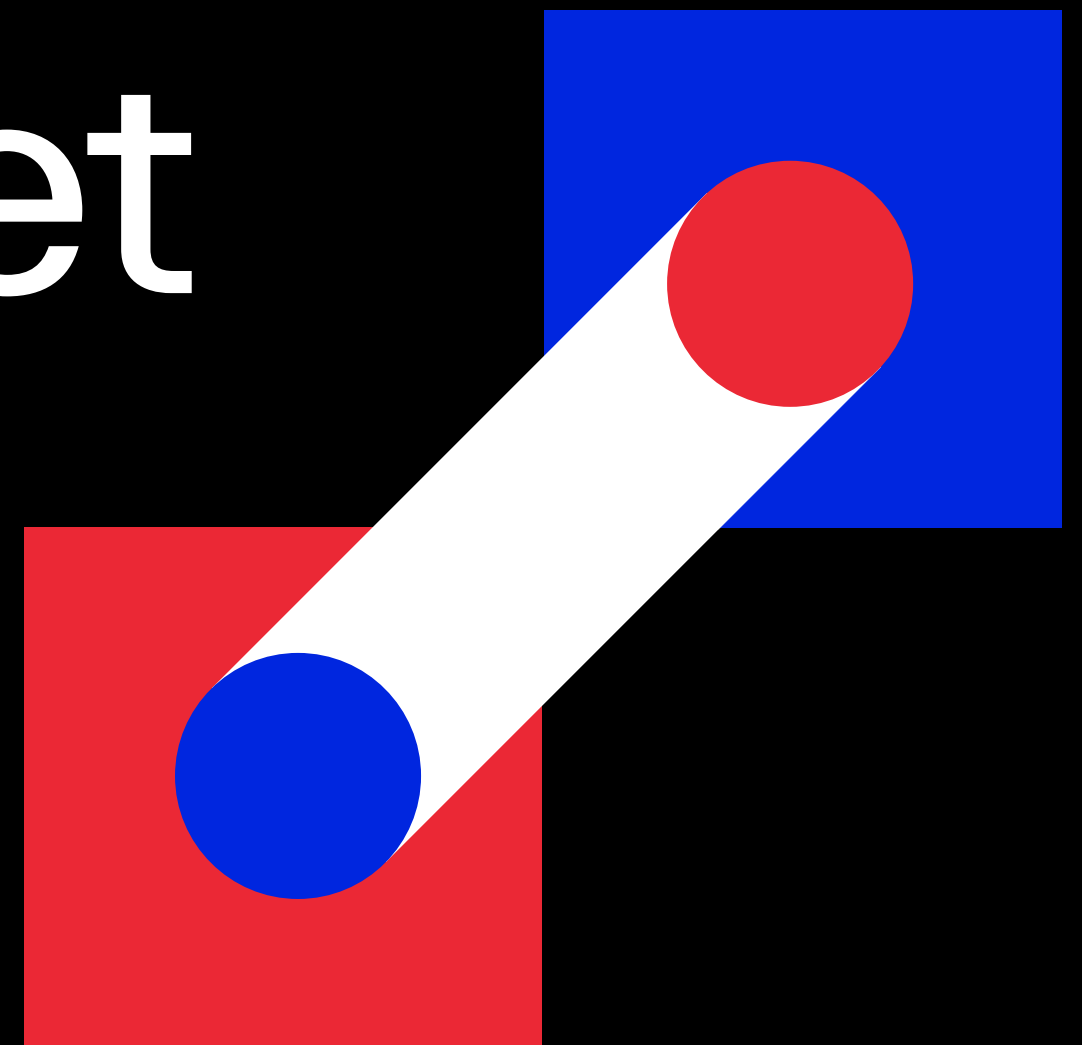


The dual mindset organization

How to grow beyond innovation theater and failed transformations



Alex Osterwalder,
CEO of Strategyzer

Alex Adamopoulos,
CEO of Emergn

Successful companies constantly innovate and reinvent themselves. At the same time they never neglect running a world class operation. It's a balance between two different cultures that can feel impossible to attain. With the right strategies in place it's achievable for any organization.

