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**STRATEGIC LEADERSHIP IS AT  
A CROSSROADS**

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Strategic leadership is at a crossroads  
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Today's generation of senior executives developed their expertise, and advanced in their careers, in a world that looks very different from where we stand today. This article addresses how things have changed, where they stand today, and what leaders now need to do to enable successful strategy execution in 2025 and beyond.

### **How things have changed**

It seems like someone is always saying "we are living in unprecedented times" or "the world of business is fundamentally different now than ever before." Most of the time, that's just click bait and there isn't a solid foundation for the claims.

Yet there are real challenges facing organizations today that make the job of leadership substantively different than it has been in a very long time. I'm not talking about AI and other technological changes which leaders constantly focus on and scenario plan around. If anything, we pay too much attention to the shiny objects of digital and technology change, which distracts from other challenges that can be greater threats to strategic success.

Instead, I'm focused on two key challenges that are underplayed in importance. They are:

- **The end of easy ways to finance and build your operations at low cost.**
- **Continued disruptions from the pandemic.**

Up until recently, the economic patterns and business model options that dominated for decades created relative stability in the external economic environment. That stability enabled three key "rules of the road" that guided decision making for senior leaders:

- **Frontline labor cost minimization.** In industries where frontline labor costs are a substantial portion of budgets, labor cost minimization often has been the guiding principle for generating cash to be invested in other parts of operations, or returned to shareholders or owners. The strategy was realized through (a) outsourcing and offshoring work wherever it was the cheapest to operate, and (b) holding back compensation increases for many frontline roles, even while people in leadership and professional/technical roles saw substantial gains in compensation.
- **Global supply chain optimization.** Supply chain optimization – both nationally and globally – has been a second pillar strategy for reducing operating costs. In many cases, the increased margins were generated by stretching global supply chains to the limit, and building in very tight linkages across each stage of production. Those tight linkages emphasized cost minimization through strategies like "just in time manufacturing" and generating immediate cash flow, and were the opposite of redundancy and buffer stocks. Yet, in order to succeed, those strategies needed a stable global supply chain, which is much less reliable now.
- **Funding investments via cheap external financing.** Cheap external financing lessened the need to cover investments from internal cash flow. This enabled leaders in industries with long product and service profitability timelines to aggressively pursue higher risk opportunities. With generationally-low interest rates, and large amounts of money available globally for investment, the internal ROI needed to set appropriate hurdle rates was at historic lows. This enabled deferring hard decisions about what to invest in, and encouraged using highly leveraged approaches to fund investments. The net effect was a ton of freedom to try lots of different

things, and to try more risky ventures. In tech industries, the extraordinary payoff from scaled solutions (network effects, etc.) further justified highly risky investments because succeeding with one bet usually more than offset the costs of large numbers of misses.

Fundamental decision rules and heuristics were developed in all industries around one or more of these value drivers. Those rules and heuristics were honed over years of trial and error, through proof of concept, and then operating at scale. This created a lot of stability in the internal organizational system, which included known ways of engaging the right people for the right decisions, without having to reconvene all relevant perspectives across the enterprise. We knew the basics of how our systems operated, including what could be delegated downward and what had to be elevated to more senior levels.

*Today, the factors that go into managing labor costs, deciding about investing for the future, and optimizing operations locally and globally have shifted from what dominated board rooms and C-Suites for years. Consequently, the decision rules and heuristics most senior executives developed over their careers for assessing and deciding on whether, where and how to engage labor versus capital are often no longer fit for purpose.*

If you don't pay sufficient attention to these challenges, you will undermine your ability to realize your strategic, financial and operational objectives. Dealing with them for most leaders means adapting new ways of thinking about:

- The ROI or hurdle rate used to make investment decisions
- The cost of labor, and the risks of trying to economize on how much you pay your frontline staff
- Who gets allocated what tasks, and where the work takes place
- The career options of your people
- What your people want and need: what will get them to be willing to go the extra mile to ensure your business model succeeds

*A change to any one of these on its own presents challenges. The combination of two or more of them makes things even more complex. And most organizations and business models are being buffeted by at least three or four.*

The challenge to traditional leadership approaches is the interdependencies among these issues. Over the recent decades, an entire generation of leaders honed their expertise in a world that was defined quite differently, and where responsibility for each of these challenges could be compartmentalized and delegated down the hierarchy. Yet the interdependencies among them means that delegation and dealing with them separately is likely to create unacceptable risks to your business model.

