LEADING STRATEGIC TRANSFORMATION

Dana Minbaeva has provided an excellent framing of the complexities – and dynamics – involved in Leading Strategic Transformation. Based on research and grounded in practical examples, Dana gives perspective to the strategies, capabilities, and human capital architectures required for success. The H-factor is especially critical.

Scott Snell,
Eleanor F. and Phillip G. Rust, Professor of Business Administration,
Darden School of Business,
University of Virginia

This book is a must-read for any HR or business leader navigating transformation in today's fast-changing world. The cases are deeply researched and thoughtfully presented, prompting immediate reflection on how the insights could be applied within my own organisation.

Michael Bang,
Group HR Director,
Micro Matic

This book offers actionable guidance for leaders to create value from today's growing uncertainty and complexity without falling into the trap of providing simplistic solutions.

Niels Ostmeier,
MD, Chief Medical Office,
Physikit

Leading Strategic Transformation: The H-factor" by Dana Minbaeva is a rare blend of insight and practicality — a thinking partner for doers and a call to action for thinkers. Instead of offering quick fixes, it equips leaders with thought-provoking questions and fresh perspectives to lead with clarity and confidence. A must-read for anyone looking to make transformation meaningful and lasting.

Gillian Davies,
Organization Development Director – AI Transformation Office,
Microsoft

LEADING STRATEGIC TRANSFORMATION: THE H-FACTOR

BY

DANA MINBAEVA
King's College London, UK

Copenhagen Business School, Denmark

emerald
PUBLISHING

United Kingdom – North America – Japan – India
Malaysia – China

Emerald Publishing Limited
Emerald Publishing, Floor 5, Northspring, 21-23 Wellington Street, Leeds LS1 4DL.

First edition 2025

Reprints and permissions service
Contact: permissions@emeraldinsight.com

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN: 978-1-80592-364-0 (Print)
ISBN: 978-1-80592-363-3 (Online)
ISBN: 978-1-80592-365-7 (Epub)

*To those who challenged my thinking, sharpened my ideas,
and reminded me that teaching is, at its best,
a two-way transformation.*

CONTENTS

ABOUT THE AUTHOR

Dana Minbaeva is Professor of Strategic Human Capital at King's Business School, King's College London, UK. She also holds a part-time position at Copenhagen Business School, Denmark. She has published over 90 articles, book chapters, cases, and reports. Her research has appeared in leading international peer-reviewed journals, including the *Academy of Management Review*, *Journal of International Business Studies*, *Journal of Management Studies*, *Journal of Management*, and *Human Resource Management*, among others. She is also Co-author of the *Encyclopedia of Strategic International Management* (Edward Elgar Publishing) and *Workforce Analytics: A Global Perspective* (Routledge).

She is a Fellow of the Academy of International Business. She has received several national and international awards for her research achievements, including the prestigious JIBS Decade Award in 2013. She has extensive editorial experience with top international journals and is currently an Associate Editor of the Academy of Management Review.

She is actively involved in MBA and executive teaching across several European business schools. She has previously taught in Denmark, Austria, Hungary, Kazakhstan, Russia, Lithuania, Kyrgyzstan, Finland, and Germany and has held visiting research positions in Ireland, Australia, and Canada.

She is the Founder and Director of Nordic Human Capital Advisory ApS, a boutique consultancy dedicated to promoting evidence-based management practices (https://www.nhca.dk/).

INTRODUCTION

WHY ANOTHER BOOK ON STRATEGIC TRANSFORMATION?

Simple: because the last 10 did not help you swim – only float.

This book explores how to lead when the world around you is too complex for certainty, too dynamic for fixed plans, and too human for one-size-fits-all solutions. At its core lies the H-factor: human capital not as a collection of individuals, but as a system of synergies – shaped by context, activated by learning, and enabled through leadership. It is about navigating through paradoxes, building capabilities, and unlocking the potential of people by understanding not just what to do, but why it matters. This is your guide to thinking differently so that you can lead differently.

WHAT MAKES THIS BOOK DIFFERENT?

For one, it is research-based and practice-focussed. Neither TED talk gloss nor ivory tower detachment – rather, both-and. Expect the rigour of evidence-based insight and the rawness of real-world messiness, coexisting in productive tension. This is a book for doers who like to think, and thinkers who want to act – because transformation thrives in paradox, not simplicity.

You will not find step-by-step blueprints here – no 'ten things to do before breakfast' to become a transformational leader. In fact, the last thing you want is to be guided by 'best practices'. Bright and shiny objects? Leave them for someone else. Your H-factor is your differentiation, not your imitation.