Nearly
80%

of companies rank innovation as a top three priority*

Nearly
40%

of CEOs don't think their companies will be economically viable a decade from now.

Only
20%

are set up to scale innovation enough to systematically create growth.

And companies want to innovate – 78% of firms rank innovation as a top three priority. Nearly 40% of CEOs don't think their companies will be economically viable a decade from now. Yet only 20% of companies are set up to scale innovation. This reality is mostly driven by how decision-making is made on where to invest, who maintains the sphere of influence, and which roles in the business need to be aligned and collaborate more effectively.

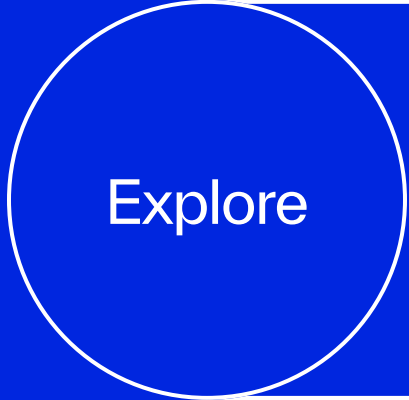
From our experience working with leading companies around the world we believe that the solution to the problem is successfully linking innovation with transformation. We call these Dual Mindset organizations: ones where the whole operation has two modes. One mode is about inventing the future, we call this "explore". The other mode is about managing the present, we call this "exploit". The best organizations seamlessly toggle between these two modes and have operating models that support this duality when it comes to how innovation and the development of products happen.

In this short insight paper we highlight the challenge companies face and provide directions to start building Dual Mindset organizations. Together, Strategyzer and Emergn are a powerhouse of end-to-end experience building Dual Mindset organizations.

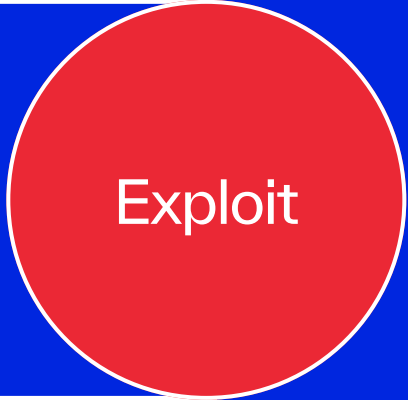
¹ BCG Global Innovation Survey 2023
² BCG Most Innovative Companies Report 2021
³ PwC Annual Global CEO Survey 2023

The dual mindset organization

The dual mindset organization is built on three foundations: the dual mindset, growth and value creation from different types of business innovation, and transformation into an organization with an operating model that supports the dual mindset organization; here we provide insights into all three;



