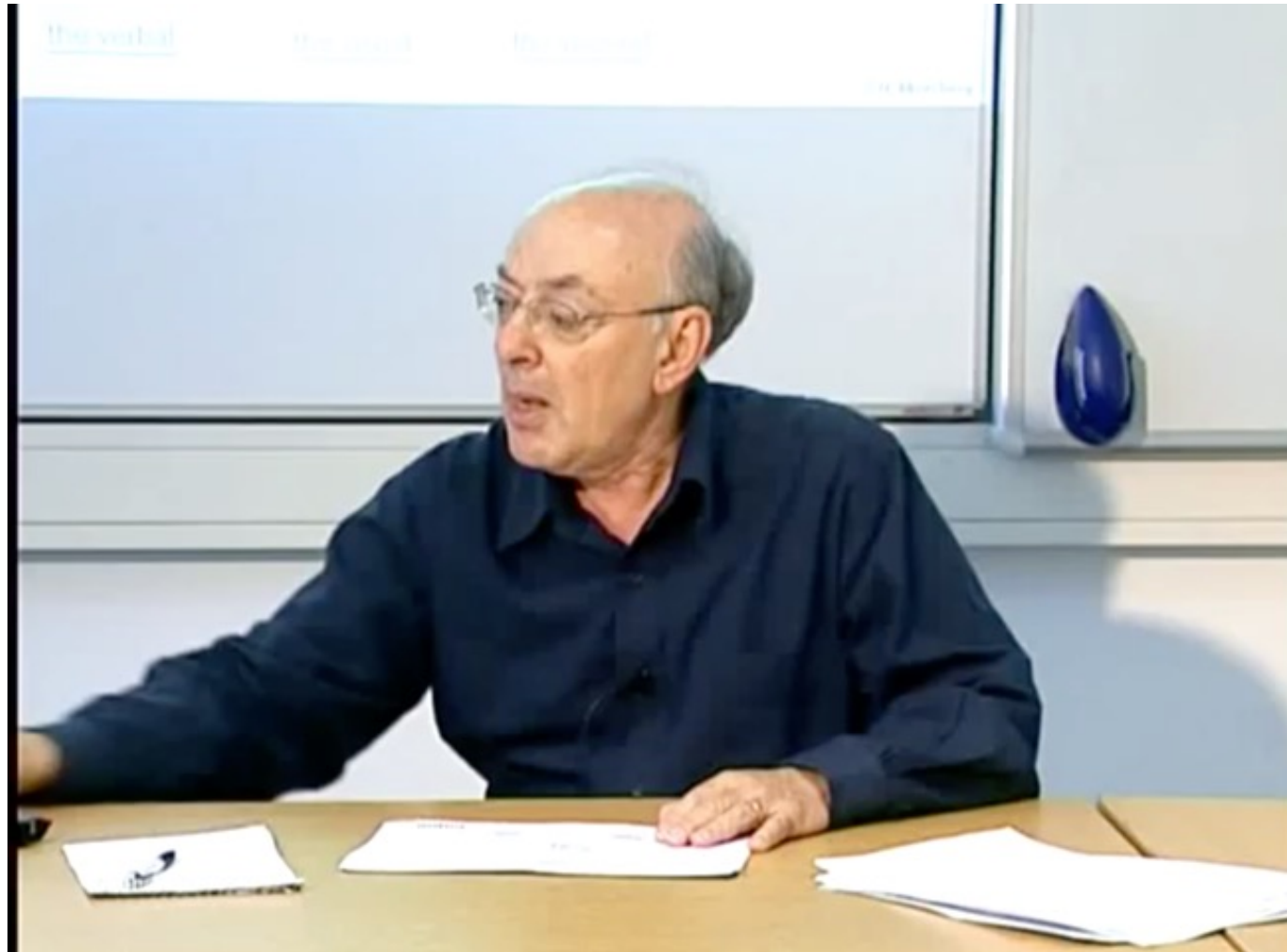


LEVERS OF CONTROL (B)

A holistic approach to control

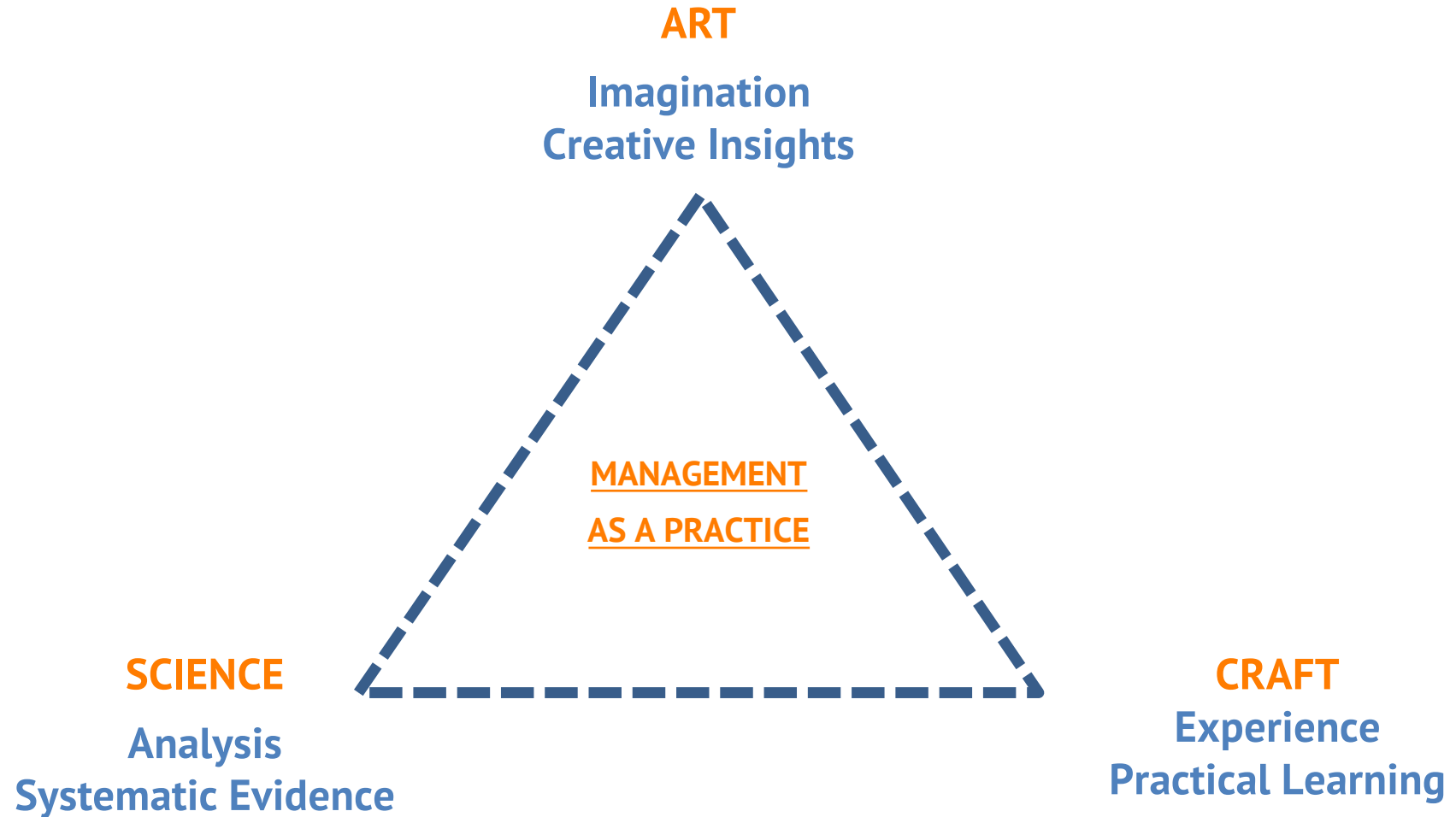


MANAGEMENT AS A PRACTICE



You can find this video on line: <https://mintzberg.org/videos/hm-decision-making>

MINTZBERG TRIANGLE



MINTZBERG TRIANGLE

Seeing First

insight → action

(inductively)



Thinking First

diagnose → design → decide → do

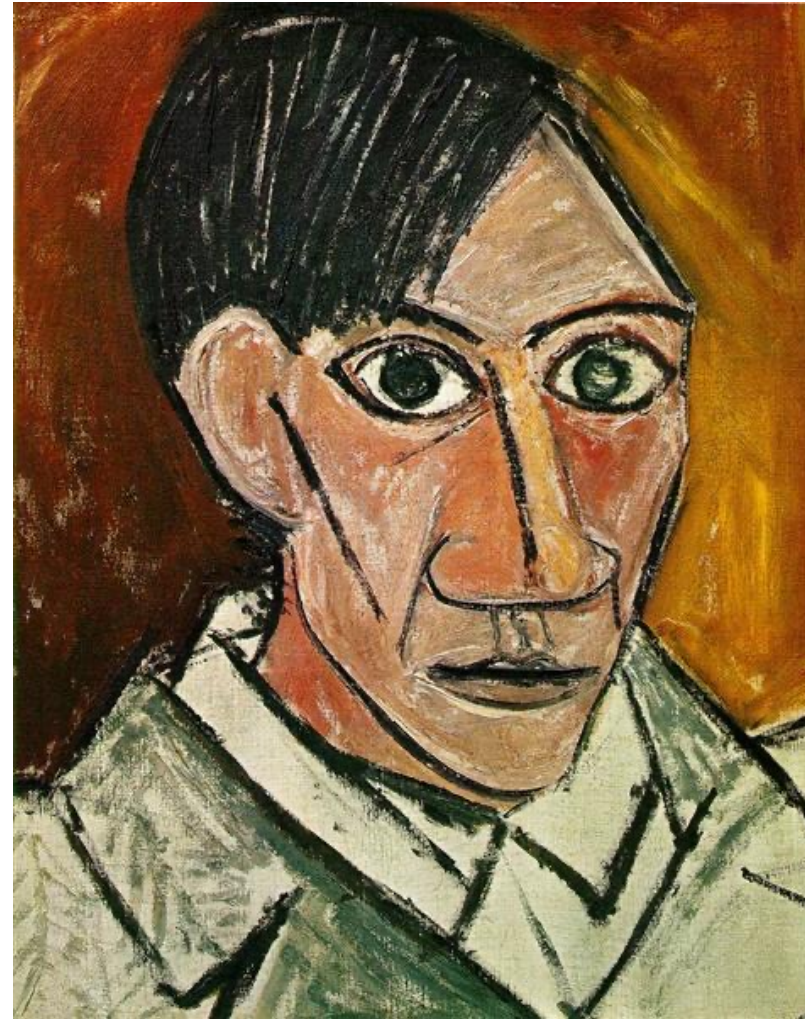
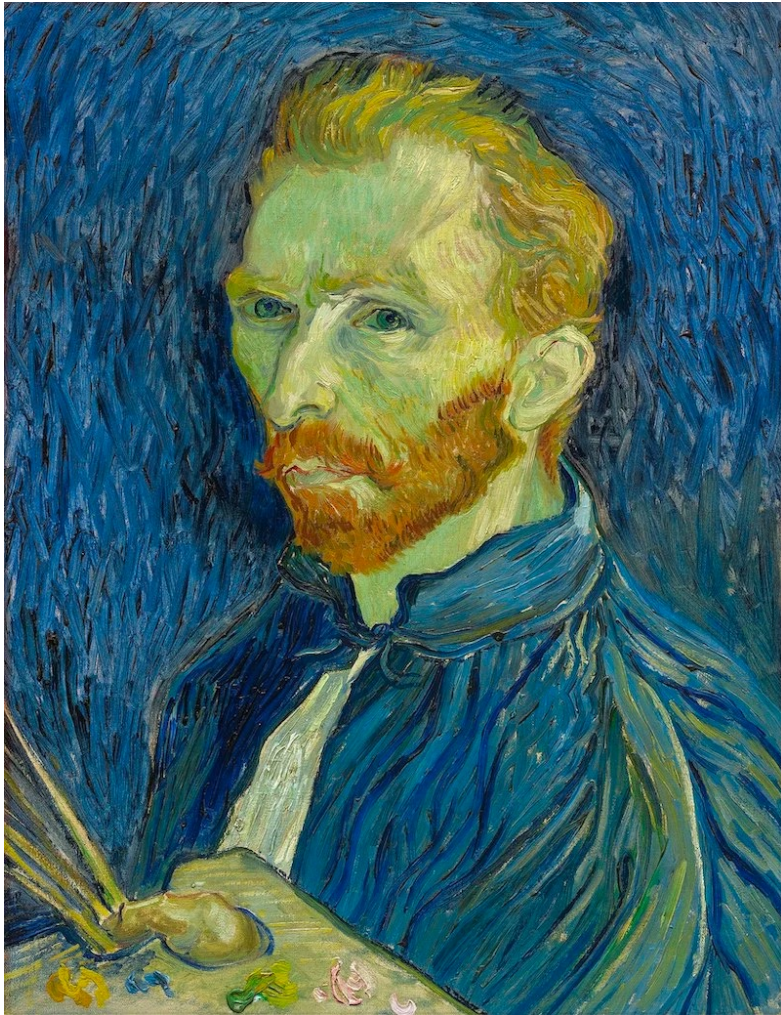
(deductively)