And while some in academia suggest we should explain things as if speaking to our grandmothers (I adore mine, and yes, I do talk to her – just not about transformation strategy), I resist the idea of dumbing things down. This book refuses to simplify what should not be simplified. It invites you to understand the logic of *why* before rushing to the *what* and insists that before you fix something, you question why you did it in a way that needs fixing in the first place. Because the ability to make evidence-based decisions begins not with action, but with understanding, and continues with questioning. It is not about rushing to solve, but about learning to take a pause and be with the tension long enough to see it clearly.

WHY SHOULD YOU READ IT?

There are two types of people in the world: those who hear the phrase 'strategic transformation' and reach for a whiteboard and those who quietly start looking for the exit door. This book is for both. Because whether you are a CEO, an HR leader, or a quietly-panicking middle manager – you are already in it. The transformation is happening, with or without your permission.

If you are an executive, chances are you have seen it all. That is precisely why this book matters. It will challenge you to recombine what you know into something new – not by simplifying, but by engaging deeply with the complexity around you. If you are a student – of leadership, of strategy, or just of the world – it will nudge you beyond the safe contours of your current knowledge. And if you are an educator, this book offers a wealth of inspiration for your executive education sessions, providing practical frameworks, reflection prompts, and tools to engage participants in deeper learning and discussion.

This book is your thinking partner. Its ambition is not to tell you what to think, but to equip you with the tools and questions to *think differently*.

It invites you to learn at multiple levels: the surface ('what'), the structural ('how'), and the systemic ('why'). You will build your associative thinking muscles, develop a sharper sense for qualitative signals around you, and hopefully get more comfortable with discomfort. Because transformation means letting go of the familiar – even when that familiar made your successful.

WHAT TO EXPECT?

In this book, I am aiming to give you *a compass rather than a detailed map* – something that helps you navigate uncertainty, orient in complexity, and adapt your path as the terrain shifts beneath your feet. A map implies a fixed route, but transformation rarely follows one. A compass offers direction, not prescription, and encourages you to stay alert, question assumptions, and make context-sensitive decisions along the way.

Each chapter will offer a few inputs for your leadership toolbox. There are prompts for reflection and questions for team discussion throughout the chapters, and at the end of each chapter, appendices with self-assessments and practical actions to experiment with:

- *Leadership Huddles:* Questions to guide team conversations that matter.
- *Reflect and Rethink:* Your pause points for personal reflection.
- *Strategy Labs:* DIY formats to reframe problems and spark insight at strategy retreat or leadership development sessions.
- *Mirror Moments:* Self-assessment tools to explore how your leadership shows up – individually and as a team.

Each chapter finishes with a list of evidence behind the claims (aka references) and curated reading suggestions for those who wish to explore further (*For Curious Minds: Further Readings Adventures*).

The book is designed to be read iteratively. The printed page is linear; real transformation is not. Start where your major pain point is. Grab a piece of paper: sketch out some visuals, draw abstract concepts, create logical models… Return to the beginning when needed. Pick a chapter that resonates with your current challenge. Invite your team to use the reflections as a springboard for deeper exploration and dialogue. And then go back to the beginning again with fresh eyes and deeper questions.

ONE MORE THING…

After the book is published, you are invited to join the online book club – a space for shared reflections, strategy labs, and leadership journeys. A companion web-based tool at www.nhca.dk will offer coaching-style prompts, a place to track your leadership evolution, and opportunities for live sessions with me. Because *learning is not something we finish – it is something we nurture, together*. The book gets published, but the thinking does not end – it begins anew with you.

So. Welcome aboard. Pack light. Bring curiosity. And remember: this is not a guidebook for how the world *was*. It is a thinking framework for how you might lead in the world *to become*.

Part I

STRATEGIC TRANSFORMATION: WHY NOW?

'Strategic transformation' is everywhere these days. At first glance, it might sound like just another buzzword – management jargon repackaged for the moment. But do not dismiss it too quickly. The growing popularity of this term signals something more profound: a widespread recognition that the rules of the game are shifting beneath our feet.

Language in management often evolves in response to lived uncertainty. New terms emerge when familiar ways of working no longer fit the terrain – when organisations are not just optimising for efficiency, but wrestling with existential questions about direction, value, and purpose. Strategic transformation is not about tweaking around the edges. It speaks to the need to rethink not only what organisations do, but how they do it – and, more importantly, *why*.