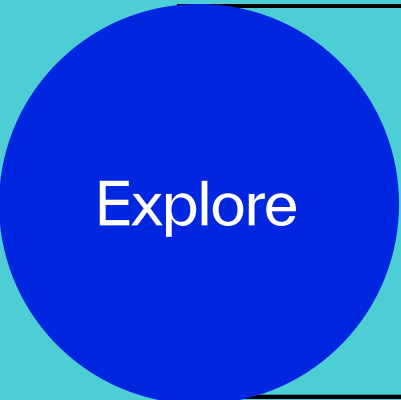
Section 1: The dual mindset



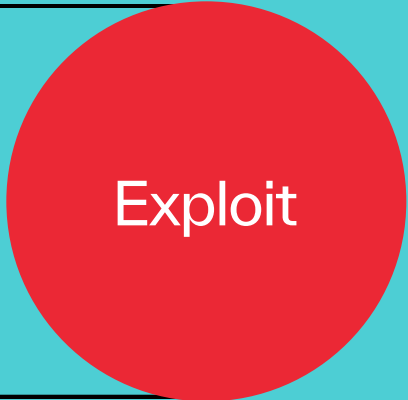
Portfolio of future business

Your vision of the future and your strategy to win

Portfolio of existing business



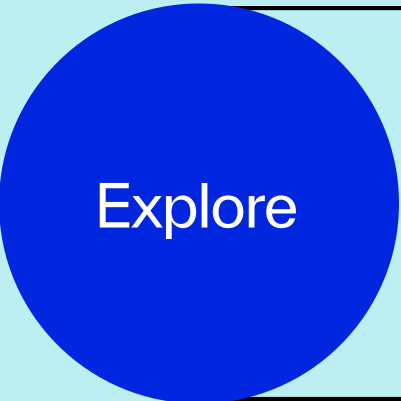
Section 2: Business innovation



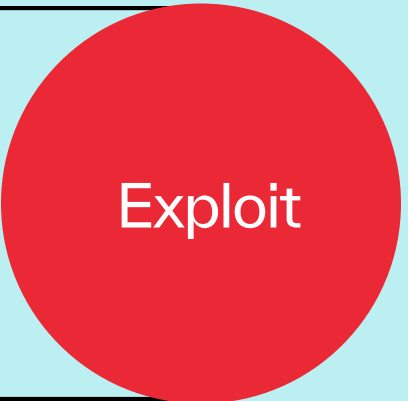
Transformative
long-term future of your business (5+ years)

Sustaining
Extend lifespan of existing business (2-5 years)

Efficiency
Improve existing business (1-2 years)



Section 3: Business transformation



Company operating model and technology stack that fully enables a dual mindset

Section 1: The dual mindset

Insight

A growth and innovation culture requires all leaders and operators to understand and embrace a dual mindset. It's the ability to toggle between inventing the future (we call this 'explore') and managing the present (we call this 'exploit').

Pitfalls observed

Leaders apply the mindset, processes, culture, and metrics prevalent in running the business to exploring new ideas, which results in strangling growth and innovation.

Belief that exploration should live in a separate place (e.g. letting it live in an accelerator) without a strong integration with the core business, which creates jealousy and corporate antibodies.

Solution

Educate leaders and operators about the dual mindset. Implement and harmonize this duality from end-to-end in your organization across the exploration to exploitation spectrum.

Exploration and exploitation are both activities that should be central to business strategy, yet they fundamentally differ. They contrast as to uncertainty, focus, culture, and operating mode. Organizations acknowledge this difference, yet harmoniously integrate it into their strategy, leadership and operating model. They embrace the duality and build organizations that support both modes, exploration and exploitation.

It is important to understand that organizations don't "explore" in one part of the business and "exploit" in another. They don't fall into the trap of a separate, conflicting explore and exploit organization. To achieve growth and create value sustainably they implement duality everywhere. They are run by leaders and operators with a dual mindset who infuse duality in organizational structures, processes, and metrics.

Dual mindset organizations are run by leaders and operators who seamlessly toggle between the two modes according to context. For example, they hold a product innovation team and a supply chain team accountable differently. They understand that one is about exploration while the other is about exploitation. That requires different rules and metrics. They also build operating models and technology stacks that support both modes seamlessly. We outline this in section three.

Understanding explore and exploit in the organization:



Section 2: Growth and value creation from business innovation

Insight

Companies spend the majority of their resources on incrementally improving their existing business model and products. If they don't focus on long-term reinvention they risk becoming irrelevant.

Pitfalls observed

Mistaking technology innovation to improve the core business as transformational innovation.

Opaque or lacking growth and innovation portfolio masking the focus on efficiency innovation.

Lack of explicit resource allocation to efficiency, sustaining, and transformative innovation.

