When organizations **assume the environment is stable,** characterized by a slow and predictable evolution, it makes sense for an organization to look for a position to hold. It methodically seeks that position with a three-step process: (1) analyze the industry and market; (2) determine the best long-term position; and (3) build the organization to own and aggressively defend its position. The organization in a stable environment makes a significant investment in this predetermined position because of the predicted long-term benefit. But in an environment characterized by constant and largely unpredictable change, does it make sense to invest heavily in a predetermined position? Probably not. It's more critical to be able to adapt continuously as the environment changes.

A traditional strategy also **focuses primarily on internal factors,** such as optimizing the organization's investments in operations and maximizing efficiency. Only a few external factors are perceived as critical. An organization may be watching the competition to defend and respond. And it may be paying attention to regulations because that is required. Other external factors are typically ignored, which can be detrimental if an organization is in a changing environment.

The third characteristic, a **waterfall approach,** means the strategy is set at the organization's top levels and cascades down from the enterprise to the business unit to product lines in successively more detailed strategies. This approach is slow and assumes the top levels have the best knowledge about internal and external factors, and it has served companies well during times of slow, predictable change. When the environment is changing, however, the weaknesses of the waterfall approach become apparent. Signs of change are usually seen first by those closest to the market, not senior management. Effective responses are often more apparent on the ground, nearer to customers. A top-down approach to strategy is slow in identifying and reacting to change. Speed and appropriateness of response are critical because the strategic advantage goes to competitors attuned to the market and who can respond rapidly.

*A top-down approach to strategy is slow in identifying and reacting to change.*

Finally, in a traditional approach, a strategy is often developed by the **"chosen few."** These are usually characterized as MBAs from prestigious business schools or consultants at global firms who work closely with the CEO in an ivory tower on the top floor. This narrow approach to strategy development is detrimental because these individuals are typically removed from the organization's pulse, plus it hampers coordination across the different disciplines. This leads to a lack of integration, differing perspectives, and a lack of buy-in of the strategies.

These four characteristics are the major limitations of traditional strategy. In today's world, many companies are experiencing the impact of these limitations as their businesses are forced to respond to new technologies, new global competitors, the creation of whole new industries, and changing customer needs. The problem has several symptoms:

- Loss of sales and/or market share

- Declining success of new product launches

- Failure to anticipate moves by competitors

- Failure to anticipate the entry of nontraditional competitors

- Disruption from new technologies and business models

Organizations in this situation tend to experience confusion, a pervasive feeling of being directionless, and the common lament, "We need to do things differently." They need a new approach to strategy so they can handle change, uncertainty, and adaptation. We propose the s2m Strategic Framework as an alternative approach (Figure 3.1). It is an instrumental part of the ExPD process and is meant to handle change, uncertainty, and adaptation.

Figure 3.1: s2m Strategic Framework
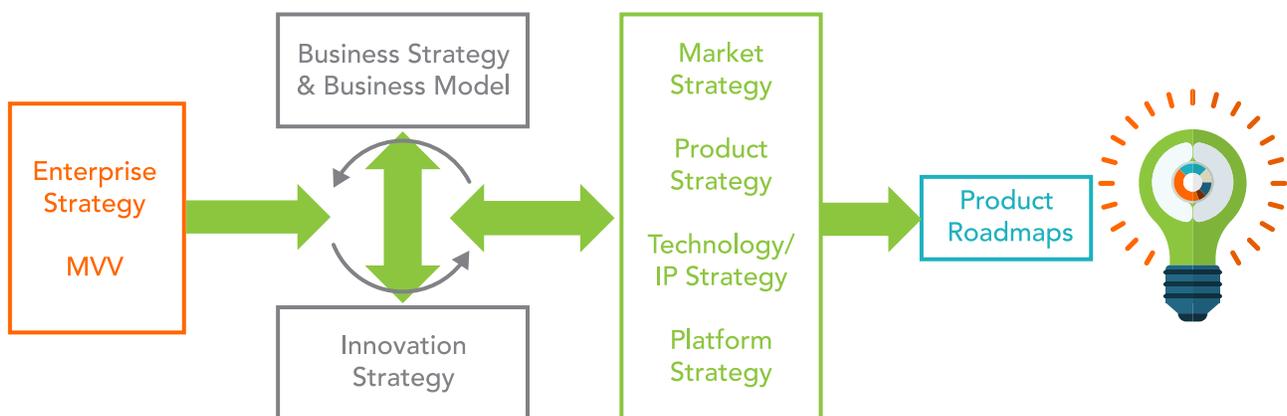
A change in the external environment is frequently the driver to adjust strategy. Therefore, we established different guidelines for an enterprise to follow based on whether the external environment is stable, moderately dynamic, or highly dynamic. The s2m Strategic Framework is different for each environment, but its components are the same, as you will see in the following sections.