More sceptical voices might also argue that strategic transformation is merely 'old wine in new bottles' – just a fresh label for the familiar concept of strategic change. There is some truth in that. Strategic change, defined as the process by which an organisation alters its alignment with its external environment, has been widely studied in organisational science (Stoutten et al., 2018). However, despite an abundance of research on what works and what doesn't in strategic change, many organisations continue to struggle to achieve lasting success. Studies show that a significant percentage of strategic change initiatives fail: between 30% and 70%, depending on which study you look at. Even when organisations make the right strategic choices, up to half of those decisions falter due to problems in execution rather than in formulation. The old assumption that strategic change can be planned, directed, and managed through a fixed set of implementation methods has been increasingly challenged. Hence, there is a growing recognition that change should not be framed a single event but *a continuous, dynamic process of transforming organisation*.

So, what makes strategic transformation more than just a passing trend today? In Part I, I argue that there are (at least) three 'tectonic shifts' responsible for this. First, organisations are facing a far greater set of challenges than ever before. Digitalisation is accelerating at an unprecedented pace; geopolitical, economic, and social forces are shifting dramatically; and business processes are becoming increasingly interconnected on a global scale. These dynamics have created an organisational landscape marked by *greater complexity*.

Traditionally, organisations sought to align their internal business strategy with the external complexity of their environment, drawing on various prescriptive frameworks and models, advocated among others by the design school, the planning school, and the positioning school of strategy. However, the cascades of changes in the environment have been continually unfolding and overlapping, creating an even more rapid pace and greater complexity, as shifts in one part of the environment triggered chain reactions that impacted other areas. This made it clear that the pure pursuit of prescribed alignment was pointless and that adaptation and learning must evolve organically rather than be planned. Hence, the role of those responsible for an organisation's strategic direction shifted from trying to 'predict the future' through various linear 'if-then' scenario planning to continuously setting and adjusting both the direction and boundaries that allow flexible and self-organised solutions to evolve. It means pursuing *ambidexterity*: capturing value through operational excellence while creating value through innovation. To succeed, leaders must move beyond linear thinking and instead learn to live with paradoxes – holding competing demands, acting amid uncertainty, and resisting the urge to resolve tensions prematurely.

Finally, and perhaps most importantly, strategic transformation is not simply about implementing new systems. In the past, transformation frameworks provided by consultants focussed heavily on structural changes and process-based recommendations. Academic research often attributed the success of transformation to factors like industry dynamics, market conditions, or specific technologies. While these elements can influence outcomes, they are not the definitive drivers of success. At its core, strategic transformation hinges on your most valuable asset – *human capital*. From my experience working with companies, a clear pattern emerges: organisations that see strategic transformation as fundamentally tied to how they manage and develop their organisational human capital consistently achieve better results than those that view it as merely an operational challenge, such as digitalising business processes or meeting sustainability targets.

In sum, strategic transformation is far from a fleeting trend; it is an urgent necessity driven by three shifts: (1) the need to rethink how the value is created in the context of unprecedented complexity that organisations now face, (2) the need to manage tensions by holding seemingly opposing goals in creative coexistence, and (3) the imperative to place human capital at the heart of sustainable change. These shifts are 'tectonic' – not immediately visible to the casual observer, yet they fundamentally reshape how we should approach strategic transformation.

In the next three chapters, I will delve into the research that underpins these 'tectonic shifts' and *explain why* they are far more than just temporary changes in direction. This overview will provide a high-level synthesis of existing research and may seem dense at times. If you are eager to move forward or already convinced of the significance of these shifts, feel free to skip ahead to Part II and return to this section if deeper understanding of underlying mechanisms are needed.

1

UNDERSTANDING COMPLEXITY

We often hear that today's organisations operate in a complex world. But what do we really mean by complexity? The word is used so frequently that it risks becoming a catch-all for anything messy, fast-moving, or unpredictable. Yet complexity has a more precise meaning, rooted in a field of study known as complexity science, which explores systems marked by non-linear dynamics, feedback loops, and emergent patterns of behaviour. These are systems in which small changes can produce outsized effects, and outcomes are often shaped more by interactions than by individual parts.

To make sense of this, it is helpful to distinguish between what is '*complicated*' and what is truly '*complex*'. A complicated system may have many moving parts, but it can be broken down, analysed, and understood. It follows predictable rules. A complex system, by contrast, cannot be fully understood by analysing its parts in isolation. These systems are constantly adapting, shaped by interdependencies and shifting conditions that defy simple cause-and-effect logic.

Consider the often-quoted comparison: a Boeing 747 is complicated, but mayonnaise is complex. You can take apart a Boeing and reassemble it, and it will still fly – because it operates according to detailed engineering blueprints and predictable principles. Mayonnaise, on the other hand, is the product of delicate interactions: oil, egg yolk, and acid emulsify under just the right conditions. Once it separates, you can't simply reverse-engineer it – the process is sensitive, adaptive, and not fully controllable. That's the nature of complexity: it is not just about how many parts there are, but how they *interact, adapt, and create new forms*.