Doing First

act → think

(iteratively)

OVERCOMING PARADIGMS



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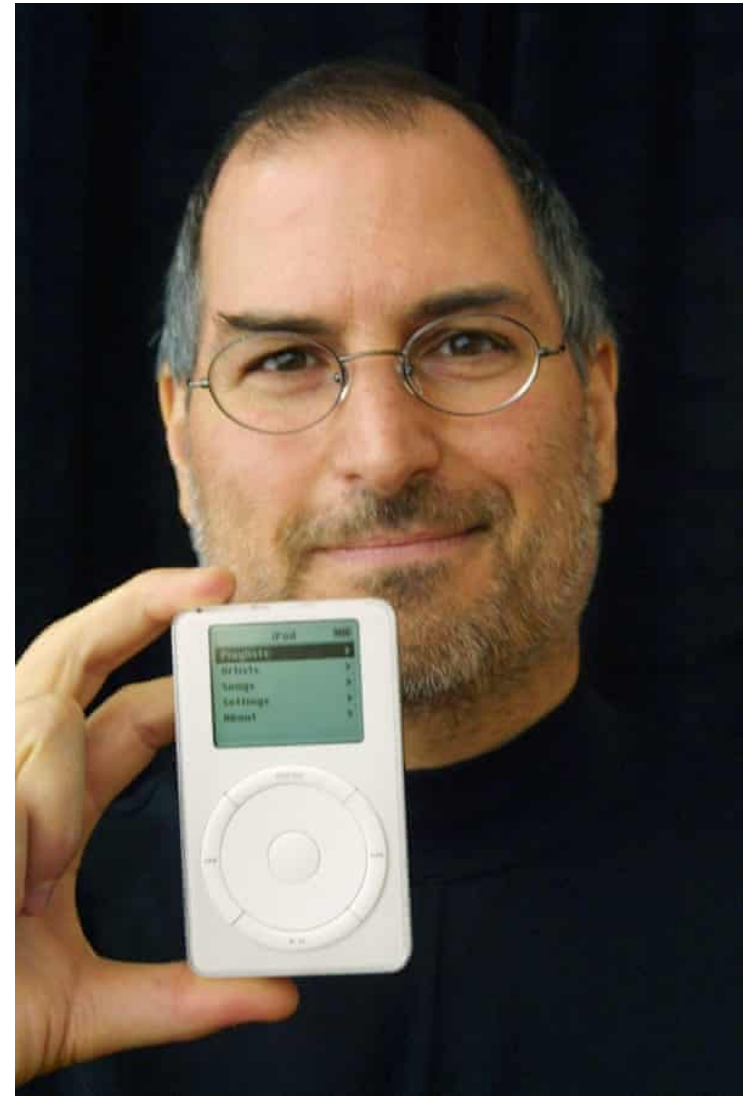
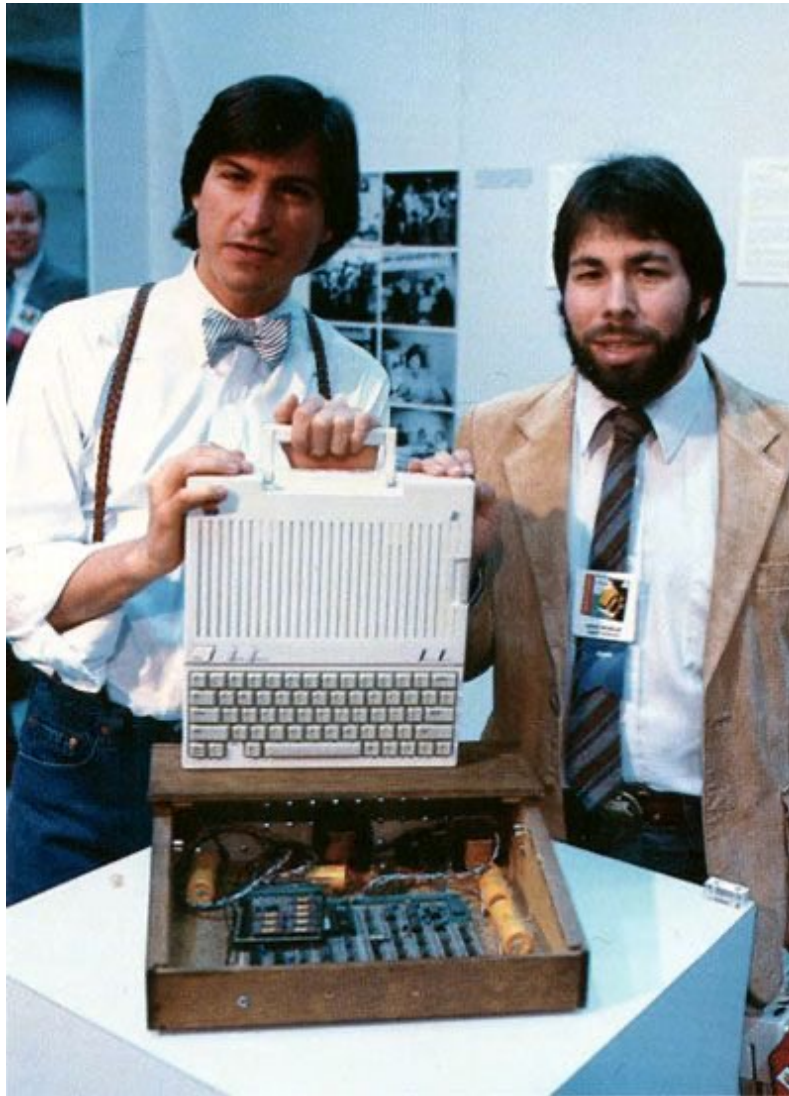
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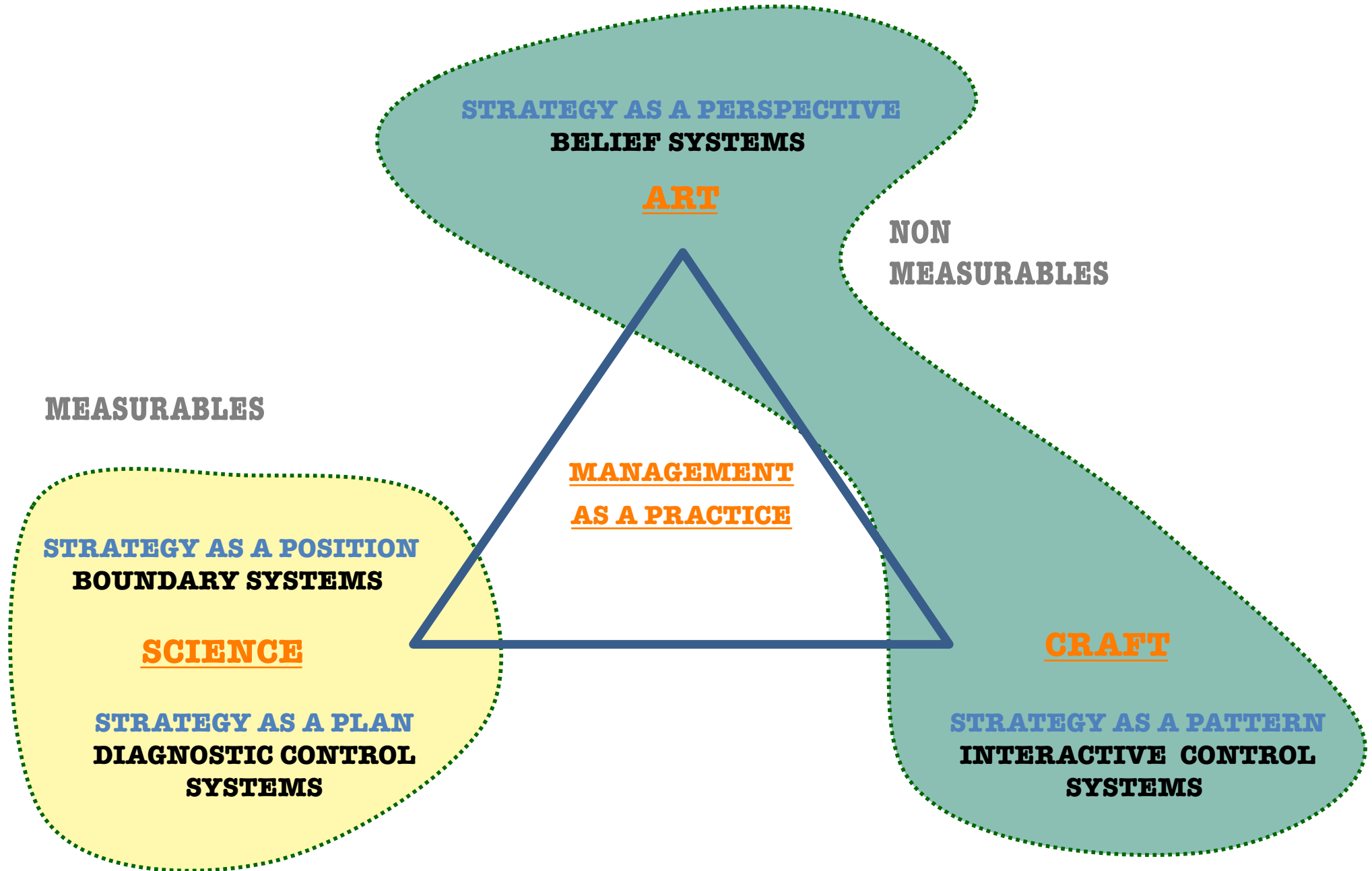
OVERCOMING PARADIGMS



OVERCOMING PARADIGMS



MINTZBERG TRIANGLE



NOT TOO MUCH ANALYSIS INDEED



“I came across a piece of junk mail advertising a fully equipped yogurt factory for sale”

HAMDİ ULUKAYA SUCCESS STORY

I've always loved yogurt—the thick kind I grew up eating in Turkey, where my mother made it from scratch on our family's dairy farm. When I moved to the United States, in 1994, I found American yogurt to be disgusting—too sugary and watery. If I wanted yogurt, I usually made it myself at home. So when I came across a piece of junk mail advertising a fully equipped yogurt factory for sale, in March 2005, I was curious. The factory was about 65 miles west of the feta cheese company, Euphrates, that I'd started in upstate New York a few years earlier. In 2005 Euphrates had fewer than 40 employees and about \$2 million in sales; it was barely breaking even.

Kraft owned the yogurt factory, and it had decided to get out of the yogurt business. The advertisement showed some photographs of the building, which had been constructed in 1920 and appeared to be in rough shape. On a whim, I called the broker and arranged to drive over the next morning to take a look.

The factory was a sad place, sort of like a cemetery, in a very small town. Fifty-five employees were preparing to shut it down. A lot of equipment was included, but it was old. The best thing about the place was the price: less than \$1 million. Some of the individual machines would cost more than that if purchased new.

On the drive home I called my attorney, who is my main business adviser. I told him I wanted to buy the factory. He thought it was a terrible idea. He had three good arguments: First, because I'd be buying it "as is," I really had no idea how well it would function. Second, Kraft is a pretty successful company, and if it was giving up on this facility, this town, and the yogurt industry, maybe it knew something I didn't. Third, and maybe the strongest objection, where was I going to get that kind of money? He was right: At that point, I had nowhere near enough money for such a big purchase.

