



IMPLEMENTING STRATEGY IS THE COMMODITY

What's the New Competitive Edge?

The ability to implement strategy better than anyone else is no longer just a competitive advantage; it has turned into a commodity in its own right. The new competitive edge consists of being the first to see a change on the horizon and taking advantage of it. To do this, we have to stop looking inside and start looking at the landscape around us.

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Amazon is revolutionizing distribution to the point of getting employers and unions to make agreements without the traditional fights. Taxi drivers go on strike again and again to try to protect a market that's undergoing change. There are new companies on the car manufacturers' scene: start-ups, like Tesla and Uber, and software giants like Google and Apple.

According to **Joseph Schumpeter**, capitalism is often mistakenly understood to be about managing existing industrial structures; in reality the essence of capitalism is how these structures are created and destroyed. Until now, management centered on running the firm rather than on creating. The focus has been on implementing the strategy.

Our enterprise resource planning systems (ERPs) indicate deviations from the plan in red and green. We know what's going on at every moment and in every location

of our organizations: a company based in Chicago knows that it has sold one of its products in its Manila store. The paradox is that this same company has no idea whether the building across the street houses a start-up that will take over 30 percent of its sales in two years.

Implementing strategy better than anyone else has gone from being a competitive advantage to being a commodity in and of itself. The new competitive advantage, the thing that makes you different and better, is your ability to identify opportunities before anyone else and take advantage of them. We're in the second phase of **Schumpeter's** argument: the future is creating and destroying; managing is just a necessary condition.

Because until now implementation has provided an important source of competitive advantage, our organizations are focused inward. People are concerned with what's going on in the department next door. They make sure that the processes they're in charge of don't end up getting a red light. And they extrapolate conclusions from the ERP data that go beyond what the

data can reasonably support. Management tools, focused on running the organization, direct our attention to what happens on the inside. Corporate cultures have followed the same path and they too look inward. In addition to this structural bias, we have to add that many firms are centralized and talent is only used for executing strategy.

The little bit that we do look outward is limited to our near-by neighbors, like customers and competitors. Strategic planning always begins with SWOT (strengths, weaknesses, opportunities and threats), an analysis of **Michael Porter's** five forces, or a PEST analysis (political, economic, social and technological). All of these concepts were developed in the 1970s and '80s. No wonder we're surprised when an Amazon or a Tesla suddenly appears and gobbles up our slice of the pie.

Culture is essential for adapting organizations to new challenges. From an insular culture preoccupied with the inside and the status quo, we need to move toward cultures that value the opportunities that are constantly appearing outside the firm. These new cultures understand the need to be the first to see a change coming. And they know that this is only possible if we dedicate time and attention to what's happening outside.

How can organizations change their culture to adapt to the new context? For more than a decade, this question has been an important part of the agenda of a Swiss research group. Their model is called the Landscape Monitor, and organizations that apply it incorporate the search for opportunities, both tactical and strategic, into their DNA.

The complexity of current markets makes it necessary to have tools that allow us to see farther and better, and to be ready for action. Landscape Monitor is a management system that changes the way both large and small organizations perceive and analyze their

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competitive, social and political surroundings. Its methodology allows companies to identify changes in the environment that are critical for the future of the organization, like emerging opportunities and risks. This capacity for detection becomes the starting point for strategy, innovation and corporate risk management.

The Landscape Monitor draws on information and experience from everyone at the organization and it uses crowdsourcing to identify and analyze threats and opportunities in the environment that otherwise would pass unnoticed: new competitors, changes in customers' lifestyles, emerging markets, technological advances, new regulations, and political and social changes. Thanks to Landscape Monitor, the organization obtains a coherent and integrated view of its surroundings.

Although its design is specific for each organization, Landscape Monitor is based on four common principles. I'll illustrate them using the case of a group of educators interested in changes in primary education (age five to ten).

1. MAKE A MAP OF THE LANDSCAPE

- Which actors are creating opportunities?
- Which actors can inspire you to change your technology or your business?

Just as we make process maps to identify indicators and understand the internal workings of management, analyzing the landscape also requires a map.