Reflect and Rethink: Your Personal Pause Points.

- *How would you apply the logic of complexity (vs. complicated) to a challenge you are currently facing?*

At the heart of complexity science lies the idea of complex adaptive systems (CAS). As defined by John H. Holland (2006), these are 'systems that have a large number of components, often called agents, that interact and adapt or learn'. The concept is deeply interdisciplinary, drawing from fields such as biology, computer science, and economics – and over time, it has been adapted by organisational scholars seeking practical ways to understand and navigate dynamic environments.

Crucially, CAS are not simply fast-moving or crowded systems. What sets them apart is the unpredictable and nonlinear nature of how they evolve. CAS will have high number of moving parts that matters, but what sets them apart is the high degree of interdependencies between them (see Table 1).

Table 1. Systems and Complexity.

	Relatively Few Components	**Many Components**
High degree of interdependence	*Intricately woven* High interrelatedness within the system leads to lesser decomposability. We can possibly study such systems as a 'whole', rather than decompose them into functional subcomponents. Example: Mayonnaise	*CAS* Due to the high interrelatedness between their large numbers of components, such systems are challenging to describe and much more challenging to predict or manage. Example: Ecosystems
Low degree of interdependence	*Simple* These systems are relatively easy to understand, describe, predict, and manage under various circumstances. They are readily decomposable and exhibit near-linear behaviour under most circumstances. Example: a pen (or any other product created by a Tayloristic assembly line)	*Complicated* These systems are costly to manage only because the extent that the large amount of components that must be considered. As such, these systems can be understood, described, and predicted, albeit at a linearly higher computational cost in comparison to simple systems. Example: Airplane

Source: Adapted from https://doi.org/10.1016/j.jbi.2011.06.006.

While CAS may appear chaotic at first glance, CAS do exhibit a form of order. However, this order doesn't come from top-down control or rigid planning. Instead, it emerges from the bottom up – through the *self-organising behaviour of agents* responding to their environment and to each other over time. Often, these systems are guided by what are referred to as 'simple rules' – basic principles or constraints that shape behaviour and enable coherence without the need for centralised command.

Consider the example of birds flocking: each bird follows three simple rules: (1) maintaining a certain distance from its neighbours, (2) aligning direction, and (3) avoiding collisions. There is no leader bird orchestrating the flock, yet a coordinated pattern emerges. The beauty of this system lies in its adaptability: the flock can shift direction almost instantaneously in response to changes in the environment, without requiring a single point of control. This principle of decentralised coordination applies equally in organisational settings, where alignment and adaptability can emerge from clear guiding principles, rather than detailed instructions or rigid hierarchies. This is what makes CAS so fascinating but inherently challenging to understand, describe, predict, and manage.

Reflect and Rethink: Your Personal Pause Points

- *How do we manage organizations in the face of the realization that they are complex adaptive systems?*

So, to sum up and bring the concept closer to practice: working with CAS starts by recognising their core features – the underlying schemata or patterns that shape their behaviour. CAS typically involve (1) agents (individuals, teams, or units) that are (2) interconnected within (3) self-organising, (4) emergent, and (5) co-evolving systems. These characteristics make it impossible to fully predict the system's behaviour by analysing its parts in isolation.

Each agent operates based on local information, seeking to optimise its fit within its immediate environment. This usually leads to what's known as a local optimum – a solution that works well in context, but not necessarily for the system as a whole. Yet in doing so, each agent simultaneously influences the environment of others, triggering ripple effects that reshape the broader system. This dynamic interplay is central to the adaptive nature of CAS.

Importantly, as organisational theorist Paul Cilliers (1998, p. 91) observes, ‘the structure of the system is not the result of an a priori design nor is it determined directly by external conditions. It is the result of interaction between the system and its environment’. In other words, CAS cannot be engineered from the top down – they evolve through *continuous interaction, feedback, and adaptation over time*.

Let’s consider the context of the healthcare industry (McDaniel & Driebe, 2001). Achieving outcomes in a healthcare organisation depends on the coordinated efforts of diverse, interconnected agents: physicians, nurses, surgeons, therapists, and administrative staff. These agents operate with local knowledge, make decisions in real time, and continuously adapt to changing conditions – both clinical and organisational. When a physician changes their practice patterns, for instance, it has cascading effects on the workflows of nurses, therapists, and administrators.

