Business Strategy Tools for OD Practitioners:
Creating the Dynamic Enterprise

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Abstract: Today's dynamic business environments call for *Dynamic Enterprises*, those organizations that respond quickly and effectively to the constant change surrounding them.   A Dynamic Enterprise has two important tasks: It must first turn the chaos in the current business environment into a shared strategy, and then quickly and effectively put this strategy into action.   However, many OD change initiatives focus more on the second task than on the first — giving more attention to building the organization's capability to change than to creating a clear and shared business strategy. This article presents strategic thinking tools that can be used to enable people throughout an enterprise — not just at senior management levels — to create collaborative and shared strategies, to use their best enterprise-wide intelligence to choose the right change.

Dynamic Business Environments Call for Dynamic Enterprises

Today's enterprises face constant and often profound change — from the global marketplace, new competitors, advancing technologies, and growing customer demands. Entire industries are in transition as changes in one industry present new pressures and opportunities for multiple related industries. Businesses confront a cascading, accelerating, and highly interactive network of change.

Leaders and managers find themselves facing challenges for which their education and business experiences provide no precedent. Many answers that made sense in earlier times are often suddenly irrelevant. Often, no other firm or institution can provide an adequate or time-tested benchmark.

How is an enterprise to survive and thrive under such tumultuous conditions? How can leaders, managers, and other stakeholders make sense out of the many new forces impacting their work?   What is needed to find clarity and guidance in the midst of this chaos?

In such a turbulent business environment, our enterprises must be able to find meaning and clear direction among constantly shifting priorities. They must become responsive, *dynamic* enterprises capable of integrating and leveraging the many forces changing around them.

Definition of the Dynamic Enterprise

The dynamic enterprise continually transforms the multitude of changes occurring around it into coordinated strategic actions by its people.

The Dynamic Enterprise is a future-driven enterprise, capable of rapid and successful response to a dynamic environment. It enables its people to navigate the challenges of continual change; to turn chaos into shared strategic direction and clarity; and to transform complex change into momentum for moving toward the desired future.

A work group of any size or scope can become a Dynamic Enterprise. The concepts apply to global corporations, divisions or departments within a company, or cross-functional project teams. In addition, a Dynamic Enterprise can include a group of strategic partners, a supply chain or "value chain" of clients and suppliers, or a network of alliances crossing many companies.

Two Primary Tasks of the Dynamic Enterprise

In the Dynamic Enterprise, people throughout the organization have two primary tasks: to turn chaos into strategy, and strategy into action.

Many organization development projects focus more on the second task — *change management* — than on the first — *strategy creation*. For example, many initiatives emphasize enhancing the organization's capability to implement change by increasing change readiness throughout an organization, building a culture for change, developing leaders for change, or ensuring broad stakeholder engagement in change efforts. While this capability is essential, it is equally important to make sure the business is

implementing the *right* change. An enterprise that quickly and effectively implements an inappropriate strategy will soon be in trouble.

Strategic Thinking for Everyone

In such a dynamic environment, it is essential that people *throughout an enterprise* think strategically. Employee empowerment programs over the last fifteen years have worked to flatten bureaucratic hierarchies and to move decision-making to the front lines, to those closest to the work. Strategies are no longer created in the boardroom and then moved down through layers and layers of steep hierarchies. When changes in the business environment press for quick solutions, "strategy" is created on the spot. Because people throughout the enterprise are now involved in the critical moment-to-moment decisions, they have an increased need for clear strategic direction. They need to have a commonsense understanding of what is happening in their industry, where their company or institution is headed, and where they want to take their own particular department or team.

Strategy for Transformational Times

We are living in a transformational time. Approaching the edge of this millennium, industry after industry is confronting forces that push it to redefine the very nature of its work. "Middleman" industries shrink as customers and suppliers create direct connections with each other; fisheries with boats going out to sea are replaced with fish farms; standard medical protocols are set by practitioners with MBA degrees working in insurance companies; the Internet revolutionizes the way consumers shop, find information, and use professional services such as travel agents, real estate agents, or financial planners. An individual business or institution is rarely free to define its own strategic path. It is important to recognize the transformations that may be occurring throughout an industry, as these can impact the enterprise in very profound ways. When people understand the larger forces impacting their business, they can align their future direction to take advantage of and leverage these changes.