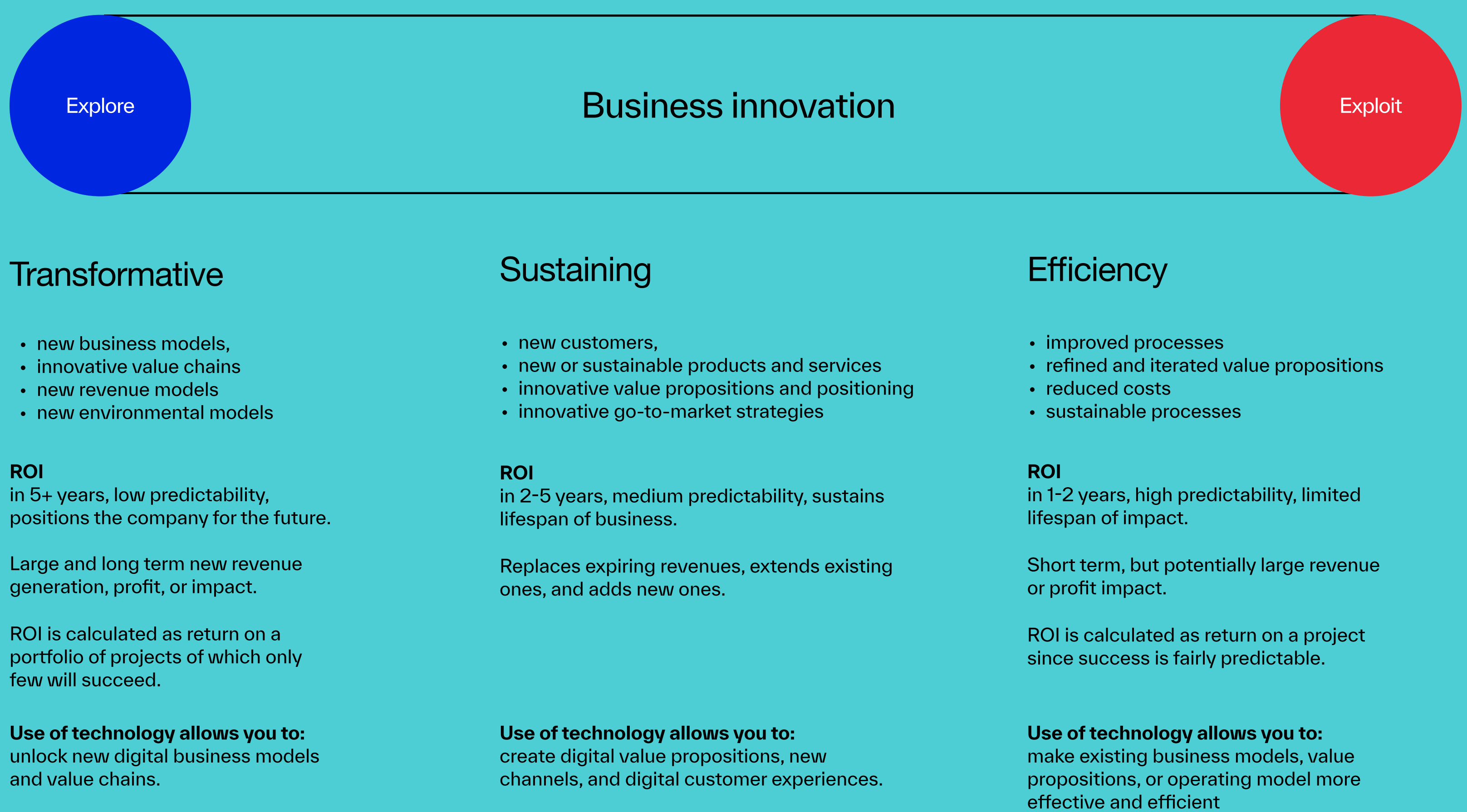
Solution

Transparent and explicit innovation portfolio across the growth and value creation spectrum.

Business innovation is the discipline of creating growth and value from innovation. This can happen across the explore-exploit spectrum. You can roughly categorize the opportunities for growth and innovation in three buckets. There are transformative innovations, sustaining innovations, and efficiency innovations. The best organizations manage a transparent portfolio of all their innovation projects. They also have a deliberate strategy and allocate resources across all three opportunity areas.

Many organizations heavily invest in technology and believe this makes them future-proof. Often this merely makes them more efficient. While improving your business is mandatory it doesn't prepare you for disruption. Leaders in the best companies are not willing to just more efficiently die. They know they can't cost-cut themselves to a future business model. They reinvent their products, services and business models while they are successful.

The three different types of innovation all require an agile exploration mode with testing and iteration. Yet, they substantially differ in terms of uncertainty, how quickly they provide return on investment, and their contribution to long-term competitive advantage.



Section 3: Agility from business transformation

Insight

No company lacks (product) innovation activities. Unfortunately, most of it remains innovation theater with mediocre results. Fix it with a dual mindset, strong product management, and the right operating model.

Pitfalls observed

Separate explore and exploit too strongly and/or overemphasize one over the other.

