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Building the strategic architecture of the post pandemic corporate landscape

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The COVID-19 crisis, with its unpredictability and turbulence, has disrupted the way companies build their business strategies. Mark Esposito, Alessandro Lanteri, and Terence Tse write that two strategy frameworks combined can become part of a new strategic architecture to empower firms to identify and pursue growth opportunities in the post-pandemic world economy.

The COVID-19 pandemic has been a major disruptor for tried and tested approaches to strategy. More specifically, it has promoted two business practices: digital transformation and sustainability. Even as the pandemic still impacts our lives, companies are stepping up their efforts and new imperatives and business models keep emerging as a validation of new organisational practices and norms. The pandemic has not only changed our perception of the world but equally accelerated our adoption of new work and production models which become visible and shape a 'new normal.' How do business leaders seize the opportunities in the new normal?

A strategic alliance between fledging frameworks

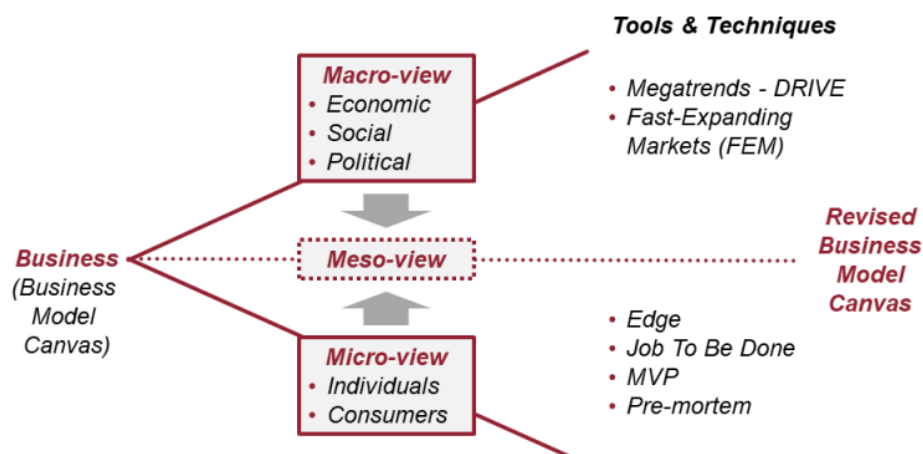
To successfully navigate the upheaval caused by the pandemic, business leaders must reconsider their strategy. Two of the key strategy questions they must answer are: where their company will play and how it will win. This article provides two research-based frameworks to answer these two critical questions.

To answer the first question, DRIVE (Tse and Esposito, 2017) assists decision-makers in tracking the megatrends that shape the competitive landscape and in identifying major emerging opportunities, which traditional tools for strategic planning might only capture when it is too late. For the second question, CLEVER (Lanteri, 2019) points out the drivers of strategic advantage decision-makers should leverage to maintain a competitive edge. Jointly, the two frameworks constitute the foundation of a new strategic architecture that empower firms to identify growth opportunities and successfully organise to pursue them in the turbulent, post-pandemic world economy.

From macro to micro analysis

The two frameworks were originally designed with a focus on businesses' future fitness, integrating adaptable and flexible thought processes in their functioning. They were designed as non-exhaustive instruments to grasp the flow of the times in which we are living, in an increasingly complex world, where linear models of distribution are less and less functional to the purpose of prediction and forecast.

Figure 1. A way to identify growth opportunities



As shown in figure 1, the macro level of analysis assesses the environment and the nature of the forces that are shaping the conditions for business and public policy to operate. From the scanning of the externalities to the detection of grassroots movements, to the discovery of growth models that traditional economic indicators can easily miss, this level of analysis is necessary to determine the magnitude and direction of the trends.

The meso level of analysis refers to the institutional and intermediated level of the economy in which a chain of entities operates as connectors between forces at the macro, and execution at the micro level. The meso level provides opportunities for formulation of strategy and ideation of business models that probe markets and reconfigure systems.

The micro level involves the most active agents in the economy, including consumers and individuals, who make decisions based on limited information, sentiments and access to opportunities. It is where markets get validated and where decision-making blends theoretical assumptions with projectable actionability and where the socio-economic system enables itself.

Our frameworks combine all three analysis levels in rigorous research with practical design aimed at facilitating the transformation of systems. A deeper understanding emerges from the nature of the trends as well as from the ideation of how the trends can shape strategy.

Understanding how 'DRIVE' brings the macro level of analysis to life

During the research, we investigated the junctions where current macro trends set the trajectory for future events. In the vast ocean of knowledge, information, and data, we found five undercurrents that can give us some directions as to how the future would unfold. These five paths aren't exclusive or exhaustive. Most are likely a minimal representation of all undercurrents that interplay with the shaping forces of our societies, but with this in mind, we have narrowed the research down to five megatrends, which we call the DRIVE framework, consisting of the following:

- Demographic and Social Changes
- Resource Scarcity
- Inequalities
- Volatility, Scale, and Complexity
- Enterprising (Dynamic)

Each of these megatrends is unique, but, in combination, they can present a comprehensive picture of what the future holds and help us picture a future in the making.