The STEP Model: One Tool for Developing Enterprise Strategy

The Enterprise Development model is a comprehensive framework for strategy development and implementation.   Enterprise Development (ED) provides an integrated set of strategy and change tools for guiding enterprises through a change process from beginning to end: from recognizing the first glimmer of external forces shifting on the far horizon; to engaging the key people in the enterprise in strategy, design, and implementation; all the way through to measuring that the changes planned were actually implemented.

The first tool in the ED Toolkit is the STEP Model, a tool for creating strategy from a whole-systems perspective. (The name STEP is an acronym for fundamental elements of the enterprise system: Structure, Task, Environment — both internal and external — and People).

The future enterprise strategy must include each element of the enterprise system, so that all elements move forward together. A change in any one element most often necessitates changes elsewhere in the system. Thus, STEP provides a tool for creating a whole-enterprise strategy that keeps the system in alignment as it moves into the future.

STEP first defines an enterprise as "a business supported by an organization." The *business is* the enterprise's function: it delivers products and services into an external environment (made up of a marketplace with opportunities, competition, a culture, economic pressures, government regulations, resources, partners, and other forces or groups that can impact the enterprise). The purpose of the *organization* (the enterprise's *form)* is to help the business succeed within its environment.

Thus, an enterprise needs both a business and an organization strategy.

The enterprise system can be detailed further into five components (STEP) that interact dynamically with one another (see Figure 1):

- *The **S**tructure* — includes the structural elements of the organization, such as the formal organization chart and reporting relationships, job descriptions, physical facilities, information and communication systems, management policies, human resource policies, or incentive systems.
- *The **T**ask* — includes the products and services that the business offers to the marketplace.
- *The **E**nvironment — both internal and external.* The External Environment includes elements such as the marketplace opportunities, competition, suppliers, culture, economy, regulations, resources, or potential venture partners. The Internal Environment includes the internal culture and organizational climate.
- *The **P**eople* — includes the skills and talents of the people, how they get along and communicate with one another, as well as the quality and effectiveness of their working relationships.
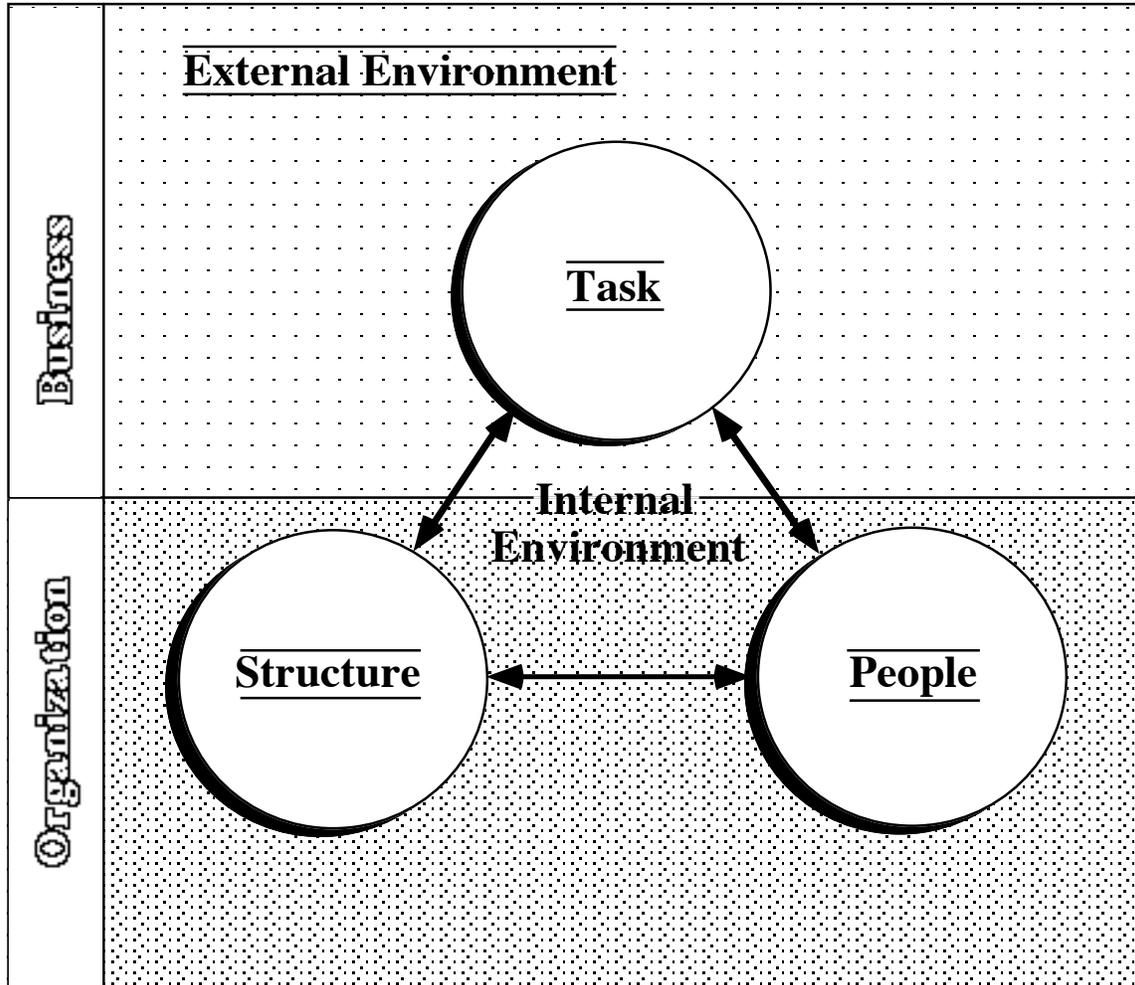
Fig 1. The Dynamic Interaction Among the Elements of the Enterprise System

