Our Strategy Race:
Leg 8 – From Itajaí to Newport

Corporate Strategy Renewal (II)
From the Past to the Future
Leg 8. From Itajaí to Newport

OUTLINE Leg 8. Strategy Corporate Renewal

01 Corporate Strategy: The Domain Selection of the Business Ocean
02 Corporate C-Suite Leaders: Are you ready to sail?
03 From the Past to the Future: Corporate Strategy Renewal
04 Corporate Entrepreneurship
05 Corporate Leadership when Change happens
06 Summary and Conclusions

We are here

1st May 2018
From the past to the future: Corporate Strategy Renewal

- We are all in this planet to learn how to decide with wisdom. It takes a lifetime to do it.
- We will make decisions using our brains up to the level of our OWN BRAIN development.
- With time, and by training our brains either by constant education and learning from experience, we will evolve little by little to make wise decisions taking a holistic approach.

Which is your level of brain development?
Corporate Strategy Renewal

- Yesterday we just highlighted why it is important to check our brain capabilities when doing decision making. Wise decision making is made with our brains, which need to evolve from data analysis to wisdom.
- Corporate Board of Directors are people with developed brains up to a certain limit. Their brains need to be trained and be healthy for good decision making. And in consequence for better corporate strategy.
- Today’s material is all about explaining how our brains produce the behavioral contexts in our companies.
- The renewal of our Corporate Strategy relies on how that behavioral context is in our companies.
- If we will start a new business, it is important to start from scratch with solid foundations by setting a context of constant renewal.

Renewal of our brain capacities means caring for our minds to produce wisdom, much needed in decision making at the corporate level.
Corporate Strategy Renewal

- Rebuilding a corporate behavioral context requires **wisdom “brainpower”**.
- According to Professors Bartlett and Ghoshal, there are two opposite possible behavioral contexts.
- Let’s start with the **Corporate-sclerosis context** inherited from the past, and then we will see the new management **renewal context**.
- The traditional Corporate-Sclerosis Context inherited from the past context has 4 elements or **pathologies**:
### Corporate Strategy Renewal

<table>
<thead>
<tr>
<th>Compliance</th>
<th>Control</th>
<th>Contract</th>
<th>Constraint</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Inherited model from the Post II World War Era</td>
<td>• Control is strengthened by the classic divisional organization structure</td>
<td>• Contractual nature of the relationship between the corporation and employees</td>
<td>• Lack of resources are a constraint and the “status quo” accepted.</td>
</tr>
<tr>
<td>• Employees complying with standard common policies and practices</td>
<td>• Hierarchical organizations</td>
<td>• Legalistc biases: highly incentive leveraged compensation systems and firing at any time, anywhere is in “the contract”.</td>
<td>• Strategic process is a constraint – boundaries, confinements against innovation at the bottom</td>
</tr>
<tr>
<td>• Classic Military Model of line authoritarian leadership</td>
<td>• Delegation only after testing accountability by mechanisms of control</td>
<td>• Depersonalization of the individuals: fear, resentment.</td>
<td>• Non flexible structures</td>
</tr>
<tr>
<td>• Inflexible procedures</td>
<td>• Sophisticated corporate driven processes based on capital planning and operational budgeting systems to establish top-down control</td>
<td>• Feeling of employees of an economic entity.</td>
<td>• Creates passive modes in the organization</td>
</tr>
<tr>
<td>• Authoritarian intolerance of dissent</td>
<td>• Cause deterioration of interpersonal relationships</td>
<td>• Massive layoffs are natural by the contract.</td>
<td>• Refrain the growth engine.</td>
</tr>
<tr>
<td>• Shut-down meaningful debate on top down directives</td>
<td>• Top management completely isolated from day to day operations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Behavioral Context from the Past

- Compliance
- Control
- Contract
- Constraint

#### Corporate Sclerosis Context

- Leg 8. From Itajaí to Newport

- From the past to the future: Corporate Strategy Renewal

---

Eleonora Escalante MBA-MEng, Strategic Corporate Advisory Services
© 2017-2018 Eleonora Escalante - all rights reserved

1st May 2018
From the past to the future: Corporate Strategy Renewal

The renewal management context according to Bartlett/Ghoshal offers a different perspective:

- People learn to operate in an environment that is highly disciplined and demanding, but at the same time trusting and secure.
- Expectations are stretching and ambitious, yet within a supportive nurturing setting.
- The tensions between all these 4 attributes create the following behaviors in each of the individual organization members: Initiative, Collaboration, Learning, Confidence, Commitment and Execution.