But as it turned out, I was able to borrow the money to buy the factory—and after Chobani hit the market, I financed our growth through further bank loans and reinvested profits. This is a crucial piece of the Chobani story. Our ability to grow without reliance on external investors—the venture capitalists, private equity types, strategic partners, and potential acquirers who've offered us money since we launched—was vital to our success. Today Chobani is a \$1 billion business, and I remain the sole owner. That means I can run the company the way I choose—and plan for its future without pressure from outsiders.

Hamdi Ulukaya , "Chobani's Founder on Growing a Start-Up Without Outside Investors", HBR

THE ANTI-CEO PLAYBOOK BY HAMDİ ULUKAYA

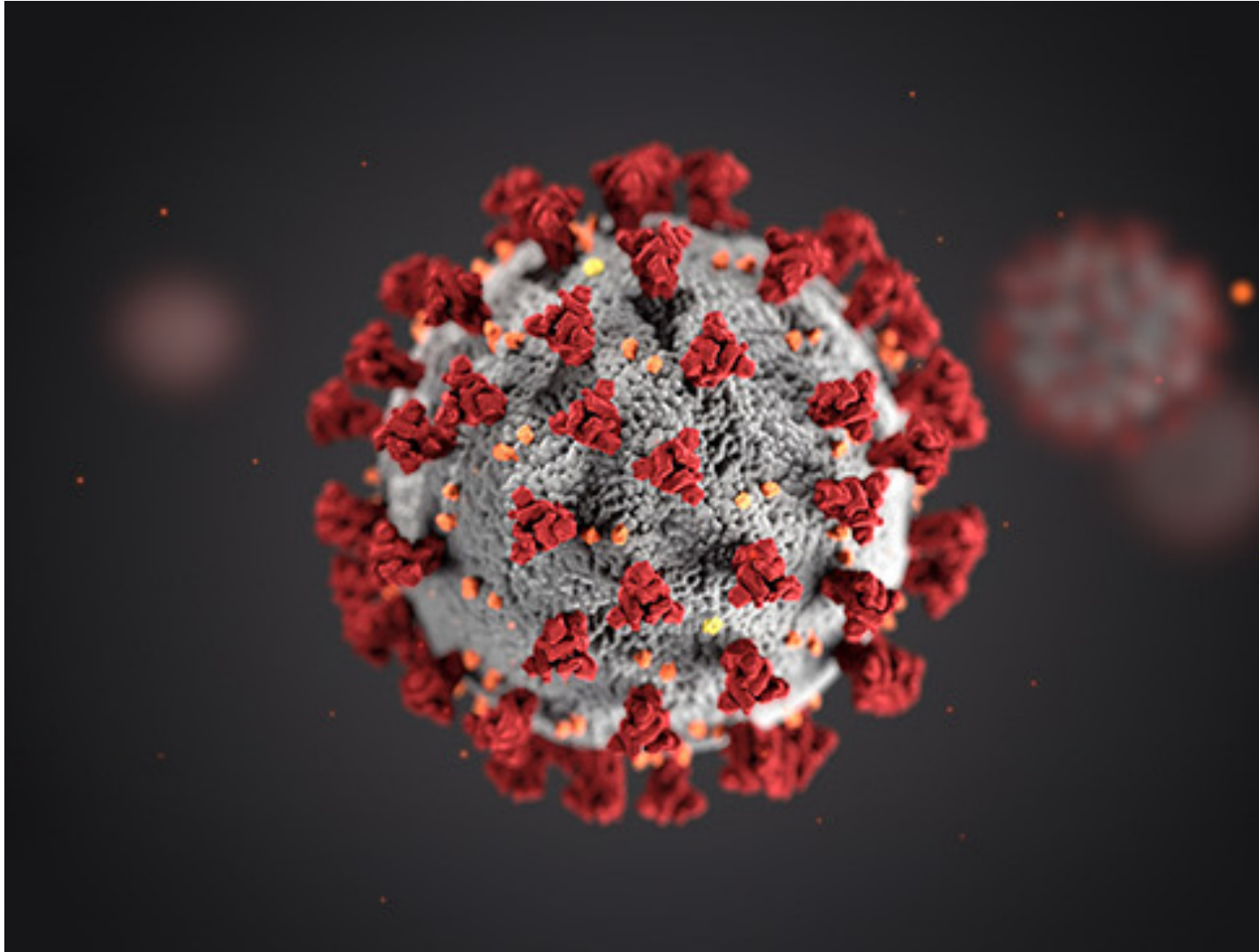


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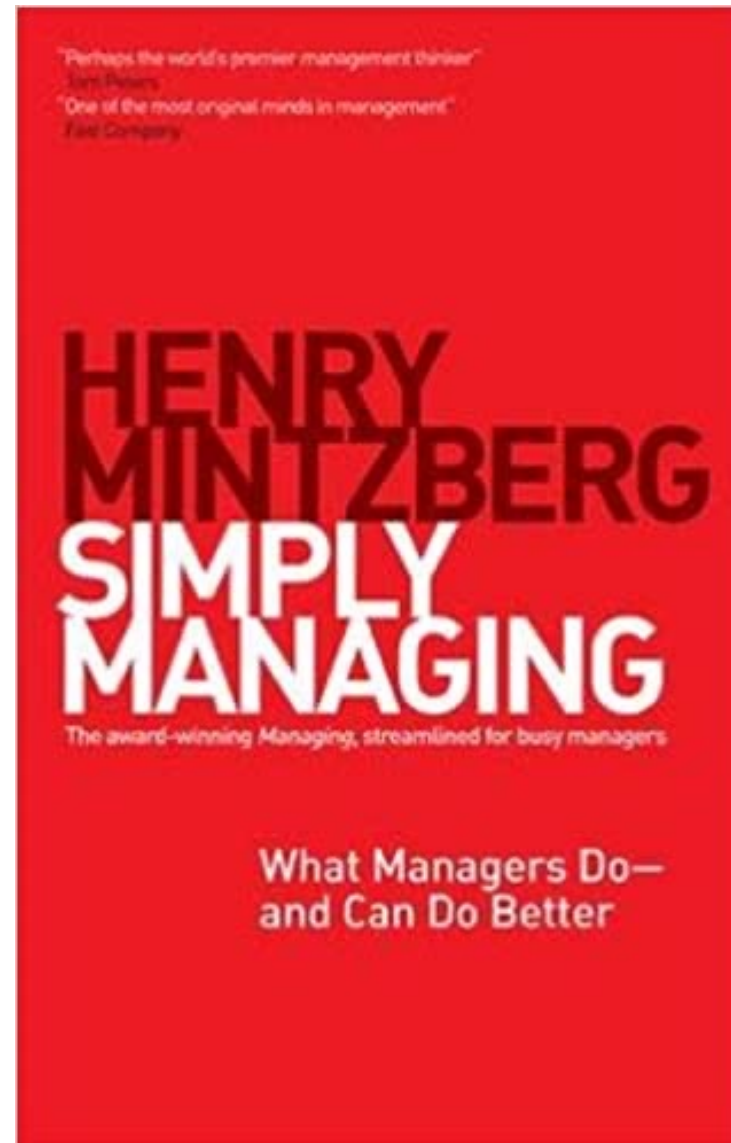
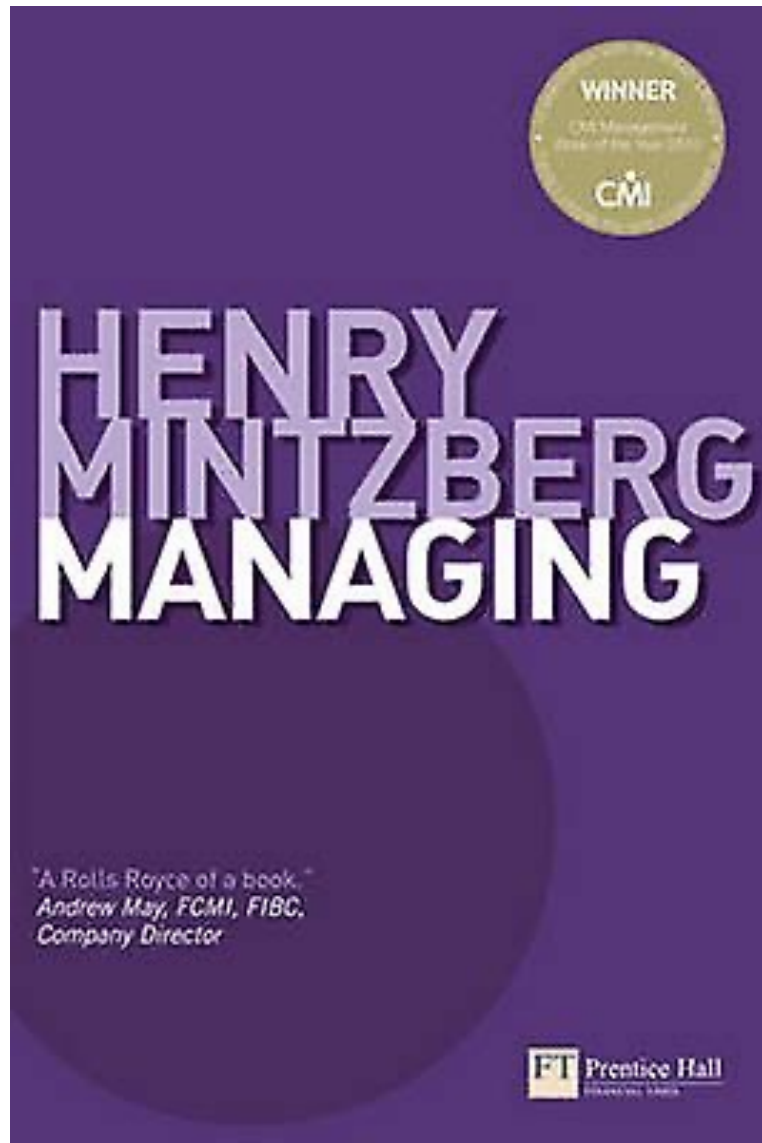