**All of these issues are interrelated in ways that require close coordination and decision making among the senior leadership team, and across all levels of management and your frontline staff.** Yet that is not the norm in most large and medium sized organizations. The status quo has to change to ensure success. It needs to be replaced by a less compartmentalized approach to sensing and decision making that more directly involves middle management and frontline staff.

The next two sections take a deep dive into the two key challenges, addressing where we came from and how things have changed. The fourth and final section addresses how to successfully tackle

this collection of interdependent challenges. If you want to skip the details on how we got here, you can go directly to the last section.

## **Section 2: The end of easy ways to finance your operations**

Section summary:

*Over the past four plus decades, there have been three easy ways to finance and build operations at low cost:*

- A. Generationally low interest rates and inflation*
- B. Building out of global supply chains.*
- C. Balancing the books on the backs of lower-cost staff domestically*

*The astoundingly long run of slowly increasing labor costs for most frontline staff roles we had since the 1970s started to come to an end a few years before the pandemic. Not long after, the great run of generationally low interest rates ended much more abruptly in 2021-22, when the US Federal Reserve and other central banks sharply raised interest rates to combat the pandemic-ignited inflation. Concurrently, the long run of being able to steadily lower costs by growing global supply chains has been disrupted and in the process of evolving towards higher costs. It's going to be a very long time before any one of these reverts back to the level and trajectory that dominated through the 2010s – and we may never see all three at the same time again for decades, if ever.*

### **Generationally low interest rates**

Interest rates play a straightforward and central role in corporate decision making. When they are high, the costs of external financing are high; low interest rates equal cheap external financing. This rule of corporate finance is fundamental to all investment decisions, and directly impacts the need to generate financing from internal cash flow versus external borrowing.

For about four decades, the cost of external borrowing has been extremely low. This has greatly reduced the need to finance investments from free cash flow. Which freed leaders up to be more aggressive and speculative in how they structured operations. When you don't have to generate as much immediate cash flow, you have greater leeway to experiment with different ways of structuring the business to identify the tweaks to the operating model with the greatest ROI.

Very low interest rates also enabled pursuing future opportunities with a greater risk of failure: low interest rates equate to lower hurdle rates needed to invest in future capabilities. This freed up leaders to think big, and take bigger risks in the kinds of opportunities they could pursue.

**Now that interest rates have risen from their generational lows, they are not likely to come back down to where they were pre-pandemic for a very long time.** Rates had been trending down as inflation came under control over the past couple of years. But inflation persisting at higher levels than pre-pandemic already was leading central banks to pause lowering interest rates well before they would have fallen back down to the pre-pandemic norms. Complicating everything, Donald Trump's intention to push through massive tax cuts, without realistically cutting the federal budget deficit, will create even greater pressure for higher interest rates to persist indefinitely.

*All of today's senior leaders and middle management honed their skills in decision-making under the low-interest-rate environment. They now have to learn how to be more aggressive in seeking quicker returns from investments, which increases pressure on middle management and frontline*

*staff to develop new processes and capabilities more quickly with less risk of failing. That in turn will require a different orientation and approach to leadership in the C Suite, one that more closely involves the middle management and frontline staff.*

### **Lower-cost labor abroad: Build out and optimization of global supply chains**

Arbitraging labor costs globally started first in manufacturing in the 1970s, leveraging the economic growth of China and other developing countries. A couple decades later, and overlapping that trend, came the global outsourcing of services and knowledge work, facilitated by the development of the internet and high-speed communication technologies.