When a new development occurs in the external environment or when there is an internal change, STEP provides a very simple and straightforward means to clarify how the change will reverberate through the entire system, and what related changes may be required to keep the system aligned.

AN EXAMPLE: THE GOOD AND SOLID TOY COMPANY

For two generations, the Good and Solid Toy Company has manufactured a traditional line of toy cars. Parents often bought the same types of cars for their children that they had played with as youngsters. Although competition always existed, the Good and Solid Toy Company had captured a consistent and predictable market share.

For a long time, the tasks of the company had consisted of straightforward manufacturing and distribution processes. These processes had been perfected over many years and changed only incrementally. Given the predictable environment and routine tasks, the management structures were systematized, traditional, and authoritarian—designed for efficiency and quality control. The majority of the employees did not require much formal education or training. They appeared comfortable with the routine nature of the work and the traditional management hierarchy. There were many long-term employees who considered themselves part of a loyal and stable family, and morale was generally high. Employees saw themselves as turning out a good, high-quality product. On the other hand, they did not look to their work for meaning in life; their primary identities and most of their interests lay outside work.

Then the offshore-manufactured Super-Duper, Laser-Powered Turbo Turtle Transporter came along. With an innovative microchip, it was voice-activated to produce movement, sound, and light. It was less expensive than a Good and Solid toy car. It was featured on a popular children's television program and also bore promise of interconnectability to an arcade-type video computer, with virtually unending potential for futuristic game playing.

The **external environment** of the toy-car market had changed dramatically. Customers of all ages waited in line for the new product, while Good and Solid cars remained on the shelves. Good and Solid's **internal environment** responded immediately: morale plummeted. Employees wondered how the owners of the firm could have been so

blind to technological developments. To remain unchanged was basically a choice to go out of business.

The dramatic shift in the market significantly impacted the other elements of the enterprise **(structure, task, and people)**. It questioned the relevance of the company's primary task (i.e., did a market still exist for the traditional toy car?). The leaders of the company considered options: having products manufactured in Eastern Europe, capitalizing on existing distribution channels by selling children's products from other companies, and engaging in a joint venture with a local microchip manufacturer to try to beat Super Duper at its own game. Whichever was chosen, the mission of the enterprise would be significantly altered.