Behavioral Context for the future
**Corporate Strategy Renewal**

**Support**
- The vertical relationship between managers and subordinates is characterized by coaching, helping and guiding.
- Mentorship is constant in feedback and support.
- Horizontal relationships among peers by cooperation and collaboration rather than by competition and contention.
- Commitment in support is real.

**Trust**
- Transparent and open management processes give employees equity and involvement.
- Increased creativity comes from more informed decision making stimulated to access of information.
- Reinforcement of the sense of fairness in management practices.
- Trust is essential for risk taking, the leap for entrepreneurial leap.

**Stretch**
- Induction of the employees to strive for more.
- Stretch is the liberating energizing element that raises individual aspiration levels and encourages people to lift their expectations of themselves and others.
- Looking for future possibilities with a sense of purpose.

**Self Discipline**
- Individual behavior is embedded from the bottom up rather than imposed.
- Self-discipline encourages to strive voluntarily to meet and exceed own commitments.
- Highly disciplined people is built on careful socialization of employees, through intensive education / in some cases more than 1000 hours of training during the first 3 years at the job.
- Continuous learning over the life of the people.

**From the past to the future: Corporate Strategy Renewal**

**Behavioral Context for the future**
Corporate Strategy Renewal

Now is the time to introduce: The three phases of corporate renewal Model by Christopher Bartlett and Sumantra Ghoshal.

“The problem with most companies that have failed in their transformation efforts is not that they tried to change too little, but that they tried to change too much”.

![Figure 1: The Phased Process of Corporate Renewal](chart)
Corporate Strategy Renewal

From the past to the future: Corporate Strategy Renewal

**Simplification:**

- Simplifying the structure and systems is the first step to change the behavior of individuals who had spent their whole careers in an environment driven by directives, policies, and constraints. Stripping out structural non required overhead layers.
- If the organization is demotivated by several years of competitive defeats, operating losses, and personnel cuts, the motto may be, for example: “helping our people learn how to win again.”
- Replace the context of imposed compliance and control with a more internalized model of behavior.
- Establish strong patterns of internalized self-discipline
- Build a context of support and encouragement. Empowerment is legitimized only when those given responsibility are also given access to the resources they need to implement their newly delegated decisions.
- Encourage radically decentralized responsibility and authority by the coaching, training and guidance.
From the past to the future: Corporate Strategy Renewal

Integration:

- There are three elements at the core of the most successful efforts to create an environment of raised personal aspirations and extraordinary collaborative efforts.
  - First: The development of shared ambitions that energize the organization;
  - Second: The need to establish unifying values to reinforce an individual’s commitment to the organization; and
  - Third: The ability to give employees a sense of personal fulfillment by linking their individual contributions directly to the larger corporate wide agenda.
- Provide individuals with opportunities to feel they are making a difference. The appropriate offsetting quality to stretch is trust, a contextual characteristic vital to the development and nurturing of the collaborative behavior that drives effective integration.
Regeneration:
• Ensure continuous learning.
• The final stage of self-renewal is when organizations are able to free themselves from the embedded practices and conventional wisdom of their past and continually regenerate from within.
• The goal during this last phase is fundamentally altering the way managers think and act. How?
  1. By integrating the performance-driving behavior shaped by the contextual elements of discipline and support with the equally vital cross-unit integrative learning framed by the managerial characteristics of stretch and trust.
  2. By ensuring that these basic contextual elements (discipline, support, stretch and trust) are kept in a state of dynamic disequilibrium. It is key to ensure that the system never became locked into a static mode of reinforcing and defending its past. This is what Bartlett and Ghoshal define as maintaining a dynamic imbalance. The search for evolution.
Tomorrow we will see a couple of examples of successful Corporate Strategy transformation using the Bartlett-Ghoshal Phased process of Corporate Renewal.

All the material shown here is from their book:

In addition, there is a summary of this three Phased Process of Corporate Renewal here: [https://sloanreview.mit.edu/article/rebuilding-behavioral-context-a-blueprint-for-corporate-renewal/](https://sloanreview.mit.edu/article/rebuilding-behavioral-context-a-blueprint-for-corporate-renewal/)