Broken feedback loops between innovation and (product) implementation.

Lack of specialized people, processes, and metrics in innovation and product management

Solution

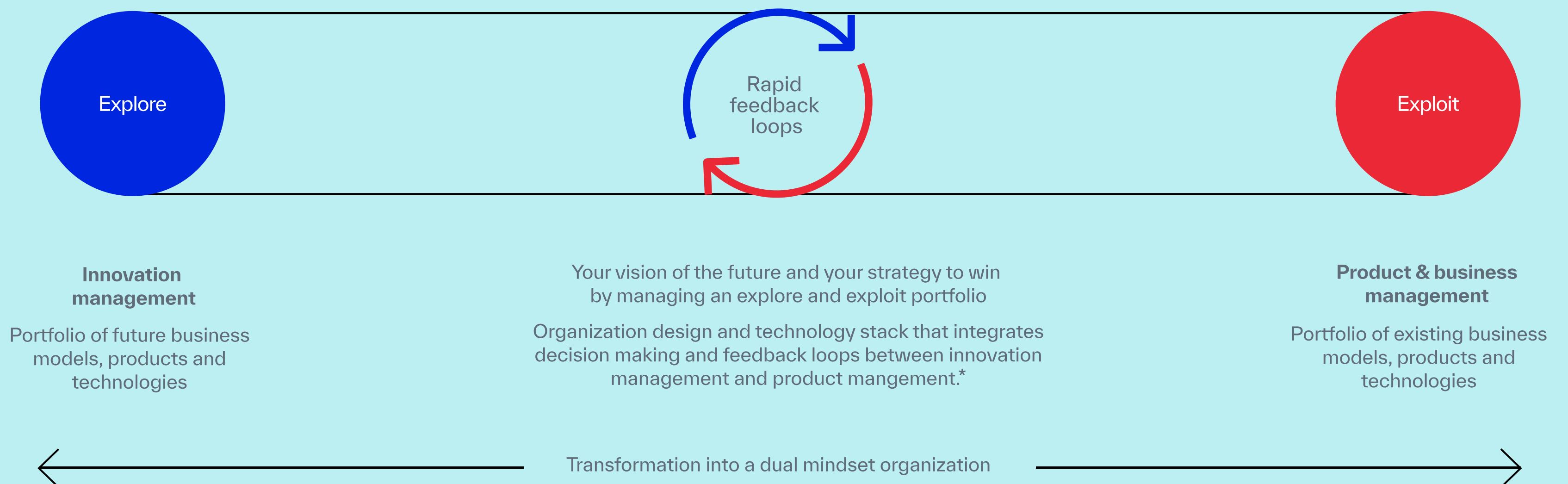
Growth and value creation is bottom-up (teams) and top-down (leadership) as well as across the explore-exploit spectrum. Implement a strong end-to-end operating model that infuses the dual mindset everywhere.

Bringing the dual mindset organization to life involves the right people across the explore and exploit spectrum. It means identifying and implementing the right incentive and performance structure to support the different goals. This is true for senior management and throughout the business. It also means that feedback and performance loops are well communicated and understood across all participants. Finally, it all translates into managing a portfolio of existing businesses and exploring a portfolio of future opportunities.

Dual mindset organizations build an operating model that takes the two modes into account across six different themes

1. **Strategy:** One strategy that guides resource allocation in the portfolio of existing businesses and the portfolio of growth opportunities.
2. **Organizational structure:** Exploration has power, legitimacy, and sufficient resources, and tightly integrates exploitation. Both modes mutually support each other to get the best of both worlds.
3. **Processes:** The exploration mode is focused on experimentation, learning, and iteration. The exploitation mode is focused on analysis, planning, and implementation. Strong feedback loops between the two modes make it easy to kill innovation projects when there is no evidence for future success.
4. **Metrics and reward systems:** The exploration mode rewards risk-taking and smart and cheap failure. The exploitation mode rewards risk avoidance and predictability.
5. **Skills and people:** Both modes require different skills and experience, which is reflected in hiring and talent development.
6. **Infrastructure and technology stack:** Infrastructure and technology stack support both, exploration and exploitation equally.