The map synthesizes the view of the group's surroundings. Like any map, it can be seen from different perspectives, but it's important to know which spheres and actors can change the environment and create opportunities.

In primary education, there are two main spheres: the school's administration and its pedagogical

approach. Under the umbrella of administration, we find teaching management, student admissions and school management. Under the umbrella of pedagogical approach, we find online education, technology in the classroom, and new teaching methods. Inside each of these areas, potentially important things are happening.

To give just one example, in the area of classroom technology, there is work on virtual reality as a learning tool. In this way, a biology student can see a heart in 3D, rotate it to see it from different angles and open it to look inside.

The map brings into relief differences in perspective that previously were implicit. For example, an R&D specialist viewed the landscape differently from a specialist in marketing or finance, and these differences – when not made explicit – easily led to miscommunication.

2. UTILIZE AS MANY PAIRS OF EYES AS YOU CAN

- Which people from the organization can contribute interesting observations and analyses of the environment?
- Is there a group interested in innovating?

In each Landscape Monitor there are various participants who, through their experience, inform and share what's happening in the environment. Innovation begins with a sandbox of ideas. Creativity means connecting ideas that were previously separate. Taking advantage of that richness of viewpoints and sharing it is what makes regions like Silicon Valley so innovative.

In seeking to innovate, firms often ask their employees to offer up ideas. This approach has two problems. First, many people fear that their ideas aren't good enough, and they exclude themselves from the new strategy from the outset. With Landscape, contributing observations is a way of contributing to

innovation. Second, embarking on innovation projects without having worked on inspiration – that is, the richness of ideas – is an entertaining exercise with little ultimate value.

In our Landscape of primary education, we discovered that two thirds of U.S. schools and schools from more than 180 countries manage teaching through a platform developed by a start-up. We also saw that a company has teaching management software with more than 12 million users. A group that is applying Landscape has been collecting data on advantages and disadvantages of this platform (and others), and the next step is to evaluate if the school should change how it manages teaching.

3. USE TALENT TO CREATE

- In the organization, is it explicitly communicated to employees that observing and analyzing the landscape is part of the job description?
- Do the people who monitor the landscape meet at least once a month to share their impressions?
- Is time dedicated to analyzing what external actors do and the opportunities that they generate?

Use talent to create. When we hire people, we spent a lot of time seeking out and attracting the best talent. They are very well trained professionals that understand better than anyone else in the organization a certain aspect of the environment. Today's complexity doesn't fit inside a single person. The paradox is that we only use that talent to have them implement strategy. We don't keep in mind that they can also observe, analyze and project into the future. Applying the Landscape Monitor makes it possible to take advantage of their capacity to create.

In our primary education Landscape, the group has collected a lot of information about online education and how it can be integrated into the in-person class. This work

has led a part of the group to create a project to integrate the online and offline worlds.

4. GATHER INFORMATION FROM BOTH PUBLIC SOURCES AND PERSONAL EXPERIENCES

- What sources of external information will help you understand the actors in your landscape?
- How do people from your team communicate their experiences and observations of what is happening around them?

Analyzing multiple perspectives in real time requires weeks or months of data collection. This process immerses the group in the happenings of every region of the landscape.

This information is both quantitative (for example, market share and share price) and qualitative (for example, the Twitter followers of a certain opinion leader). The personal experiences of group members are important, but so is the input of outside experts, accessible through the Internet and other reference sources.

In the case of our primary education group, in addition to what they see and learn directly, they also receive information from researchers, teachers and organizations to help them make sense of changes on the horizon.

Quantitative and qualitative information, interactions among group members, and knowledge of what's happening in our surroundings offer innumerable opportunities for Landscape Monitor to change the way we manage organizations. This methodology allows us to focus outward, to be first to see change coming and to create new sources of competitive advantage.

MORE INFORMATION:

Dávila, Antonio; Oyon, Daniel; Parmigiani, Pilar; Schnegg, Maël (2015) "Look Outside Your Firm: A Tool to Sense What's Coming" *IESE Insight*, second quarter 2015.