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AT THE HEART OF MANAGING



MANAGEMENT IS NOT A SCIENCE

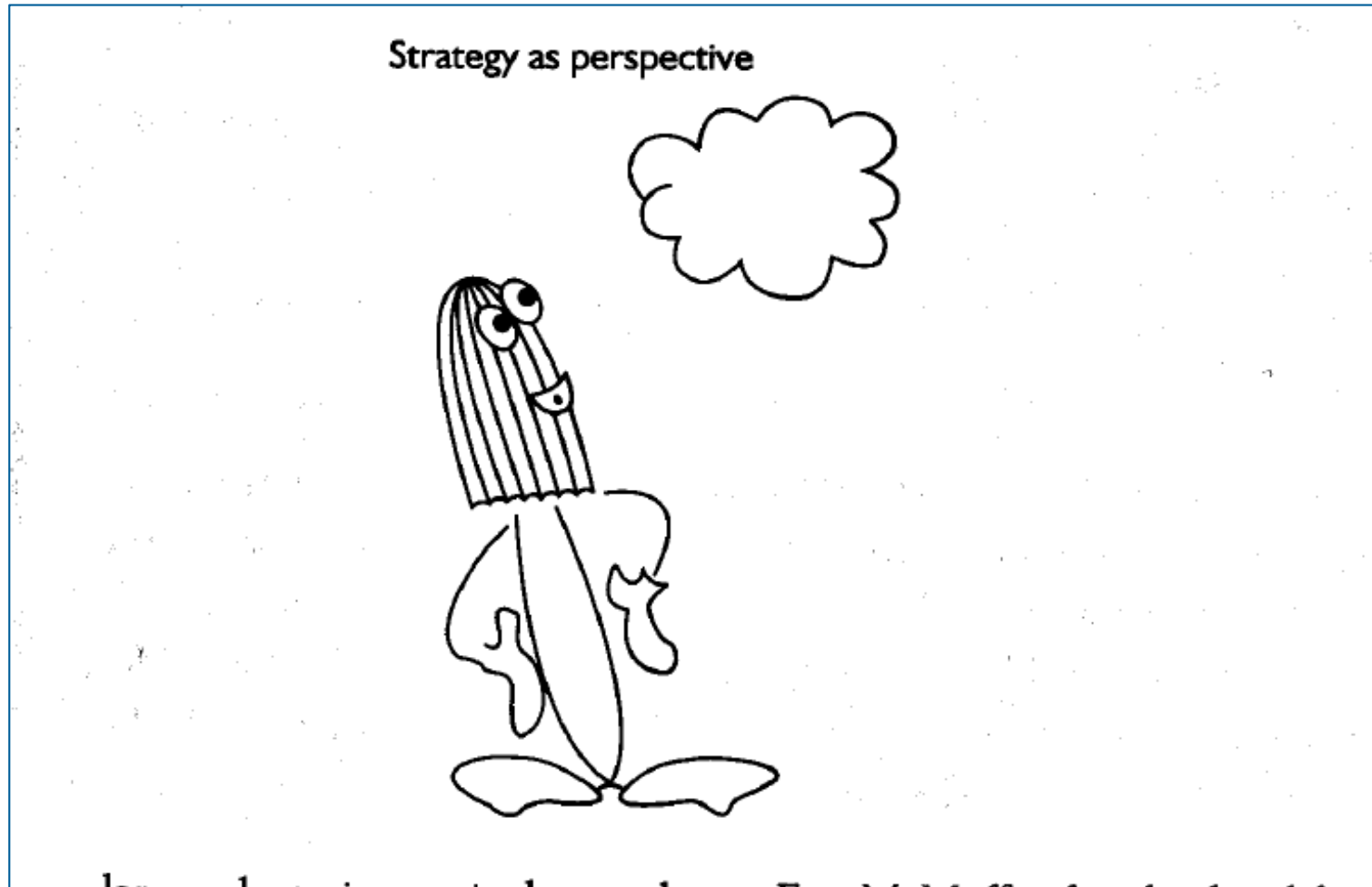
«Science is about the development of systematic knowledge through research. That is hardly the purpose of management, which is about helping to get things done in organizations. Management is not even an applied science, because that is still a science. Management certainly applies science: managers have to use all the knowledge they can get. And they certainly use analysis, rooted in the scientific method (meaning here scientific proof more than scientific discovery).

But effective managing is more dependent on art and is especially rooted in craft. Art produces the “insights,” and “vision,” based on intuition *. (Peter Drucker wrote in 1954 that “the days of the ‘intuitive’ manager are numbered” [p. 93]. Half a century later, we are still counting.) And craft is about learning from experience—working things out as the manager goes along.

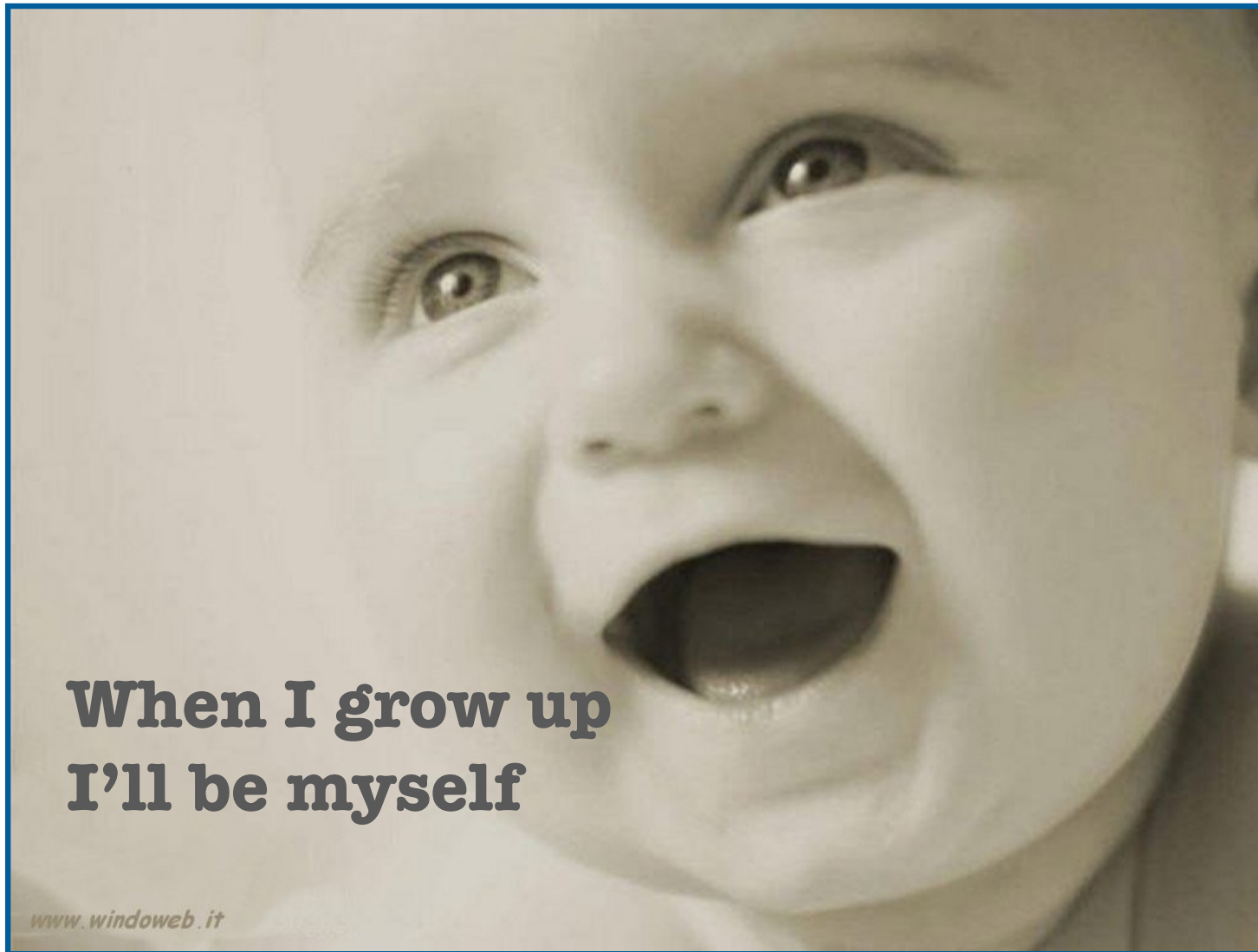
Thus, [...], managing can be seen to take place within a triangle when art, craft, and the use of science meet. Art brings in the ideas and the integration; craft makes the connections, building on tangible experiences; and science provides the order, through systematic analysis of knowledge».

* Art is the imposition of a pattern, a vision of a whole, in many disparate parts so as to create a representation of that vision; art is an imposition of order on chaos” (Boettinger 1975:54; see also Vail 1989).

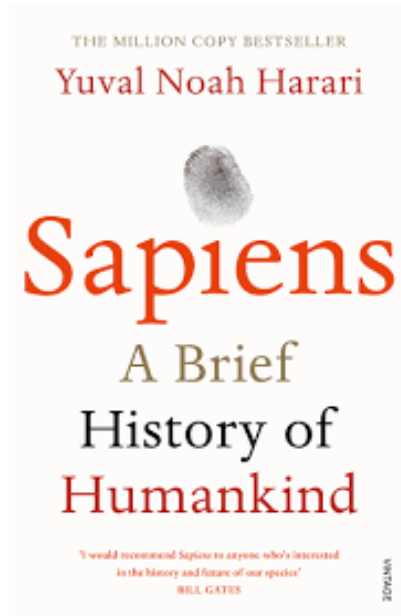
STRATEGY AS PERSPECTIVE



STRATEGY AS PERSPECTIVE



BELIEVING IN COMMON MYTHS



“Sociological research has shown that the maximum ‘natural’ size of a group bonded by gossip is about 150 individuals. Most people can neither intimately know, nor gossip effectively about, more than 150 human beings. [...] How did Homo sapiens manage to cross this critical threshold, eventually founding cities comprising tens of thousands of inhabitants and empires ruling hundreds of millions? The secret was probably the appearance of fiction. **Large numbers of strangers can cooperate successfully by believing in common myths.**

Any large-scale human cooperation – whether a modern state, a medieval church, an ancient city or an archaic tribe – is rooted in common myths that exist only in peoples collective imagination. Churches are rooted in common religious myths. Two Catholics who have never met can nevertheless go together on crusade or pool funds to build a hospital because they both believe that God was incarnated in human flesh and allowed Himself to be crucified to redeem our sins. States are rooted in common national “myths. Two Serbs who have never met might risk their lives to save one another because both believe in the existence of the Serbian nation, the Serbian homeland and the Serbian flag. Judicial systems are rooted in common legal myths. Two lawyers who have never met can nevertheless combine efforts to defend a complete stranger because they both believe in the existence of laws, justice, human rights – and the money paid out in fees.

Yet none of these things exists outside the stories that people invent and tell one another. There are no gods in the universe, no nations, no money, no human rights, no laws, and no justice outside the common imagination of human beings”.

AN INGRAINED WAY OF PERCEIVING THE WORLD

<< While the definition of strategy as position looks out, seeking to locate the organization in the external environment, **this one looks inside the organization**, indeed **inside the heads of the collective strategist**.

Here, **strategy is a perspective**, its content consisting not just of a chosen position, but of **an ingrained way of perceiving the world**.

Some organizations, for example, are aggressive pacesetters, creating new technologies and exploiting new markets; others perceive the world as set and stable, and so sit back in long established markets and build protective shells around themselves, relying more on political influence than economic efficiency.

There are organizations that favor marketing and build a whole ideology around that (an IBM); others treat engineering in this way (a Hewlett-Packard); and then there are those that concentrate on sheer productive efficiency (a McDonald's).>>

SOURCE: MINTZBERG, THE STRATEGY CONCEPT I: FIVE PS FOR STRATEGY

THE “CHARACTER” OF AN ORGANIZATION

<< Strategy in this respect is to the organization what personality is to the individual. Indeed, one of the earliest and most influential writers on strategy ... was Philip Selznick, who wrote about the “character” of an organization distinct and integrated “commitments to ways of acting and responding” that are built right into it.

What is of key importance about this definition, however, is that the perspective is *shared*. ... strategy is a perspective shared by the members of an organization through their intentions and/or by their actions.

In effect, when we are talking of strategy in this context, we are entering the realm of the collective mind – individuals united by common thinking and/or behavior.>>

SOURCE: MINTZBERG, THE STRATEGY CONCEPT I: FIVE PS FOR STRATEGY

DIFFERENT PERSONALITIES



Mario Draghi



Dennis Rodman

“OUR PHILOSOPHY”

<<Over the years, I have noticed that some executives—particularly top-management executives in the most successful companies—often refer to “our philosophy”.

They may speak of something that “our philosophy calls for” or of some action taken in the business that is “not in accordance with our philosophy”. In mentioning “our philosophy”, they assume that everyone knows what “our philosophy” is.

As the term is most commonly used, it seems to stand for the **basic beliefs that people in the business are expected to hold and be guided by**—informal, unwritten guidelines on how people should perform and conduct themselves.

Once such a philosophy crystallizes, it becomes a powerful force indeed. When one person tells another “That’s not the way we do things around here”, the advice had better be heeded. >>

SOURCE: BOWER, COMPANY PHILOSOPHY: ‘THE WAY WE DO THINGS AROUND HERE’

A SET OF LAWS OR GUIDELINES

<<The literature on company philosophy is neither very extensive nor very satisfactory. But one dictionary definition of philosophy does apply: “general laws that furnish the rational explanation of anything”.

In this sense, a company philosophy evolves as a set of laws or guidelines that gradually become established, through trial and error or through leadership, as expected patterns of behavior.

Even without planning or specific effort, any company will gradually develop a philosophy as people observe and learn through trial and error “the way we do things around here”
However, it is my conviction that a positive program by top management to build or reshape a sound fundamental philosophy should be the underlying and overriding component of the company’s system of management.>>

SOURCE: BOWER, COMPANY PHILOSOPHY: ‘THE WAY WE DO THINGS AROUND HERE’

MENTAL MODELS

Abstract Model



Complex Reality



A mental model is a simplified observation of a certain part of reality that you can keep in your head.