The manufacturing and services labor cost arbitrage strategy kept prices low even while economic growth and profits increased, across the developed economies of Western Europe and East Asia, and especially in the United States. The steady expansion of global supply chains was a fact of life for decades – until the disruptions of the pandemic and US-China geo-political tensions cropped up. Today, that trend has slowed down considerably.

Some companies are actively decoupling from China and finding other low cost sources globally; others are diversifying, both staying active in China while building additional lowest cost sources wherever they can find them globally; while a third strategy is to bring supply chains closer to home. Regardless, **the costs and complexity of sourcing low-cost operations abroad has increased, reducing the economic benefits of maintaining this as a core strategy for increasing cash flow.**

Concurrent with the change in the global economic environment, we also are at the end of a long period of transforming operations to outsource and offshore processes to national or global call centers. A lot of savings was found this way by moving people-intensive tasks that are not core to creating competitive advantage to lower cost locations and providers. There will be continued growth in this work, but more so from organic growth of operations, the intensive margin, rather than through shifting more processes wholesale from internal to outsourced, the extensive margin. Call centers are also an area where adapting AI may lead to dramatic cost savings, but that won't be from moving tasks done by humans at home and sending them abroad.

*The second Trump administration also promises to accelerate the reversal of relying on global supply chains, with the threats of massive tariffs. But even without that potential pressure, we had already reached “peak” high-efficiency global supply chains a few years ago, and almost certainly will not see a return to the way things operated pre-pandemic for a very long time, if ever.*

Which means that a lot of what senior leaders learned about finding cost savings from outsourcing and offshoring is now out of date.

### **Lower cost labor domestically**

The movement of a lot of economic activity abroad helped contribute to an economic environment at home which did not favor middle-income and lower-paid frontline workers. There are many factors which went into creating that environment. What matters is that large swaths of the labor force could be pitted against each other, with companies across a broad spectrum being able to get away with scrimping on the compensation of much of their frontline labor force.

The end result was wages and total compensation which grew much more slowly for most employees than for the more highly paid people working in leadership, and in technical and

professional roles. **When I wrote about this topic three years ago for Sloan Management Review (<https://sloanreview.mit.edu/article/getting-ahead-of-rising-labor-costs/>), there was mounting evidence of frontline employees resisting the persistent strategy of holding back their compensation while increasing their job demands disproportionately.**

**Today, the evidence is even stronger:** the Economic Policy Institute and other researchers have documented the fastest wage growth over the last four years for lower-wage workers going back to at least 1979 (<https://www.epi.org/publication/swa-wages-2023/#full-report>). Since those workers have close to zero bargaining power in most organizations – with the rate of private sector unionization at historic lows under seven percent – the only explanation for the faster gains for the lowest-wage workers is that organizations across the spectrum of industries and business models are finding the strategy of balancing the books on their lowest-wage workers has run its course.

*Yet even though the macroeconomic evidence is mounting, I am not convinced that most senior leaders understand how pervasive the situation is, and the consequences for their labor cost strategies. Today's cadre of leadership grew up in a world where McKinsey's war for talent call in the early 2000s defined what the critical labor strategy should be: focusing on higher value "talent" who were in high demand, and de-prioritizing everyone else.*

McKinsey's call to action reinforced a bias among leadership to identify the most important people that matter for operating model effectiveness. This comes in part from conventional wisdom that 80% of the value generation in your operating model comes from a minority of your staff. While there are some isolated examples of extreme productivity differentials like that, the real picture is quite different. *The vast majority of your staff all play key roles, and if you scrimp on how much each role is worth, those staff will take their cues from the pay system and withhold discretionary effort.*

You may not see the immediate results in high turnover or even big drops in satisfaction scores on your annual employee survey. Because the results usually show up first in telltale signs of operational performance falling short of the KPIs needed to execute your strategy successfully. Like introducing grains of sand into a machine, the system may still work, but its performance will degrade in ways that are hard to pinpoint.

