Lesson 03 Strategic Agility

- [Ultimate Guide to Digital Transformation for Businesses (youtube.com)]

Strategy First

- Driving force for change
- Transformation is likely to fail without a clear, shared and understood strategy
- Strategy must always lead - Digital technology can follow and aligned with the strategy
- Digital transformation makes it sound like ‘digital’ is in the driving seat and there are some magical powers to transform a business for future success
- Digital technology is one way of achieving one or more strategic objectives, but it can never do that alone
- Cultural alignment - which is always harder and takes longer to accomplish - will also be needed to fully exploit the new technologies

What is Strategy?

- Strategy is thought of as the long-term direction that an organisation will take.
- Strategy will usually exist at a corporate level, business level and operational level
  - Corporate strategy defines where an organisation will compete
  - How is answered by the business level strategy
  - Operational level strategy defines how the business will execute its strategy
- All three levels must interlock and re-enforce

A Good Strategy - Answers

- Where do we compete?
- Which industries, markets, geographies?
- What unique value do we bring?
- How are we different? Or just cheaper?
- How do we deliver value?
- What resources or capabilities do we use?
- What skills, technology and delivery methods will we use?

Prerequisite for a Digital Transformation

- A good, well communicated strategy is the prerequisite for a digital transformation.
- The strategy will form much needed navigational direction for the organisational change through the smart use of technology.
- Strategy is the creation of a unique and valuable position, involving a different set of activities.
- The essence of strategy is choosing what not to do.
- Strategic agility ensures that the strategy will evolve and stay relevant as inevitable changes occur

Industry Example – POP Mart (Strategy First)

- POP Mart didn’t rely solely on technology to create demand.
- Their core strategy focused on emotional branding, collectibility, and community engagement.
- Just like we saw in the previous video, “strategy must always lead – digital technology can follow and be aligned with the strategy”.
- POP Mart first defined their unique value (designer toys as art collectibles) and then used technology (online stores, apps, social media) to execute it.

Industry Example – POP Mart (Cultural Alignment)

- The video we noted that “cultural alignment… is harder and takes longer to accomplish”.
- POP Mart aligned with youth pop culture and the blind box trend in China and globally, turning purchasing into a gamified experience.
- This cultural fit created loyalty and repeat purchases — similar to how companies like NASA adapted their operations to work with new partners while keeping their mission relevant.
- NASA had a long-standing “command-and-control” way of working with contractors.
- But as the commercial space industry grew and budgets tightened, they adapted to collaborate with new private-sector partners (like SpaceX) instead of developing everything in-house.
- This shift allowed NASA to keep its mission relevant — continuing space exploration goals while operating in a changing environment.

POP Mart (Responding to Exogenous Forces)

- The video defines strategic agility as “responding to changing external and internal forces”.
- POP Mart adapted to:Rising global interest in Asian pop culture.
- The shift toward e-commerce and influencer marketing.
- International expansion opportunities.
- They combined strong strategic commitments (exclusive designs, strong IP licensing) with flexibility (quick collaborations with trending artists and brands).
- This mirrors the paradox of strategic agility — commitment and flexibility at the same time.

POP Mart (Competitive Advantage – Porter’s Five Forces)