MENTAL MODELS

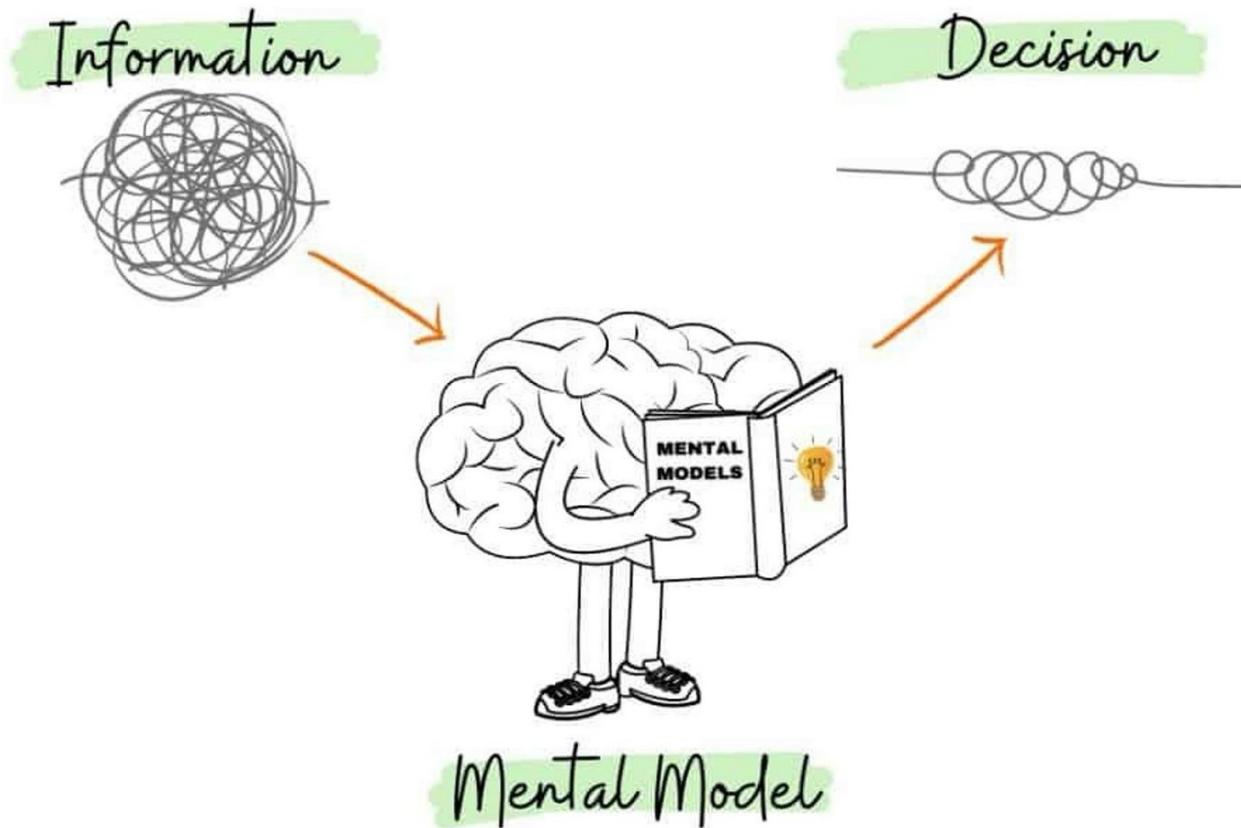
In 1971 Jay Wright Forrester defined mental models as follows:

“The image of the world around us, which we carry in our head, is just a model. Nobody in his head imagines all the world, government or country. He has only **selected concepts, and relationships between them, and uses those to represent the real system”**

Mental model is an explanation of someone's thought process about how something works in the real world. It is a representation of the surrounding world, the relationships between its various parts and a person's intuitive perception about his or her own acts and their consequences. Mental models can help shape behavior and set an approach to solving problems (similar to a personal algorithm) and doing tasks.

A mental model is a kind of internal symbol or representation of external reality, hypothesized to play a major role in cognition, reasoning and decision-making. Kenneth Craik suggested in 1943 that the mind constructs "small-scale models" of reality that it uses to anticipate events.

MENTAL MODELS



<https://thewizdomproject.com/mental-models-basics>

MENTAL MODELS

“One thing all managers know is that many of the best ideas never get put into practice. Brilliant strategies fail to get translated into action. Systemic insights never find their way into operating policies. A pilot experiment may prove to everyone's satisfaction that a new approach leads to better results, but widespread adoption of the approach never occurs.

We are coming increasingly to believe that this "slip 'twixt cup and lip" stems, not from weak intentions, wavering will, or even nonsystemic understanding, but from mental models. More specifically, **new insights fail to get put into practice because they conflict with deeply held internal images of how the world works, images that limit us to familiar ways of thinking and acting.** That is why the discipline of managing mental models—surfacing, testing, and improving our internal pictures of how the world works— “promises to be a major breakthrough for building learning organizations. **None of us can carry an organization in our minds—or a family, a community. What we carry in our heads are images, assumptions, and stories. [...]**

Our "mental models" determine not only how we make sense of the world, but how we take action.”

Excerpt From: Peter M Senge. “The Fifth Discipline: The Art and Practice of the Learning Organization: First Edition.” iBooks.

SHARED VALUES AND ALIGNMENT



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THE CONTRA EFFECT



“COGNITIVE BIAS” AND BLINKERS



ENACTED ENVIRONMENT



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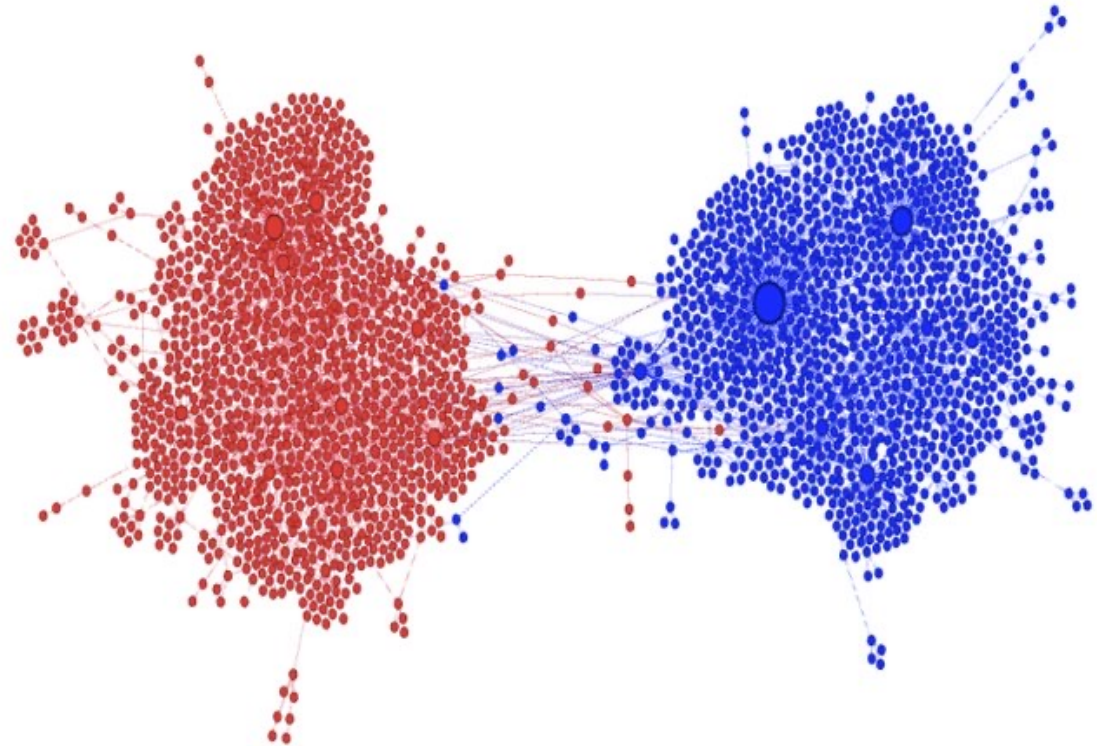
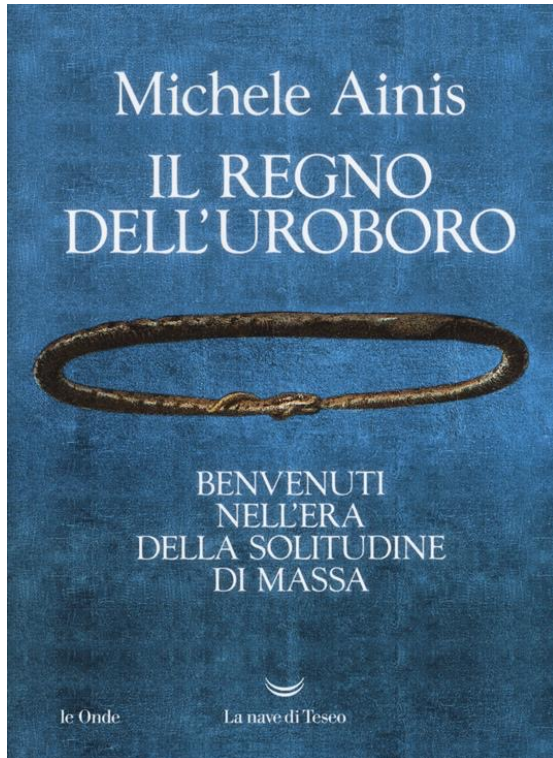
WEICK: ENACTMENT & ENACTED ENVIRONMENT

Weick (1988) describes the term **enactment** as representing the notion that **when people act, they bring structures and events into existence and set them in action.**

The process of enactment involves two steps. First, **preconceptions** are used to set aside portions of the field of experience for further **attention**, that is, perception is focused on predetermined stimuli. Second, **people act within the context of these portions of experience guided by preconceptions in such a way as to reinforce these preconceptions.** Hence, attention to certain stimuli will guide subsequent action so that those stimuli are confirmed as important.

The result of the process of enactment is the **enacted environment.** This **enacted environment** comprises "real" objects but the significance, meaning and content of these objects will vary. These objects are not significant unless they are acted upon and incorporated into events, situations and explanations. In this way the **enacted environment** is a direct result of the preconceptions held by the social actor.

ECHO CHAMBERS



Social media platforms can produce echo-chambers, which lead to polarization and can encourage the spread of false information.

SOURCE: Semenov, Rysz, Pandey Xu, (2022). “Diversity in news recommendations using contextual bandits”.

CORE VALUES

<<The core values of any organization are rooted in its **history, traditions,** and the **values** of its current senior managers.

Core values **create momentum that can either help or hinder the implementation of business strategies.** These values are the starting point for determining the competencies of an organization.