### **Summing up**

At the macroeconomic level, over a period of four decades starting around 1980, subdued labor cost inflation helped the US Federal Reserve and other central banks target low levels of consumer price inflation, creating a virtuous cycle of slowly rising costs and prices, coupled with low interest rates. The occasional recession would interrupt the virtuous cycle – but typically only for a short period, until the previous equilibrium was restored.

Now that period of depressed labor costs and slow price growth has come to an end. And with it some very fundamental assumptions about how leaders can design and optimize business models. Because the rapidly increasing costs of labor and capital are now back at a point we haven't seen for four decades. Yet the underlying trends and operating environment are quite different this time; which means the options available to leadership have changed fundamentally.

### Section 3: Continued disruptions from the pandemic

Section summary:

*The supply chain, operations, talent pipeline, and in-person work disruptions the pandemic introduced have not gone away. Global supply chains were already reshaping due to geo-political tensions between China and the United States; the pandemic accelerated that trend while creating greater urgency for redundancy. The operational impacts included rapid shifts in product and services offerings, followed by recovery and evolution in consumer preferences, which are still playing out. The impacts on the talent pipeline – across industries – have been much more hidden than the supply chain disruptions, yet they are just as pervasive. And the new normal for balancing in-person, hybrid and remote work won't be fully resolved for quite some time, which means adjustments to real estate strategies.*

To get through the most critical times of the pandemic, some big issues had to be addressed quickly in 2020. Which products could be provided reliably in the face of disrupted supply chains? What were customers willing to purchase? And, what were employees willing to do?

After the lockdowns ended and the ability to easily work in person returned, it seemed like just a matter of letting time pass: the new normal would be reached fairly quickly. However, we are not there yet because residual impacts from the pandemic today still disrupt strategic decision making around operations, consumer preferences, and the tradeoffs among in-person, hybrid and remote work. Each is a challenge on its own, and there are interdependencies among all three.

#### **Continued disruptions to operations**

The global supply chain trends detailed in the second section, above, were ongoing before the pandemic happened, and will continue for many years into the future. The shock of the pandemic introduced a different, though related set of operational and supply chain issues that had major business impacts immediately in 2020 and 2021 – which are still being worked out five years later.

To keep operations afloat in the initial stage of the pandemic, companies reduced, sometimes drastically, the number of options available to their customers. They did this to preserve core products and services that accounted for the largest volume and/or most profitable sales – and to focus operations and supply chain on the inputs and processes that needed to be shored up during a period of massive supply chain disruptions.

Since that initial stage of the pandemic, companies have steadily expanded their offerings, growing the number of SKUs available to their customers. Yet there continues to be uncertainty in terms of what people are willing to buy, and what can be reliably delivered, given continued evolution in consumer preferences and global supply chain reconfigurations.

Annual planning and budgeting operate best in stable macroenvironments, where year-over-year comparisons enable effective growth planning, goal setting, and accountability. Yet the rapid changes and convulsions in the consumer space, inflation, and interest rates has rendered a lot year-over-year comparisons much less relevant than they used to be, pre-pandemic. **In many cases, we still do not know the optimal mix of products and services to provide your customers, nor how to highly accurately benchmark performance year-over-year. Which means that senior leaders need to have the agility to do dynamic budgeting throughout the year, and not rely exclusively on the predictable-yet-inflexible annual budgeting cycle.**

### **Continued impacts on consumer preferences**

The story of what people wanted to buy where and when has changed quite dramatically, multiple times, since the beginning of the pandemic in early 2020.

When the shutdowns happened and many people moved from in person to remote work, online commerce exploded. The increase happened against a backdrop of steadily increasing online sales, so many companies were already inclined to expand their offerings. The onset of the pandemic super charged those plans.

Even after the shutdowns were over, consumer demand for online commerce continued at elevated levels into 2023. But the gradual return of in-person commerce slowed, and in many cases reversed the growth of purchasing online for many businesses.