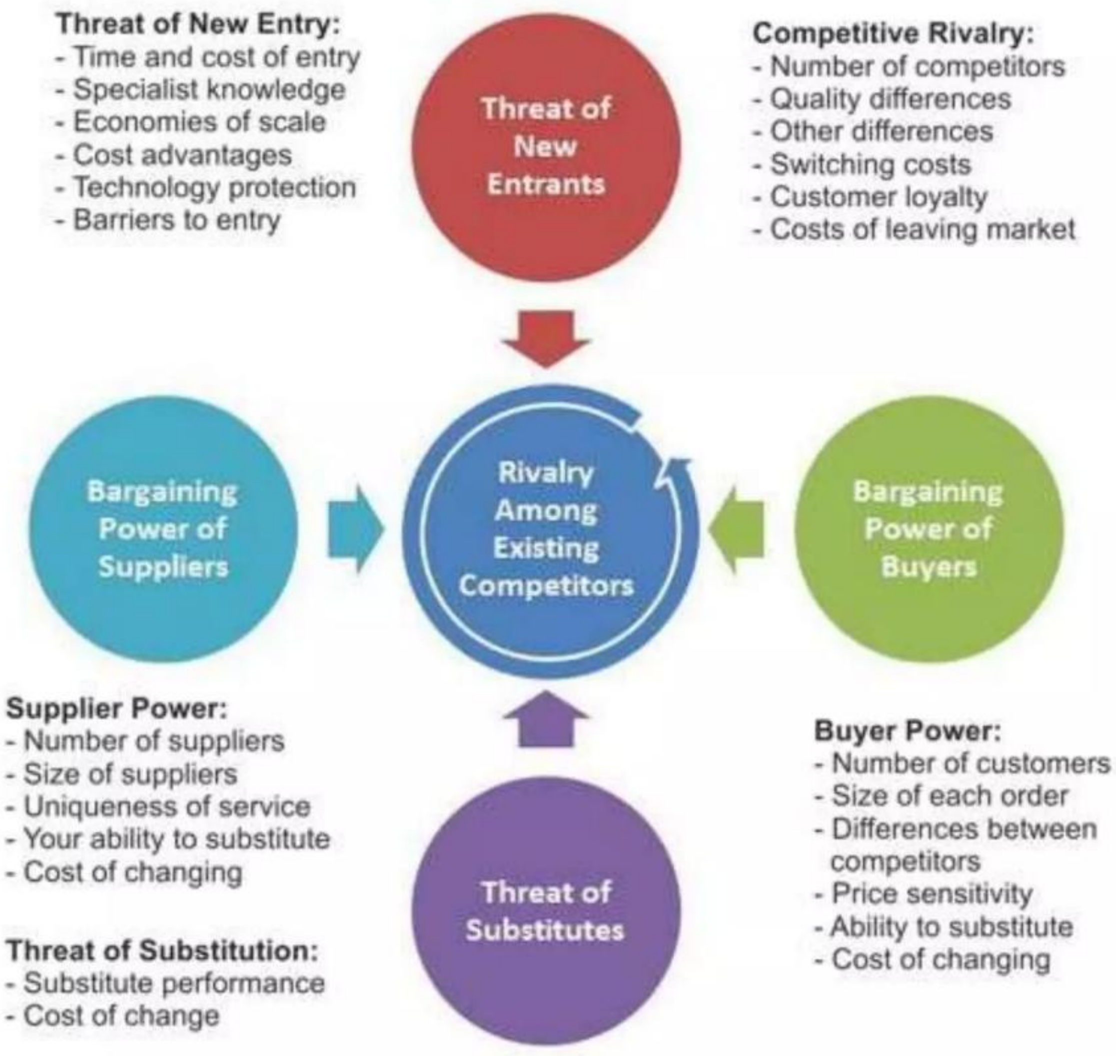
- POP Mart differentiated through product uniqueness and emotional appeal, making it hard for rivals to offer substitutes.
- They used scale and exclusivity to limit the bargaining power of suppliers and to command premium pricing from buyers.
- Aligned with the lesson’s view that tech and strategy together can strengthen competitive position.

POP Mart (Summary)

- POP Mart's Labubu success illustrates the lesson's main points.
  - Start with a clear strategy.
  - Align deeply with cultural trends.
  - Be agile to market shifts.
  - Use technology as an enabler, not the driver.
  - Build barriers to competition through unique value creation.

Intro to DT

Porter's five forces to enter, exit or strengthen market



Porter's five forces – Uber

- **Buyers:** Bargaining power of riders [High] due to many modes of transport
- **Suppliers:** Bargaining power of drivers [Low] due to no unionisation
- **New Entrants:** Threat of new entrants [Medium/High] - any one can develop but at scale is a challenge. Eg: Dart
- **Substitutes:** Threat of substitutes [Low] - self-driving cars, better public transport, work from home
- **Competitive Rivalry:** competition to Uber [High] - location specific competitors

Link between the five forces and technological change

- Porter's Four tests to establish whether tech can increase competitive advantage
  - lowers cost and / or enhances differentiation
  - shifts costs or makes the firm product or service more ‘unique’
    - e.g. cost does not rise in a direct proportion to volume
  - First mover - pioneer technology, improve efficiency
  - improve industry overall, improve the profitability of all organisations in the industry
- Care must be taken when the use of tech meets one test but can worsen the organisation’s position via another

Developing Strategy

- Organisational disasters happen and sadly most leaders don't have what it takes to prevent this and those who do are often undervalued
- Some organisations get it right but many struggle to adapt external and internal changes.
- There are few strategy professionals and board members who really understand what strategy is and are able to realise it.
- Organisation end up to Default future if no action is taken other than currently planned
- Businesses attain their default future due to a combination of external and internal navigational forces, some of which are easily observable, some less so

Blockbuster (Case Study)

- First store in 1985 and soon became a household name - place where you would browse videos and select one or more for short term rental and home viewing
- In 1987 the VHS video format enjoyed some 90% of the 5.3 Bn market in the United States
- The company was acquired by Viacom for 8.4Bn in 1994

Blockbuster (Case Study)

- Around 2000 broadband internet technologies made streaming of movies possible to a home computer.
- Initially, the speeds were patchy and pricing models prohibitive.
- Blockbuster failed to respond to this exogenous navigating force.
- In 2004, Blockbuster employed some 60,000 staff in over 9,000 stores globally.
- But the rapid adoption of broadband / movie streaming decimated their core business model and led them to filing bankruptcy just 6 years later.
- By 2013, as the number of broadband users globally topped 650 million, Blockbuster closed their remaining stores.