Managers must analyze the core values of their business to understand the extent to which they are in tune with the desired strategic direction. For many years, IBM's core values related to the mastery of complex technologies and a marketing prowess that focused on large commercial customers. The strongly held and clearly articulated beliefs of its founder, Thomas J. Watson, created a sense of pride to IBM employees all over the world (Watson 1963, 1990). In the 1990s, as IBM struggles to redefine itself in changing markets, these same values are liabilities.>>

SOURCE: SIMONS, LEVERS OF CONTROL

MIND CLEANSING



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PREACHING

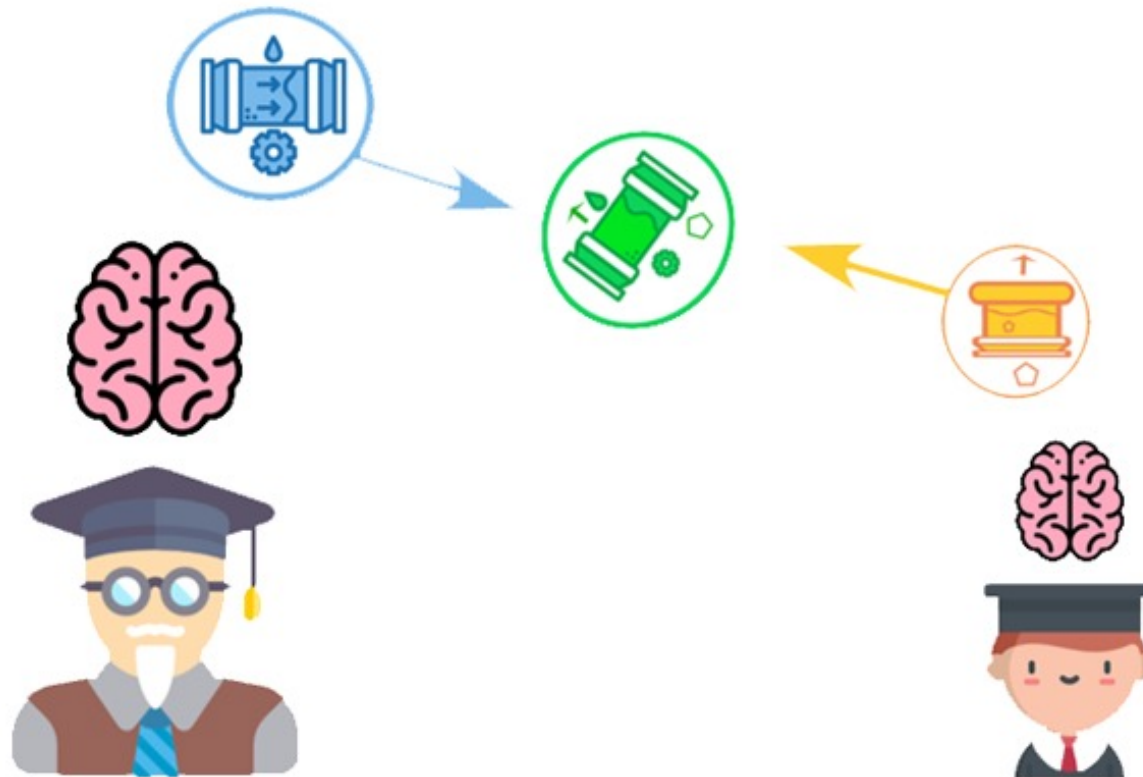


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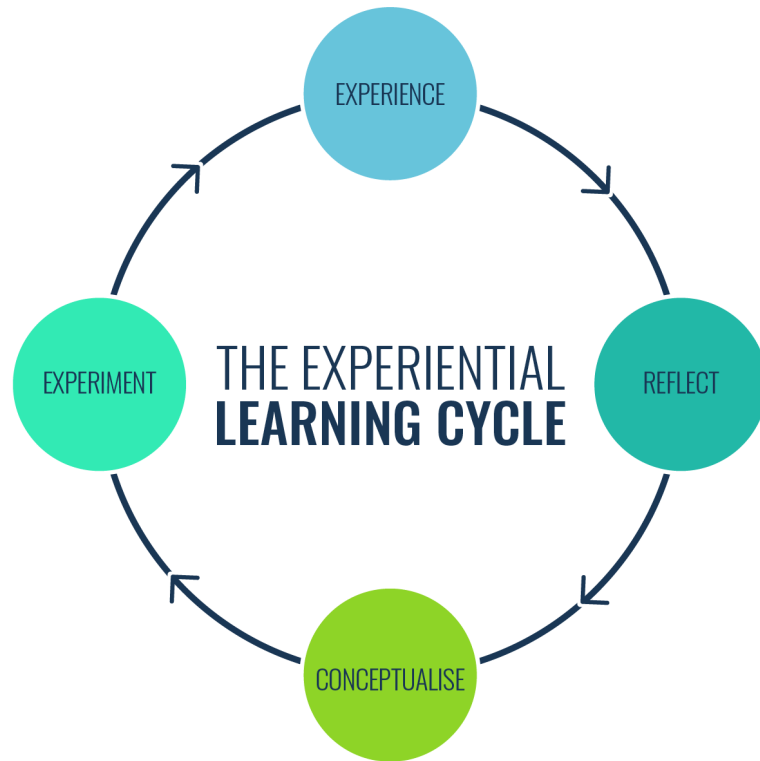
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SCHOOLING

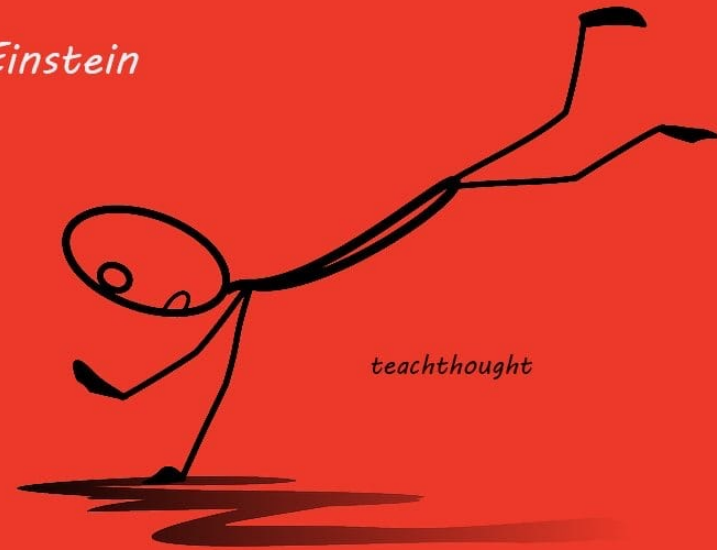


EXPERIENCE



*“Learning is an experience.
Everything else is just information.”*

Albert Einstein



MILIEU



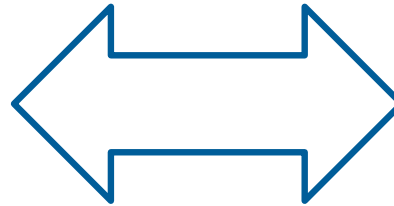
Milieu è una parola di origine francese adottata in italiano, che significa "contesto, ambito, ambiente" in special modo usata dal punto di vista sociale e culturale, ad esempio per indicare appunto l'ambito sociale e culturale in cui opera un artista, o da cui emerge una corrente di pensiero.

BELIEFS AND BOUNDARY SYSTEMS WORK IN TANDEM

BELIEF SYSTEMS



BOUNDARY SYSTEMS



THE ROOTS OF THE STRATEGY

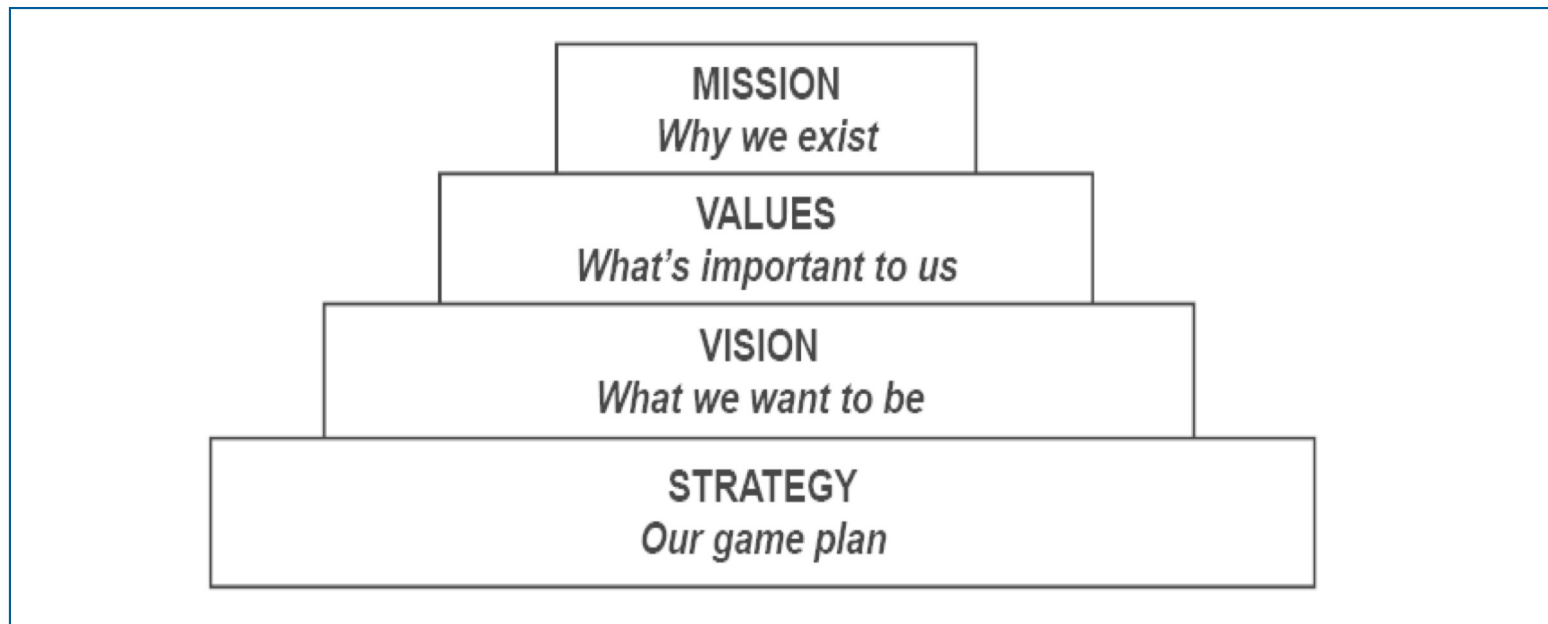


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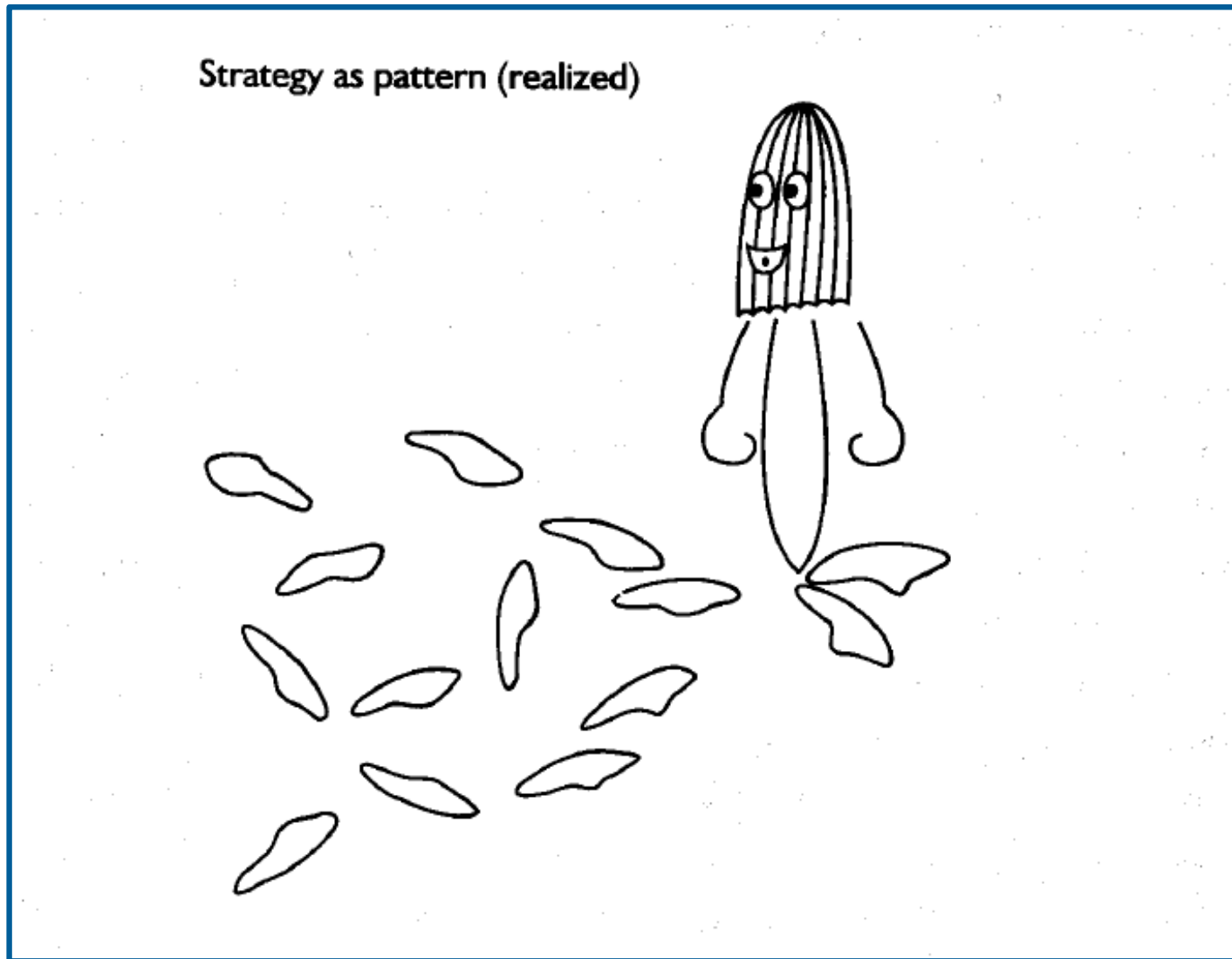
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THE PILLARS



