Strategic Shock Absorbers

The fast, fluid approach that we need to soup up and accelerate strategic planning is not entirely unlike the performance features engineers have built into automobiles over time. In the case of cars, we have become so accustomed to certain crucial design elements that we nearly take them for granted. For example, if you ask someone: why do cars have brakes? Most people will answer: to stop. If you ask a second question: why do cars have shock absorbers? Most people will respond: for a smoother ride. It turns out that both of these assumptions are wrong.

Cars have brakes so that we can drive faster. If the only way to stop is to plow into something or drag your feet like Fred Flintstone, then the default will be to drive very slowly. Similarly, cars have shock absorbers to enable speed. Before shocks, particularly in the early days, a car's frame would bend or break if it hit a bump at high speed. Thus, people had to drive slowly to avoid destroying the car. Shock absorbers enable cars to go fast and maintain their speed.
For executives, operating in a business environment that is extreme and unfamiliar is a lot like driving down a winding English country lane in very heavy fog. They cannot see far ahead. Perhaps there is a deep rut in the road or even a meandering cow. Driving under these opaque conditions, the reflexive response is to proceed slowly and almost feel your way along. Yet, this is not an option in business—the competition is too intense. Companies need to absorb the impact of unexpected events without slowing down or destabilizing the entire organization. They need to be able to react to bumps in their path immediately, before the impact creates a chain reaction and the wheels come off the wagon.

With constant change the norm, having a fast reaction time is crucial. There is a clear and convincing rationale for this. First, even small shocks have a cumulative effect. Companies are made up of a complex web of associations. They are global and multinational; connected in myriad ways to customers and employees; and they operate in an ecosystem where partners and competitors may be one and the same. With this interconnectedness, surprises that hit one part of a business or ecosystem can affect other parts in ways that are difficult to predict. The bigger the shock, the greater the potential for throwing off a destabilizing effect in multiple parts of the business. In addition, there are always new bumps just down the road a piece. When you cruise over a pothole and continue without regaining control, it becomes more difficult to swerve to avoid the sheep standing in the road or to veer around whatever obstacle arises next. In other words, stability is the exception rather than the rule. Companies need a means for adapting to environmental changes without
slamming on the brakes every time. When the world is in chaos, strategy needs to be adaptive in order to be effective.

Through my research in fast-moving markets and surging economies I have found that it is possible to make strategic planning fast and adaptive. Over a period of five years, I worked intensively with colleagues inside twenty Indian companies in order to better understand the Indian approach to business strategy and to identify the key lessons. In addition, I worked extensively in Dubai from 2000 to 2008—around the time the United Arab Emirates was dramatically building its infrastructure and economy. The companies I examined in India and Dubai come from a range of industries—the media, manufacturing, air transport, government, retail, and banking.

The solution I found is what I call Strategic Shock Absorbers. Why Strategic Shock Absorbers? Because the capabilities that are part of this integrated framework allow companies to move quickly and fluidly, even amid massive turbulence. In addition, like the mechanism in cars, Strategic Shock Absorbers oscillate. They allow companies to move with the environment, contracting inward and expanding back again as conditions on the ground evolve. We will see that for each Strategic Shock Absorber time and information are compressed when conditions are grueling; and, when they improve, resources and options are expanded to unlock new opportunities. For example, as companies experience bumps in the road the Strategic Shock Absorbers call for lean operations that enable speed and precision. Then, when the environment stabilizes they expand—empowering people and preparing them to gear up for growth and new options.
Strategic Shock Absorbers create an ongoing capability for fluid strategic planning and execution. They work together as a unified system that is one part science and another part art. Used properly, they fuel organizations, such as those profiled in this book, as they work through varying conditions. There are four Strategic Shock Absorbers that work together in an integrated way. Separately, they create opportunities for organizations to pursue the new strategy plays described in this book. Together, they form a discipline that can be generalized to suit the needs of almost any organization regardless of size.

1. **Accuracy**: As a component of the Strategic Shock Absorbers, the Accuracy mode consists of a suite of strategy tools including decision triggers and the strategic wedge, which we will explore later in greater detail. In short, decision triggers...
compress options, thereby minimizing the time required to react in turbulent environments. The strategic wedge, conversely, expands a company’s options by opening up new opportunities. In addition, because wedging opportunities are initially smaller, less costly, and less encumbered with financial risk, multiple people can undertake them simultaneously, thereby also expanding human resources. Both of these tools prepare organizations to pinpoint and seize strategies that accurately suit their needs at a particular moment in time.

2. **Agility:** This mechanism also compresses and expands an organization’s resources and options—this time to enable greater flexibility and fluidity. Agility occurs in a variety of interesting ways including creating a *positive bottleneck*, which compresses information and funnels it directly to the right places in the organization. *Making strategy a bottom-up process,* a second agility tool, expands the people and options for creating and executing strategy. These particular tools, as well as others we will examine, come together to enable constant adaptation.

3. **Momentum:** This mode of operating equips companies to absorb shocks and bumps and retain speed. It is all about managing strategic inertia. *Focusing on the end as opposed to the means* (a compression tool) guides planning around pivotal goals and offers a wide degree of individual empowerment. Having *intellectual buffers,* not *physical buffers* (an expansion tool) builds up intangible advantages that lead to better decision making. These strategy plays create a mechanism that absorbs the impact of unexpected events, minimizing disruptions and enabling innovation and forward momentum.
4. **Foresight:** This last mode guides organizations to make sense of the future in two ways. First, developing *strategic assumptions* (a compression tool) serves to focus resources and attention on what the external environment looked like at the time of strategy creation. Second, systematizing *alternative strategies* (an expansion tool) guides companies to be ready to move on to what’s next when the time is exactly right. Foresight brings clarity to opaque environments for the purposes of strategic planning. It is a lens for seeing bumps and surprises sooner in order to have a response at the ready.