Discovering the CLEVER way

Looking through the meso-level lens, CLEVER lays out the drivers and forces that offer strategic advantages and – therefore – trigger strategic change. The drivers are:

- Collaborative intelligence
- Learning systems
- Exponential technologies
- Value facilitation
- Ethical championship
- Responsive decision-making.

The first three represent the ‘hard’ features—the technological components, with the remaining three capturing decision-making and managerial styles. Table 2 describes the definition and strategic advantages of each driver as well as illustrative examples and counterexamples.

Table 2. The elements of the CLEVER framework (click to enlarge image)

	Collaborative Intelligence	Learning Systems	Exponential Technologies	Value Facilitation	Ethical Championship	Responsive Decision Making
Definition and Strategic Impact	The intelligent coordination of increasingly broad ranges of skills. It allows outcomes and performances that are not simply better, but otherwise altogether impossible.	The use of data analytics to empowers decisions that are not only faster and more accurate, but also continuously become ever faster and more accurate.	Leveraging technologies that improve at an accelerating rate (in terms of cost and performance) and support rapidly increasing productivity	The coordination of transactions among users. It allows faster growth, with less capital and fewer employees, and so achieving higher profitability.	The pursuit of an aspirational reason for being (beyond money). It helps seize new opportunities, give meaning to peoples' lives, attract talent, successfully innovate, navigate change, minimize risks, reduce costs, increase revenues, and earn a societal license to operate.	Approaching strategic decisions as discovery and learning processes of fast-changing competitive conditions, which helps organizations to respond in a timely and progressively more effective fashion.
Illustrative examples	<i>Wikipedia's use of the crowd; Amazon's robot-human warehouse management; chess players in freestyle competitions; financial roboadvisors; roboticsurgery.</i>	<i>Google's search predictions; email spam filtering; Alibaba's Taobao; Ant Financial's data-driven new insurance products; IBM's Watson; Netflix's recommendation system; Dubai Airports' passengers flow; Harley Davidson's web marketing.</i>	<i>Uber's use of mobile and GPS; Jio's transition from oil to mobile; Instagram's use of personal cameras; Google Glasses 2.0; ubiquitous computing; additive manufacturing and 3-D printing; from the Human Genome Project to consumer DNA test kits.</i>	<i>Email; Airbnb; Baidu; bitcoin/blockchain; John Deere's MyJohnDeere; the World Economic Forum at Davos.</i>	<i>Unilever's Sustainable Living Brands; social enterprises and B-Corp; UN's Sustainable Development Goals; Grameen Bank; Business Roundtable's Statement on the Purpose of a Corporation; Patagonia's discouraging customers from buying new garments; Environmental, Social, and Governance (ESG) investments, Socially Responsible Investments (SRI), and impact investing.</i>	<i>New Balance's always in beta; Rent The Runway's launch; Dropbox's market test; PayPal's pivot from Palm Pilots to email; Amazon's always day one; the Agile Manifesto; lean startup methodologies; design thinking.</i>
Counterexamples	<i>Tesla's excessive automation; retail apocalypse.</i>	-	<i>AT&T's sale of its mobile operations in the 80's and subsequent repurchase; Kodak's failure to exploit digital photography; Google Glasses 1.0.</i>	<i>Nokia's failure to develop a platform open to third parties.</i>	<i>BP's Deep Horizon catastrophe; Facebook's Cambridge Analytica scandal; Uber's former CEO scandals.</i>	<i>Segway's initial dud; failure of 80% new product launches.</i>

The challenge in this new normal is identifying existing frameworks that can help synthesize some of the issues we are facing. The two frameworks we discuss here capture emerging approaches to strategic decision-making and jointly help decision-makers identify growth opportunities and successfully organise to pursue them in the turbulent, post-pandemic world economy.

These frameworks do not aspire to be perfect. In turbulent times, with multi-causal patterns and non-linear trajectories of change, the future cannot be predicted. So, even equipped with the DRIVE and the CLEVER frameworks, decision-makers might still face sudden black swans and wildcards that lead to unexpected circumstances and rapidly shifting competitive scenarios.

The frameworks should instead be judged by their usefulness. In the years spent researching and refining our frameworks, we have witnessed first-hand how they have been applied in dozens of companies across industries and geographies. Business leaders can use the two frameworks to understand where strategic opportunities emerge, to find inspiration for strategic action, and so ensure their organisations become future-ready in the post-pandemic era.



Notes:

- *This blog post is based on the books **CLEVER: The six strategic drivers for the Fourth Industrial Revolution**, by Alessandro Lanteri, and **Understanding how the future unfolds: Using DRIVE to harness the power of today's megatrends**, by Terence Tse and Mark Esposito.*
- *The post represents the views of its author(s), not the position of LSE Business Review or the London School of Economics.*
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