STRATEGY AS PATTERN IN ACTIONS



TO BE AWARE OF CHANGING PATTERNS OF ACTION

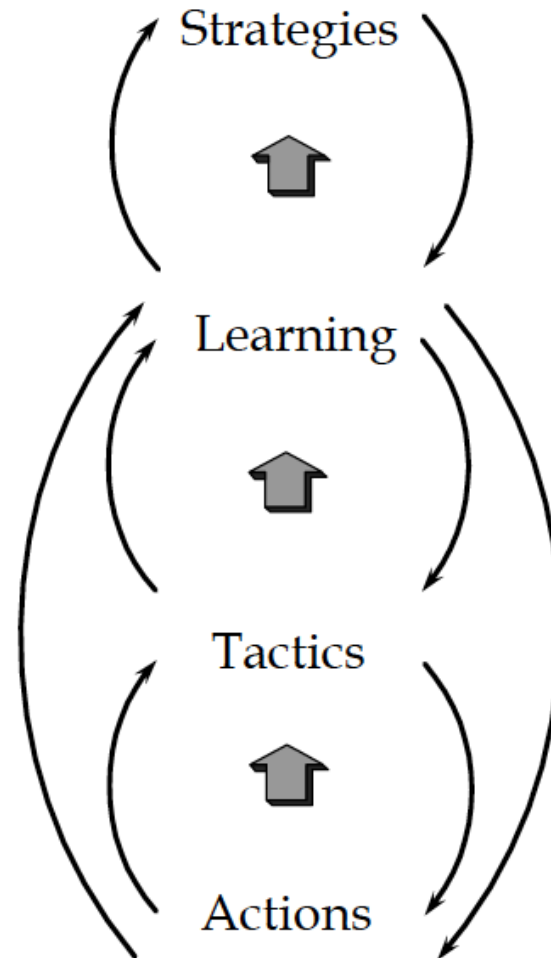
Many successful strategies arise from local experimentation and replication.

New approaches are tried—and many fail. But some work in unexpected ways, and suggest new ideas to managers about how to reposition the business.

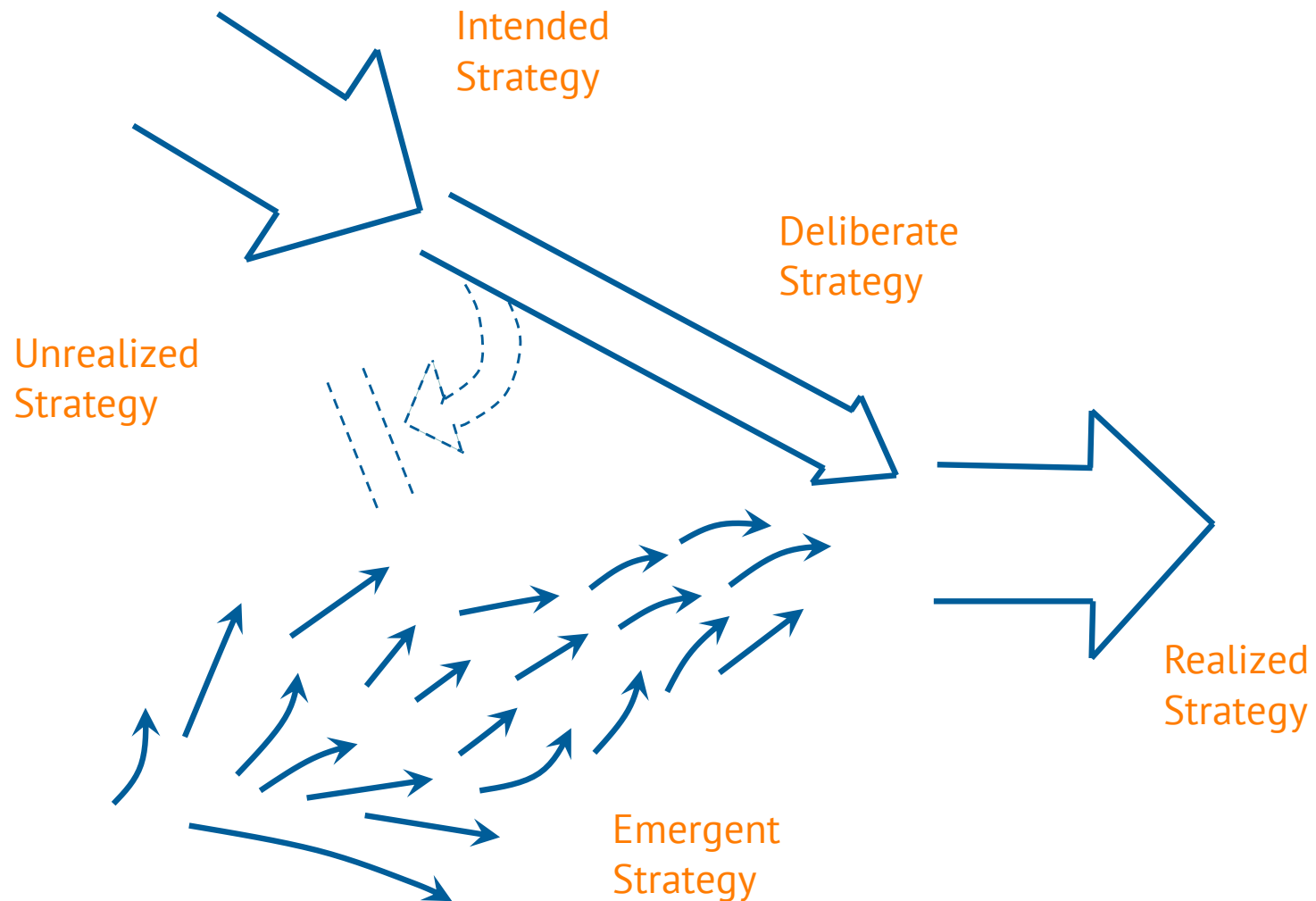
Experiments, trial and error, and sometimes just plain luck lead to new tactics and ways of competing. If these innovations are replicated, managers can learn over time how to change and/or improve their strategy.

The potential for new strategies to emerge in unexpected ways requires managers to be aware of changing patterns of action in their businesses.

BOTTOM-UP OR EMERGENT STRATEGY

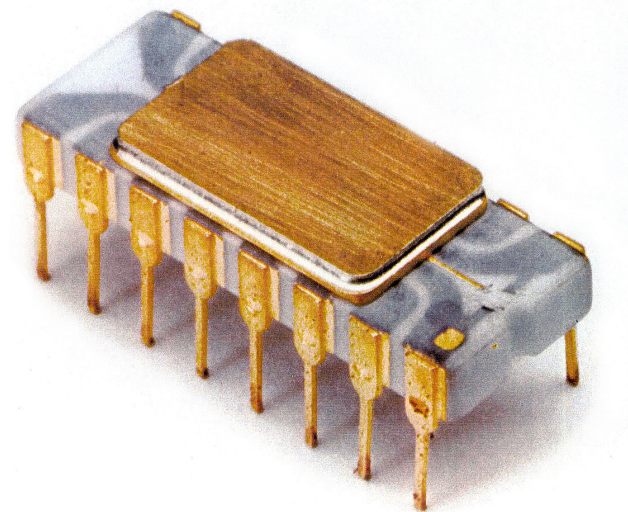


INTENDED, DELIBERATE, EMERGENT, REALIZED



FROM DRAM TO MICROCHIPS

intel®



SOME MIDDLE MANAGERS MADE THE DECISION

An article by Robert A. Burgelman in the Administrative Science Quarterly highlights the processes and decision calculus of Intel executives which led the company to exit the dynamic random access memory (DRAM) market. Burgelman provides key insights regarding the transformation of Intel from a memory company into a microcomputer company.

DRAM at one point in time accounted for over 90% of Intel's sales revenue. The article states that DRAM was essentially the "technology driver" on which Intel's learning curve depended. Over time the DRAM business matured as Japanese companies were able to involve equipment suppliers in the continuous improvement of the manufacturing process in each successive DRAM generation. Consequentially, top Japanese producers were able to reach production yields that were up to 40% higher than top U.S. companies. DRAMs essentially became a commodity product.

Intel tried to maintain a competitive advantage and introduced several innovative technology design efforts with its next generation DRAM offerings. These products did not provide enough competitive advantage, thus the company lost its strategic position in the DRAM market over time. Intel declined from an 82.9% market share in 1974 to a paltry 1.3% share in 1984.

Intel's serendipitous and fortuitous entry into microprocessors happened when Busicom, a Japanese calculator company, contacted Intel for the development of a new chipset. Intel developed the microprocessor but the design was owned by Busicom. Legendary Intel employee Ted Hoff had the foresight to lobby top management to buy back the design for uses in non calculator devices. The microprocessor became an important source of sales revenue for Intel, eventually displacing DRAMs as the number one business.

There continued to be a disconnect between stated corporate strategy and the activities of middle managers during the transition period. Top executives gave weak justifications for the company's reluctance to face reality and exit the DRAM space; they were emotionally attached to the DRAM business. A middle manager stated that Intel's decision to abandon the DRAM market was tantamount to Ford deciding to exit the car business!

The demand for Intel microprocessors led middle managers to begin allocating factory resources to heavily produce microprocessors over DRAM. Intel's cultural rule that information power should always trump hierarchical position power gave middle managers the decision space to make production allocation decisions that overrode corporate stated goals. These actions further dissolved the strategic context of DRAMs.

"By the middle of 1984 some middle managers made the decision to adopt a new process technology which inherently favored logic [microprocessor] rather than memory advances". By the end of 1984, Intel's top management was finally forced to face business reality with respect to DRAMs. In order to regain leadership in DRAM, management was faced with a 100 million dollar capital investment decision for a 1 MEG product. Top management decided against the investment and thus eliminated the possibility of Intel remaining in the DRAM space.