Today, five years after the onset of the pandemic, things have not fully settled down:

- **Shopping patterns continue to evolve:** with more people working from home than before the pandemic, in both remote and hybrid arrangements, most downtown shopping districts have not recovered their previous levels of activity.
- **At the same time, demand for commercial office space continues to be depressed,** which feeds into the slowly unfolding commercial property meltdown. So long as interest rates continue to be high (see second section, above), the carnage in the commercial property market is certain to continue.

Taken together, these two challenges mean many more years of adjustment in the prices and occupancy of commercial buildings. All of which feeds into the uncertainty surrounding the cost of real estate, and how leaders price the tradeoffs of maintaining or cutting back on their office footprint; and this further impedes leaders' ability to do once-per-year annual planning and budgeting. At the same time, a lot is still being worked out in terms of the optimal amount of in-person versus hybrid and remote work (see below). All of which means ongoing disruptions to traditional real estate strategy and investment decisions.

### **Continued in-person work and talent supply impacts**

*We are still very far away from any equilibrium (new normal) for how many days per week knowledge workers are expected to be in the office.*

The prevailing rules pre-pandemic included a strong bias towards in-person work, even as evidence mounted year after year, that much more work could be done hybrid or fully remote. This meant that leadership was the sole barrier preventing exploring those options more aggressively. Once the pandemic pushed people outside the office for extended periods, leadership's bias towards only doing work in person was shown to be more of a preference than necessity.

Despite many proclamations designed to get people back in the office more regularly, we are still a long way away from a new equilibrium for how many days in the office people will be working. **It's virtually certain that most office-based work will never be going back to five days a week in person, despite leadership's protests to the contrary. Which has continuing impacts on how people navigate their team and cross-functional work, and the ability to launch new teams effectively** <see *Sloan Management Review* article: Figuring out social capital is critical for the future of hybrid work <https://sloanreview.mit.edu/article/figuring-out-social-capital-is-critical-for-the-future-of-hybrid-work/> >.

An important related issue has received very little attention. Large swaths of frontline workers in manufacturing, health care, transportation, warehousing, retail, hospitality and other business segments have no option for doing any work remotely or hybrid. Yet their supervisors do not face the same constraints: while much of their work is best done in person, large amounts can be done away from the physical sites where their teams have to stay tethered all day long.

Companies always have a mix of internal promotes and external hires for those supervisors; with the external hires coming predominantly from the ranks of college-educated workers. In today's post-pandemic labor market, the college-educated have many options for doing remote or hybrid work in other organizations, which impacts their expectations and demands for doing hybrid work.

*For the indefinite future, people whose career options include more flexible hybrid work are going to be harder to keep in a job that requires a lot of in person work – unless the work is really interesting, they like the team, they like their boss, etc. So these supervisors of in-person staff now have more power than ever before; and that exacerbates longstanding inequities in who gets to work hybrid and who does not.*

#### *Challenges with office design and real estate footprint decisions*

The disruption to the pre-pandemic status quo of in-person work has also reignited a longstanding challenge organizations face on the real estate front: office design. *If people aren't going to be in the office five days/week, do we really know the right way to design office space?*

When the number of hybrid employees was small pre-pandemic, the answer for those without status in the hierarchy was hoteling or hot desk space. But is that the right answer if 80-90% of your people are not in the office 5 days/week? Much of the innovation in office space that occurred in recent decades was well meaning but ultimately not particularly effective at meeting the needs of the people who worked in it.

Moreover, a lot of the reduction in office footprints from people working hybrid assumed that schedules would be staggered: if you have a team of sales people working partly in the office and partly off site, for example, it was a reasonable strategy to assume not everyone would be in the office at the same time; so the number of available hot desks/hoteling spaces could be set to a fraction of the total headcount. And if the entire team came in and needed to meet, they could reserve a conference room.