In order to accommodate any of these choices, the organizational structure would have to change dramatically. The company might need to establish a research and development department that would be characterized by open, collaborative, and more autonomous management systems. New and more complex tasks would require more training and staff development. If the company chose to become a sales and distribution organization, it would need to add new systems and processes while dismantling others. The people who worked for the Good and Solid Toy Company would also be affected. New skills would be required. Job descriptions would continue to change as the company became more innovative and responsive to the changing market. New and more highly educated employees would be brought on board, altering long-standing relationships and potentially increasing conflict. Because of possibly increased demand for people to work collaboratively in teams, the organization would need to establish transition processes designed to help people address the interpersonal needs that would surely arise.

As this brief example shows, the Good and Solid Toy Company would have to change in order to survive. The STEP analysis is a simple but powerful tool that allows its users to sift through seemingly complex and confusing enterprise data. It provides a focused view of the most essential elements of the enterprise, clarifying ways in which it can rebalance the dynamic

interplay between its system components. As a result, people throughout the enterprise are increasingly able to make informed, meaningful, and strategic choices about the future direction of their business and organization.

Practical Application of STEP to Strategy Development

There are four basic steps in using the STEP Model to develop an enterprise strategy:

1. The first task in using STEP for strategy development is to thoroughly examine and understand the separate, emerging trends in the external business environment. The most pressing trends can be identified in the areas of: customers, competitors, suppliers, resources, regulations, the economy, emerging technology, the larger culture and its expectations, resources, and marketplace opportunities. For almost all businesses and institutions, the external environment is now global as well, so that far-ranging forces must be taken into consideration. In addition, with the increase in concerns about climate change, species loss, and global warming, the natural environment is increasing being considered part of the business environment.

2. The second task is to synthesize the information gathered about the separate trends in the business environment. A long list of bullet-point items is difficult to turn into a coherent strategy, and rarely inspires concerted action. The people working to create the strategy need to stand back from the list, survey it as a whole, and then name the key trend that underlies all of what they see. This task requires the human creative and intuitive impulse to condense separate items, to find what they "mean."

One way we often help groups synthesize their data is to ask them, "What would this be named if it were a book?" We have heard back responses such as, "Train Wreck!" "Killing the Babies: Our Business Will Be

Obsolete in 3 Years, But We Stop All of Our New Ventures," or "The Invitation: The Market Finally Wants Us!"

*3. **The third task*** is to take this primary strategic realization and understand its implications. What is the " strategic push" — what should we stop doing? And, what is the strategic "pull" — what should we start doing?

*4. **The fourth task*** is to integrate these implications into the design for the future enterprise. Once the emerging external environment is clarified, the enterprise of the future should be outlined using all of the Future STEP categories:

∞ What should the relationship between the enterprise and this environment look like (e.g., consider any changes in supplier or partner relationships, any new environmental sustainability strategies, any new marketing approaches or relationships with customers).

∞ What should the business Task be in the future? (e.g., what products and services should the business deliver to the external environment? what business processes should be used?)

∞ What should the organization's Structure be? (e.g., what reporting relationships, what project or team structures, what physical facilities and locations, what information and communication systems, what HR and management policies will be needed to reinforce the strategy?)

∞ What do the People of the future enterprise need? (e.g., what skills and talents will be needed, how will people need to communicate with each other, or how will they work together?)

∞ What kind of Internal Environment will be needed? (e.g., What work culture will be required for the envisioned future? What kind of vision and leadership, will be required? What levels of spirit and dynamism will be needed?)

The Role of OD Practitioners

In transformational times. OD practitioners can, and indeed must, take responsibility for providing the critical assistance required for people to create dynamic enterprises. It is an essential new requirement for OD practitioners to ensure that people have the skills and tools needed to move their enterprise into the future. People throughout the organization — not just at the senior management levels — must become skilled at creating collaborative strategies and choosing the right change.

All stakeholders need to be involved in creating the dynamic enterprise. To do so, they need to understand what they are facing together. They need commonsense concepts and language to be able to communicate with each other — throughout the enterprise — about changes that lie ahead.