Andy Grove and Intel's Move From Memory to Microprocessors

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THE HONDA EFFECT



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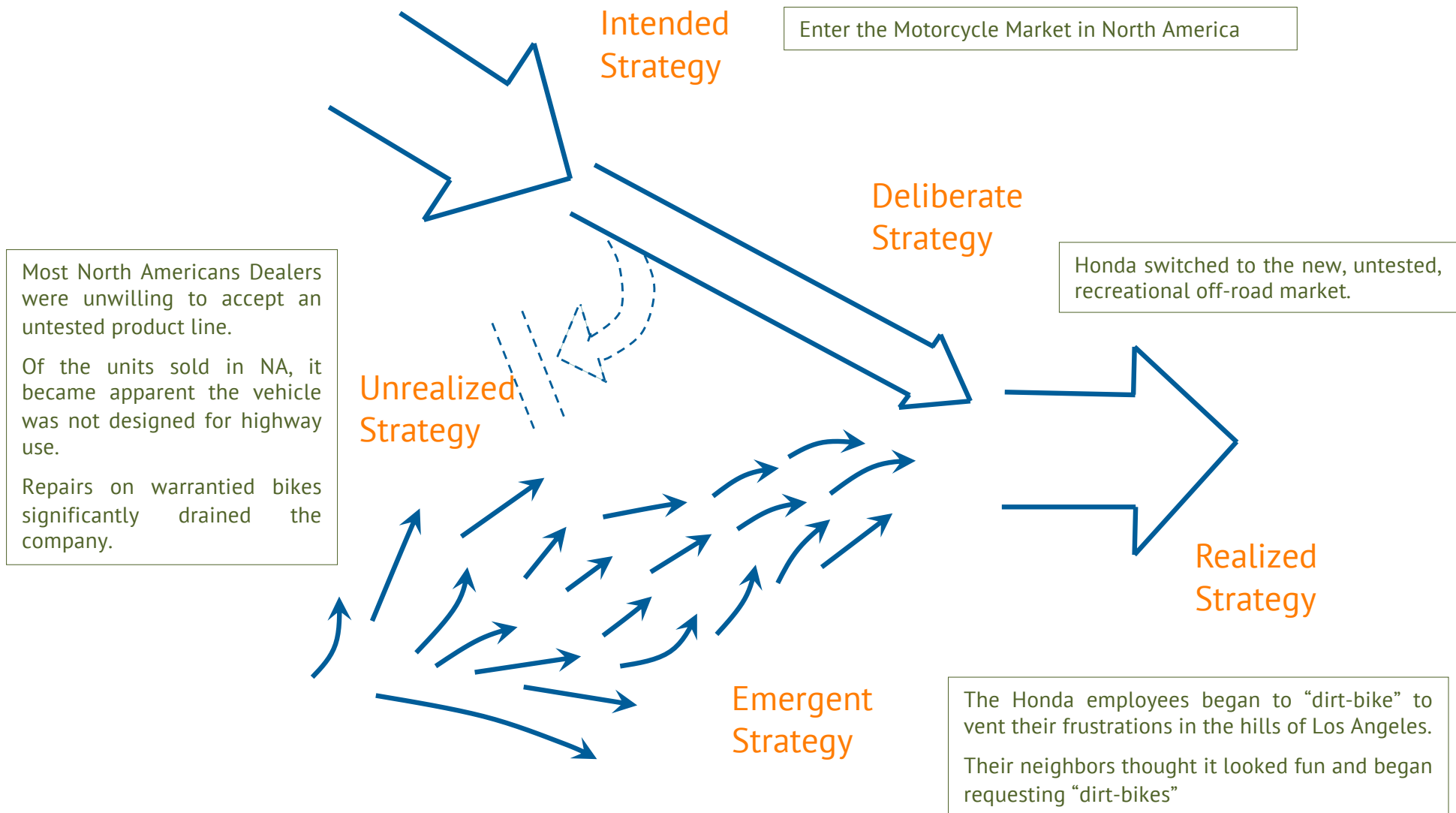


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PERSPECTIVES ON STRATEGY BY R. PASCALE

CALIFORNIA MANAGEMENT REVIEW
Vol. XXVI, No. 3, Spring 1984
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Perspectives on Strategy: The Real Story Behind Honda's Success

Richard T. Pascale

Perspective One: The Honda Effect

At face value, "strategy" is an innocent noun. Webster defines it as the large-scale planning and direction of operations. In the business context, it pertains to a process by which a firm searches and analyzes its environment and resources in order to 1) select opportunities defined in terms of markets to be served and products to serve them, and 2) makes discrete decisions to invest resources in order to achieve identified objectives.¹

But for a vast and influential population of executives, planners, academics, and consultants, strategy is more than a conventional English noun. It embodies an implicit model of how organizations should be guided and consequently, preconfigures our way of thinking. Strategy formulation 1) is generally assumed to be driven by senior management whom we expect to set strategic direction; 2) has been extensively influenced by empirical models and concepts; and 3) is often associated with a laborious strategic planning process that, in some companies, has produced more paper than insight.

A \$500-million-a-year "strategy" industry has emerged in the United States and Europe comprised of management consultants, strategic planning staffs, and business school academics. It caters to the unique emphasis that American and European companies place upon this particular aspect of managing and directing corporations.

Words often derive meaning from their cultural context. *Strategy* is one such word and nowhere is the contrast of meanings more pronounced than between Japan and the United States. The Japanese view the emphasis we place on "strategy" as we might regard their enthusiasm for Kabuki or sumo wrestling. They note our interest not with an intent of acquiring similar ones but for insight into our peculiarities. The Japanese are somewhat distrustful of a single "strategy," for in their view any idea that

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CRAFTING STRATEGY





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SERENDIPITY



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SERENDIPITY



DIFFERENT KINDS OF INNOVATIONS

Type of innovation defining strategic change

		Incremental	Radical
Locus of innovation	Top management formulation	DELIBERATE STRATEGY	STRATEGIC INNOVATION
	Day-to-day action	EMERGENT STRATEGY Intended Strategy Actions	EMERGENT STRATEGY Autonomous Strategy Actions

SOURCE: Tony Davila (2005). "The promise of Management Control Syssems for Innovation and Strategic Change".



ORGANIZATIONAL LEARNING

To capture the benefits of emerging strategy, managers must foster organizational learning – the ability of an organization to monitor changes in its environment and adjust its processes, products, and services to capitalize on those changes.

They must use their performance measurement and control systems to encourage employees to constantly innovate and search for signs of change in the business. Managers must encourage employees to experiment, to find new opportunities, and test new ideas. And, perhaps most importantly, they must ensure that performance measurement and control systems create effective communication channels to move this information up the line from employees to senior managers at headquarters.

Feedback becomes critical for learning: it allows managers to fine-tune and, sometimes, radically change their business strategies.

STRATEGIC UNCERTAINTIES

Strategic uncertainties are the emerging threats and opportunities that could invalidate the assumptions upon which the current business strategy is based.

Uncertainty, in general, results from a difference between the amount of information required to perform a task and the amount of information possessed by the organization.

Strategic uncertainties relate to changes in competitive dynamics and internal competencies that must be understood if the business is to successfully adapt over time.

By definition, strategic uncertainties are unknowable in advance and emerge unexpectedly over time.

SOME EXAPLES

STRATEGIC UNCERTAINTIES

New technologies

Changes in population demographics

Product unknown defects

Predatory pricing by competitors

Exit of a competitor from the market

Changes in government policy or regulation

STRATEGIC UNCERTAINTIES

Strategic uncertainties basically relate to:

1. Changes in customer tastes that could undermine the attractiveness of the company's products and/or services;
2. Revolutions in the state of technology that could undermine the ability of the business to deliver products valued by the market;
3. Legislative amendments that could block or limit business activities performed by an enterprises.
4. Any other unknown future event that can change the structure of the industry in which the business is competing or modify its competitive position.

DISTINCTION BETWEEN C.P.V. AND S.U.

	CRITICAL PERFORMANCE VARIABLES	STRATEGIC UNCERTAINTIES
Recurring questions	What must we do well to achieve our intended strategy?	What changes in assumptions could alter the way we achieve our vision for the future?
Focus on	Implementing intended strategy	Testing and identifying new strategies
Driven by	Goal achievement	Top management unease and focus
Search for	Efficiency and effectiveness	Disruptive change

STRATEGIC UNCERTAINTIES

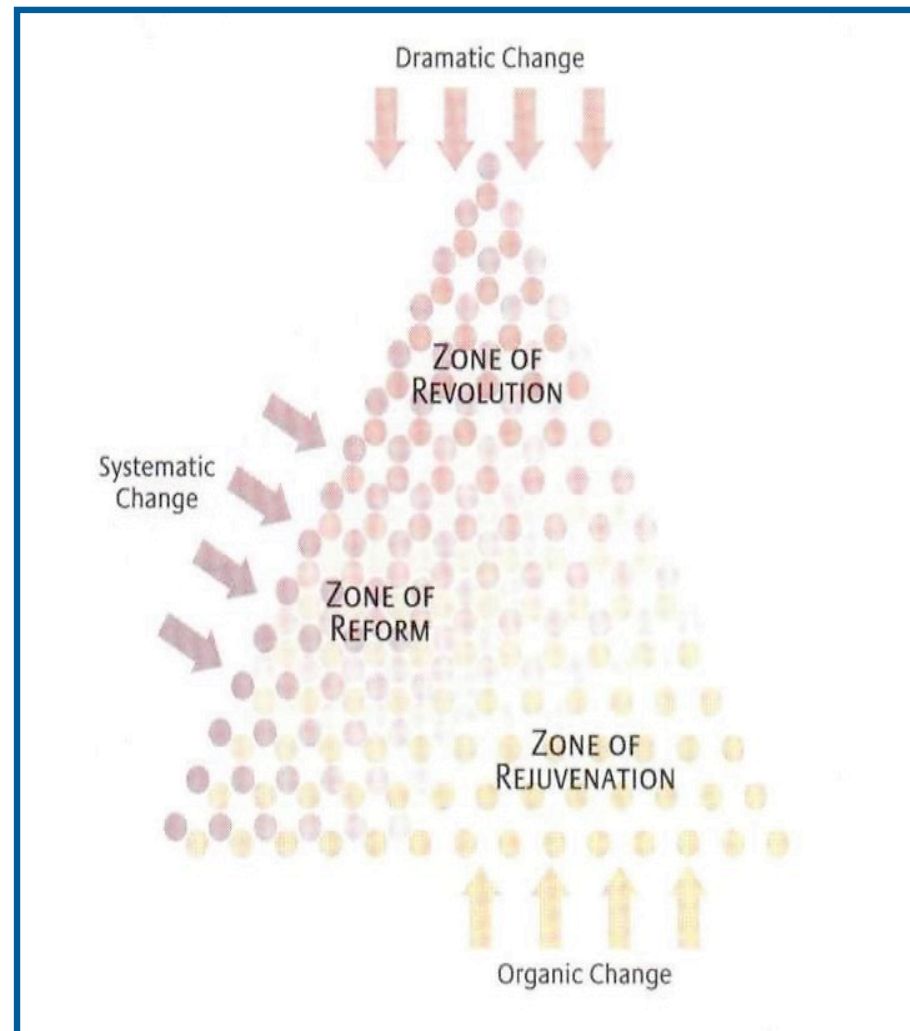
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THE CHANGE TRIANGLE



Source: Quy Nguyen Huy & Henry Mintzberg, “The Rhythm of Change”

DRAMATIC CHANGE

<<Dramatic change is frequently initiated in times of crisis or of great opportunity when power is concentrated and there is great slack to be leveraged (for example, in the sale of assets).

It can range from rationalizing costs, restructuring the organization and repositioning strategy to reframing the organization's mind-set and revitalizing its culture.

Usually, a company's leadership commands this dramatic change in the expectation of compliance by everyone else.

Although this kind of initiative can be effective, it can also be misguided and engender covert resistance. >>

Source: Quy Nguyen Huy & Henry Mintzberg, "The Rhythm of Change"

ORGANIC CHANGE

<<Whereas dramatic change is usually driven by the formal leadership and systematic change is usually promoted by specialists, organic change tends to arise from the ranks without being formally managed.

It often involves messy processes with vague labels like venturing, learning and politicking and is nurtured behind the scenes in the skunk works of big companies such as 3M Co. or Intel Corp. and in those near-legendary garage startups that spawned industry giants like Apple Computer Inc. and Dell Computer Corp.

The trouble is that the organic approach can be splintered and is itself anarchical. Groups may begin to work at cross-purposes and fight each other over resources. When informal groups indulge in experiential learning, narrowed competences can result if each focuses on promoting only what it knows best to serve its own interests. >>

Source: Quy Nguyen Huy & Henry Mintzberg, “The Rhythm of Change”

SYSTEMATIC CHANGE

<<Systematic change is slower, less ambitious, more focused, and more carefully constructed and sequenced than dramatic change. In a word, it is more orderly. Often it is promoted by staff groups and consultants who handle planning and organizational development.

Over the years, many approaches to systematic change have appeared, including quality improvement, work reprogramming, benchmarking, strategic planning and so on.

As the nature of these approaches suggests, systematic change draws heavily on technique and, in that sense, is change imported to the organization.

But it can also be overly formalized and so stifle initiative in the organization.>>

Source: Quy Nguyen Huy & Henry Mintzberg, “The Rhythm of Change”

ORGANIC CHANGE

<<The important thing to understand about organic change is that it is not systematically organized when it begins or dramatically consequential in its intentions, and it does not depend on managerial authority or specialized change agents.

Indeed, it often proceeds as a challenge to that authority and those agents, sometimes in rather quirky ways.

Yet its results can be dramatic.

Clever leadership can, however, stimulate organic change by socializing the organization to prize it. >>

Source: Quy Nguyen Huy & Henry Mintzberg, “The Rhythm of Change”