Business transformation



*This includes: strategic & innovation guidance, structural & organizational design, processes, metrics & rewards system, people & skills, supporting infrastructure & technology stack

The Strategyzer Emergn Alliance

Strategyzer and Emergn are joining forces to help companies build dual mindset organizations. Strategyzer is the leader in helping organizations develop, test, and crystallize new ideas. Emergn is the leader in helping organizations commercialize those ideas with core digital services centered on product management, development, and engineering. It also offers toolkits and a suite of learning solutions.

The Strategyzer and Emergn alliance is uniquely positioned to help close the innovation gap. Our combined expertise and offerings span the explore-exploit spectrum. Together we cover everything required to build dual mindset organizations.

Strategyzer and Emergn: eliminating the critical distance between the desire for change and the ability to make it happen. We help companies consistently create and deliver successful new products, services, and business models.

Contact us for more information on our services, programs, and platforms.

Definitions

The dual mindset organization: An organization that is world-class at managing the existing business while simultaneously exploring the future.

Operating model: An organization's systems and processes to allocate and manage resources and create value, including the key performance indicators to define success.

Portfolio management: The process of managing an organization's existing and exploratory products and services, business models, and brands.

Product management: The discipline of aligning ideas, processes, and capabilities to business outcomes and prioritizing the activities that deliver measurable value.

Business innovation: The discipline of creating growth and value from innovation. Results can come from transformative innovation, sustaining innovation, and efficiency innovation.

Business model innovation: The discipline of inventing new business models or shifting outmoded models to superior models based on an organization's existing or new assets.

Business transformation: The process of improving the way organizations think, operate and apply the right practices that result in lasting change.

The dual mindset organization

Interested? Get in touch with us at sales@strategyzer.com



Alex Osterwalder, CEO of Strategyzer and Alex Adamopoulos, CEO of Emergn

Strategyzer

Strategyzer is a pioneering force in the world of innovation and business strategy. With its programs, platform, and services it addresses the challenges faced by organizations today. It combines technology, coaching, and systematic programs to help organizations scale innovation.

Strategyzer has a rich legacy of pushing the boundaries of conventional thinking. For over two decades it has redefined how organizations and their leaders approach innovation. It has guided some of the world's most well-regarded businesses to innovate and grow.

The company was founded by visionary strategist and innovation expert, Alex Osterwalder. He and Strategyzer have played a pivotal role in professionalizing the practice of innovation. Groundbreaking contributions include the Business Model Canvas and the Value Proposition Canvas. They have become indispensable tools for businesses worldwide. Alex ranks #4 on the Thinkers50 list of top management thinkers globally.

He is also a visiting professor at IMD Business School. Beyond programs and platform, Strategyzer boasts a global network of expert coaches and advisors. Over five million readers across the globe rely on Strategyzer's seminal books that have been translated into 40 languages. It empowers more than seven million individuals with innovation tools and content.

Learn more about Strategyzer from their [website](#), and follow Strategyzer on [LinkedIn](#) and [X](#) (formerly Twitter).

Emergn

Emergn is a global digital business services firm with a mission to improve the way people and companies work. With an 'Ideas to Impact' philosophy, Emergn helps some of the world's most respected businesses – including Fortune 500, FTSE 100, and Global 2000 companies – develop their most promising ideas into valuable digital products and customer experiences, faster.

Emergn's experts work with clients to transform their business in three ways:

- Helping to better define their thinking, including shaping their product organization and clarifying and communicating their product strategy.
- Developing their people by delivering exemplary training in product management, modern ways of working, and leadership.
- Delivering their outcomes by building customer-centric products and customer experiences.

Emergn has invested more than a decade perfecting a game-changing philosophy for the world of work to transform businesses – Value, Flow, Quality (or VFQ for short) – combining the best of Agile, Lean, design thinking and systems thinking, economics, psychology, and sociology. Its unique approach has been built to support enterprise-scale change and consists of the latest models, techniques, and tools for delivering work in an agile and effective way. Emergn has a strong presence in over a dozen countries, with its US headquarters in Boston and EMEA headquarters in London.

Learn more about Emergn from their [website](#) and follow Emergn on [LinkedIn](#) and [X](#).