In contrast with the hybrid sales team pre-pandemic, **the real estate strategy has to evolve when the vast majority of your people work hybrid. The ideal is to plan on regular times when everyone or most people come into the office at the same time. In that scenario, historical formulas used to determine the optimal amount of office space can become outdated very quickly.**

In the decades leading up to the pandemic, dedicated offices were removed for the vast majority of people and replaced by open office plans or cubicles – which did nothing to create the kinds of quiet and private space most people need to work effectively. The result was people being overly distracted while working, or having to resort to extreme measures such as wearing headphones to drown out surrounding noise. And the lack of private office space and limited meeting rooms led to excess demand for quiet meeting spaces.

Now, post-pandemic, if everyone comes in at the same time yet most people do not have dedicated office space, how can all teams find quiet meeting spaces at the same time? Solving that means most likely radically reconfiguring the existing space, and possibly also maintaining a much larger real estate footprint than historical formulas would suggest.

The failures to unlock employee productivity while downsizing real estate footprints in recent decades do not inspire confidence that the impending challenges of greatly expanded hybrid work will be dealt with any better. Yet meeting those challenges effectively in a way that works for both the staff and the bottom line is imperative to maintain competitive advantage.

#### **Section 4: Where we stand today**

The factors that go into managing labor costs, deciding about investing for the future, and optimizing operations have shifted from what dominated board rooms and C-Suites for years. Consequently, the decision rules and heuristics most senior executives developed over their careers for assessing and deciding on whether and how to engage labor versus capital, and for delegating down key decisions, are no longer fit for purpose.

In this new landscape:

- **Labor is more expensive, especially traditionally lower-cost frontline staff.** This means you cannot reliably increase margins year after year by looking for lower cost labor at home or abroad, a break from recent decades.
- **Capital is more expensive.** So you have to focus on making money more quickly with your investments in organizational capabilities: you need shorter times to profitability. This also is a big shift from recent decades.
- **Geo-political risk and supply chain disruptions continue to reinforce the trend towards near shoring, and building redundant capabilities in anticipation of future disruption.** As a consequence, higher costs, smaller margins and more expensive operations nationally and globally will dominate for a long time. Especially in a world where faster overall inflation is creating pushback from customers weary from years of faster price increases. This is the third key break from recent decades.
- **It's more challenging to have an effective real estate strategy amid greatly increased use of hybrid work.** How much space is needed for in-person work? How to manage the space if people are not regularly coming into the office five days/week? This is an entirely new landscape: pre-pandemic there was a small percentage of staff who might work hybrid. Now in many organizations, it's the vast majority, which is a huge shift.
- **Consumer preferences for in-person versus online shopping continue to evolve, which makes annual budgeting for capability building more challenging.** What SKUs will people pay for, and at what prices? The longer people stay away from traditional city centers and neighborhoods for in-person shopping and dining, the greater the chance pre-pandemic purchasing patterns may never return. The slowly evolving commercial real estate crisis is part and parcel of this shifting landscape, which is upending in-person commerce in ways never seen before.

Given all the uncertainty and higher operating costs, the following are keys to business success in today's landscape:

- **You need a lot more attention and real-time feedback from your staff who interact directly with your suppliers, customers, and business processes.** Their sensing and feedback are critical for fast organizational learning and adaptation. Which requires open and fluid lines of communication not just down the hierarchy, but up from the frontlines – and a senior leadership team engaged with the information and people at the frontlines.
- **Everyone in the management ranks needs to be attuned to the learning and adaptation issues.** Which means much less siloed and compartmentalized decision making. Methodologies that promote real-time collaboration and teaming across silos are essential, such as agile, design thinking, end-to-end business process analysis, and more.
- **At the senior leadership level, more real-time collaboration and sense making among the executive leadership team (ELT) is essential.** This includes dynamic budgeting, so the ELT can, as they learn in real time about business conditions, be more flexible throughout the year in investment decisions. An annual planning and budgeting only approach is not fit for purpose.
- **Recognize that, in this post-pandemic world, there is great uncertainty regarding how your workforce is going to respond to tweaks in their terms of employment.** We have to assume that a lot of “what we know” about how people approach their jobs, what they want from work, and what they are willing to put up with no longer applies. This includes demands for return-to-office and doing most or all work in person. And a real estate strategy for offices that provides space for large numbers of hybrid staff to be in the office together at the same time, working productively, even if the number of times it's needed throughout the year is low.