These four components of the Strategic Shock Absorbers come together in a repeatable model that puts the power back into strategic planning. In the process, they deliver several notable benefits.

First, the Strategic Shock Absorbers enable oscillation described earlier, which prepares organizations to frequently adapt their strategy. As we will see, each of the Strategic Shock

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**Figure 1.2  The Oscillation Cycle**

The Strategic Shock Absorbers create an oscillation cycle that compresses (information and time) and expands (the number of options and people) and back again.
Strategic Shock Absorbers requires people and precision (art and science) to put it into play. The science is in the strategy modes that are part of each tool, whereas the art is in knowing when to oscillate. In this way, Strategic Shock Absorbers balance people and process.

Over the years, a lot of management innovation has focused on the upside of empowerment. Although I do not disagree with this philosophy, I hope to present it in a new light. Strategic Shock Absorbers put people at the center of the process as opposed to at the margins. Individual judgment and creativity, after all, are crucial in times of change and turbulence. As Mahendra Agarwal, CEO of the thriving “FedEx of India,” Gati Limited, told me: “In the present turbulent world the business environment is not entirely predictable. [Success] depends on [this]: How sound is the foundation of the organization? How strong is the management team? These two parameters are important in order to take care of any kind of uncertainty because turbulence will definitely be there.”

Agarwal, having built a logistics and delivery business that has a reach of 99.3 percent of India, covering 653 out of 657 districts, knows something about empowering people to manage amid change.

Yet, my research also shows that in times of extreme change, organizations just as frequently need to limit people’s involvement. This is where the oscillation comes in. Resources and options contract when surprises hit—because compression creates clarity. Later, resources and options expand again when we have clarity around the strategic plan. Knowing when to compress and expand is part of the art of management. It is discretionary as opposed to mechanical—but the Strategic Shock Absorbers act as an expert guide.
Second, Strategic Shock Absorbers help companies balance formal and informal planning. Oftentimes, companies are very good at creating structured planning processes that repeat year after year. These big picture planning and forecasting conventions are important performance management and measurement tools that work well in stable times. Yet, in unpredictable markets, strategic planning requires ongoing, informal, and unstructured interactions that are continuous and dynamic. And these informal interactions can end without ideas and intelligence being harnessed. The Strategic Shock Absorbers create a more structured place for these types of unstructured processes. Even more, they build a bridge between formal and informal planning and communication. It is this bridge between formal and informal processes and interaction that cooks the strategy stew faster. As we will see throughout this book, when brought together the formal and informal act as a catalyst for fast adaptation.

Similarly, the Strategic Shock Absorbers formalize purely informal planning conventions. Many of the organizations in my study maintain strategic planning conventions that are “matter of fact” because the uncertainties and risks they face are themselves sporadic. This creates efficiency gaps. To compound the problem, it is difficult to assign numbers, in terms of estimates and forecasts, when planning is so informal. The solution requires communication and transparency. Pete Goss, the British yachtsman and former Royal Marine officer who has sailed over 250,000 nautical miles in his lifetime, formalizes the informal with what he calls “bad news meetings.” Predicated on fully honest and open communication, bad news meetings are just what they sound like—a safe venue for team members to come clean
and solve problems. Goss, who famously sailed directly into hurricane force winds back in 1996 in order to save a fellow racer, builds a structure around these informal interactions in order to address issues before they can turn into catastrophes. Formalizing the informal adds structure but preserves the candor and creativity.

Finally, Strategic Shock Absorbers make strategy creation an adaptive process. Suresh Newatia, chief of strategic products at Gati Limited, explains: “Generally, we review [and adapt our] strategy on a monthly, quarterly, half-yearly and annual basis. One single strategy may not work throughout the year. As industry scenarios change, we have to modify our strategy accordingly.”² That type of process for ongoing strategy creation requires specific organizational capabilities that Strategic Shock Absorbers help deliver.

As we shift our attention to examine each of the Strategic Shock Absorbers in turn, fleshed out and illustrated with a number of examples from my research in India and Dubai during their high-growth phases, the common denominator across this model is that strategic planning is more important than ever today, even as constant change makes traditional ways of achieving it obsolete. The framework and anecdotes are designed to make strategy relevant again and help organizations become dynamic. Bringing strategy back as an ongoing process is our best, and possibly only, chance to keep up with change and build change right into the strategy process.

The rest of the book looks like this:

Chapters 2 through 5 each introduce one of the four Strategic Shock Absorbers. They reveal the strategy plays that go along with each and offer cases and stories of companies that have put them to excellent use.
Chapter 6 examines the Strategic Shock Absorbers in action. It brings them together as an integrated model and shows how the approach enables strategic planning and execution that are fast and fluid. The chapter also demonstrates how the interplay between the expansion and compression modes yields a faster and more efficient organization.

Chapter 7 is about values—the one constant amid widescale change and chaos—and how they can act as a GPS for organizations trying to change while maintaining their sense of self.

Chapter 8 looks at management innovation from India and Dubai. It presents the approaches for shaping and executing strategy that have enabled organizations to adapt according to their own fast-changing needs. As described in the chapter, these elements are founded on a compelling and ever-present sense of corporate culture and an awareness of the changing external environment.