Blockbuster (Case Study)

- This default future could be better than the current state, or it could be worse depending on its trajectory.
- This trajectory is determined by navigating forces, which can be either exogenous (originating outside the organisation) or endogenous (originating inside the organisation).
- Altering the trajectory means changing the influence of or responding to some or all of the navigational forces.
- If exogenous forces change rapidly – for example Covid-19 pandemic – then the organisation’s trajectory and hence default future can change without leadership action.
- It’s useful to understand navigational forces and their organisational impact.

Nokia (Case Study)

- The original Nokia business was formed in 1865 when Finnish-Swede mining engineer Fredrik Idestam established a pulp mill near the town of Tampere.
- A second pulp mill was opened in 1868 near the neighbouring town of Nokia, offering better hydropower resources.
- Just under a hundred years Nokia launched the first fully portable mobile phone in 1987
- In the early 1990s Nokia recognised the importance of new digital mobile telephony standards and were instrumental in their formulation, believing that mobile phones would become a consumer product
- https://www.youtube.com/watch?v=lsDMOjhpo9A
- By the mid 90's Nokia were selling 300,000 mobile phones every day
- In 1998, Nokia reported sales of 20 billion making 2.6 billion profit
- By 2000, Nokia employed over 55,000 people

Nokia (Case Study)

- Sadly, in the early 2000’s Nokia failed to appreciate seismic changes in several exogenous forces – including the mobile internet - that would enable Apple and other smartphone providers to grab market share from them.
- Nokia were one of the founder members of the Symbian mobile operating system which they finally dropped in 2011, and in September 2013 their mobile phone division was sold to Microsoft for $7.2 billion.

Strategic Agility

- Responding to changing external (exogenous) and internal (endogenous) forces
- Building a strategy that can adapt to situations of increasing uncertainty - Covid 19
- The threat of uncertainty in any form makes organisational strategy formulation more difficult
- Strategic agility is a powerful way of dealing with this difficulty

Strategic Agility - Paradox

- A paradox is a situation that is difficult to understand because it contains two contradictory elements. Each element seems logical when considered in isolation but irrational when considered together.
- Strategic agility has the paradox of
  - strategic commitments and
  - flexibility at its core
- Organisations must make strong strategic commitments whilst also having the awareness, the will, and the flexibility to change these commitments as needed

Traditional NASA, 1966

- NASA, the US Space Agency embraced many aspects of strategic agility since the Apollo program in the 1960's.
- Respond to reduced budgets and competition from commercial space and other nations.

Traditional NASA, 1966

- https://www.youtube.com/watch?v=Im_8eNysblg
- https://journals.sagepub.com/doi/10.1177/00081256231180878
- Consumed 4.5% of US federal budget - reduced after the moon landing in 1969
- NASA was the prime contractor and exclusive customer of space technologies which were developed from scratch by specialist contractors
- Government procurement processes - NASA could issue ‘cost plus’ contracts and would own the resulting technologies
- NASA’s approach - ‘command and control’ - an authoritarian and hierarchical relationship with the suppliers
- They would issue precise engineering specifications and closely monitor and strictly enforce compliance

Traditional NASA, 1993-2006

- NASA needed to collaborate with other nations to design and construct the International Space Station (ISS)
- NASA’s technological superiority was eroded by other players with their cultures, technologies and operating models
- Politicians questioned NASA’s budgetary needs, forcing them to focus on efficiency and sharing

Networked NASA

- Emerged around 2006 with the Commercial Resupply Services program.
- NASA needed to find suitable commercial partners under budget pressures against a backdrop of government promotion of commercial space with their rapidly growing technical expertise.
- Learnt how to work efficiently with commercial partners.
- Become more outward looking and recognising the capacity of their partners to innovate.

Networked NASA

- Contracting model changed - fixed price-efficient contracting with shared ownership of the resulting technology
- Open Innovation - posing challenges online and crowdsourcing solutions to complement internal innovation efforts
- Exemplary use of strategic agility positions them well for challenging future goals such as deep space exploration and a manned journey to Mars
- https://www.youtube.com/watch?v=myX4NpB7psk