Under the rules and heuristics that dominated business decision making for decades, many key decisions were compartmentalized and pushed down the hierarchy. Now, in contrast, many of those previously-compartmentalized issues need to be high on the priority list for senior leaders to pay close attention to as a team. Each issue has strong merit to be high priority on its own; the interdependencies among the issues make the prioritization even more imperative. This means *the ELT needs to come together collectively throughout the year more regularly to assess the interdependencies, make sense of what they and the organization are learning, and, in doing so, make the right strategic and financial decisions. Doing that effectively requires involving middle management and the frontline much more heavily in the sensing and decision making.*

The guiding principle or north star for the senior leadership team is the organizational capabilities needed to enable your business model. Building new or evolving existing organizational capabilities is complex and takes time, even when the macroeconomic environment is stable. In uncertain times such as the present, where many of the longstanding economic trends and rules of the road for managing business operations have shifted, the challenges of building new capabilities are compounded and take longer.

This means **the senior leadership team needs to be especially vigilant to the need to balance two competing tensions: (a) sticking with a strategy, operating model and organization design long enough to ensure they have sufficient time to be implemented appropriately, and (b) being hyper vigilant to the learning that takes place while building new capabilities, so real-time adjustments can be made faster than your competition can keep pace.** <See article [Are we there yet? The high cost and slow speed of building new org capability, https://www.linkedin.com/pulse/we-yet-high-cost-slow-speed-building-new-org-alec-levenson/](https://www.linkedin.com/pulse/we-yet-high-cost-slow-speed-building-new-org-alec-levenson/)>. You need to avoid both (a) the temptation to constantly redesign without taking the time to see if a

redesign sticks, and (b) the temptation to push through with the existing strategy and design regardless of the early warning signs that often emerge that indicate gaps in fit-for-purpose. If you do not move quickly to assess the early warning signs and adjust where needed, it's way too easy to fall short of building the new capabilities the right way.

In concluding, **it is worth noting the entrenched viewpoints many of your people have which can derail your success with these efforts.** There are large numbers of experts (SMEs, or subject matter experts) who have built their careers developing, implementing and promoting the virtues of each of the now-out-of-date strategies addressed in this article series.

*When a group of people have achieved the pinnacles of success by embracing a particular strategy or point of view, they face both personal angst and professional risk by abandoning it. So, rather than question the foundation of their beliefs and years (decades) of personal and professional experience, they usually double down on the strategies. Doing so maintains their power, while also undermining the potential success of the new, alternative way of approaching the challenges.*

When confronted with this resistance to change, it may help to keep in mind the following:

- **No approach or methodology should ever be applied uncritically to all contexts or problems.** There are diminishing marginal returns to any strategy or adherence to a specific process. Once the point of diminishing marginal returns has been reached, the right choice is to pull back and consider other options for problem solving and solution design.
- **We have seen this play out before with other popular approaches to management, including business process reengineering, six sigma, agile, design thinking, and more.** In each case, the devotees of the approach pushed too far the boundaries of how far and wide to apply the methodologies.
- **In this case, the focus is not on problem solving methodologies, but on basic assumptions about how to build and run successful business models.** Many of the assumptions and approaches that were quite successful for multiple decades have now reached the combined stages of over-saturation – applying them too far and wide – and the tide turning in new directions – the economic foundations that made them successful have changed.

All of which reinforce the need for the senior leadership team to take a more hands-on and inclusive approach to the design, implementation, learning and adjustment of the operating model, organization design, and business process design, as we journey through this period of disruption and uncertainty.