The system’s properties cannot be fully understood by examining any one role in isolation. A surgical unit is not merely the sum of its talented individual surgeons; it is the emergent product of how all parts of the system interact. This becomes particularly clear when we examine outcomes such as medical error rates. These are not simply the result of individual mistakes but are shaped by the interactions among agents, communication flows, and evolving institutional routines. In a CAS like healthcare, errors often emerge from the dynamic interplay between roles, structures, and behaviours – all adapting in parallel, often in unpredictable ways.

In organisational theory, complexity has traditionally been treated as a structural characteristic defining both organisations and their environments. For organisations, complexity was often described by the number of subsystems within them, typically measured across three dimensions: vertical complexity (the number of hierarchical levels), horizontal complexity (the number of job titles or departments), and spatial complexity (the number of geographical locations). In terms of the external environment, complexity referred to the number of different factors an organisation needed to manage simultaneously. Under this logic, organisations sought to align their internal complexity with that of the external environment through careful control of a linear sequence of activities – ‘a pipeline thinking’ – where efficiency and coordination within clearly defined boundaries were paramount. Strategy and change models developed throughout the last century largely followed this way of thinking (in this book, I refer to those models as ‘last-century models’).

These ‘last-century models’ encouraged leaders to optimise internal chains linking inputs to outputs, typically within the organisational boundaries. But as organisations increasingly confronted a widening gap between the accelerating pace of external change and the slower tempo of internal adaptation, the limitations of this linear approach became evident. In response, many have shifted towards platform and ecosystem-based thinking – a transition that aligns closely with the discussed principles of CAS.

In this new paradigm, strategy is no longer about control and alignment alone; it is about enabling interaction, feedback, and emergence. Leaders prioritise understanding the agents within their ecosystems – their motivations, interdependencies, and patterns of interaction. Value is not generated through isolated steps within a pipeline, but through the dynamic interplay of these agents, particularly when the environment supports self-organisation, emergence, and co-evolution.

Leadership Huddles: Key Questions for Your Team

- *In what ways do our current strategies and practices reflect a pipeline logic rather than an ecosystem approach?*
- *What aspects of our value creation could benefit from being decentralised, co-created, or externally orchestrated rather than internally controlled?*

This shift in logic has been captured powerfully in a Harvard Business Review article 'Pipelines, platforms, and the new rules of strategy' by Van Alstyne et al. (2016). They describe how platform businesses such as Apple and Google have outperformed traditional pipeline firms by enabling interaction between users and producers, leveraging network effects, and orchestrating ecosystems that extend far beyond organisational boundaries. These businesses thrive not by owning resources but by facilitating exchange – again, a hallmark of CAS logic.

A more grounded example comes from Nespresso (What else?). Rather than attempting to manufacture coffee machines themselves, Nespresso focussed on the capsule system and cultivated an ecosystem of machine manufacturers, including companies like Krups, Braun, and Jura. This allowed Nespresso to retain control over a key part of the value creation process – the capsules – while enabling others to innovate and extend the reach of the system. Their strategy was not about optimising a closed value chain, but about shaping an ecosystem in which value could emerge through the interactions among diverse, semi-autonomous agents.

These examples illustrate a broader shift: in a world defined by complexity, strategy must evolve from managing pipelines to shaping ecosystems – and from designing for control to designing for emergence. In the Harvard Business Review article 'In the Ecosystem Economy, What's Your Strategy?' by Michael G. Jacobides (2019), the Nespresso case illustrates key principles for effective ecosystem governance:

- *Identify and focus on core competencies*: Nespresso concentrated on developing its proprietary coffee capsule system, recognising this as its primary strength.
- *Cultivate strategic partnerships*: Instead of manufacturing coffee machines, Nespresso collaborated with established appliance makers like Krups, Braun, and Jura, allowing each partner to contribute their expertise.
- *Maintain control over critical components*: By patenting the capsule design, Nespresso ensured exclusivity, requiring machine manufacturers to adhere to its specifications and preserving its competitive edge.
- *Foster co-specialisation*: Nespresso and its partners developed complementary products, with machines specifically designed for Nespresso capsules, enhancing the overall value proposition.
- *Ensure brand alignment*: Collaborations were formed with partners whose brand values and market positioning aligned with Nespresso's premium image, ensuring consistency across the ecosystem.

These principles highlight the importance of focussing on core strengths, forming strategic alliances, maintaining control over essential elements, fostering mutual specialisation, and aligning brand values. At first glance, they may appear egoistic or self-centred – and they should be. While an ecosystem is by definition a shared space, one that depends on interdependence and cooperation to remain stable and adaptive, it must also be intentionally shaped. The starting point is not altruism but clarity: ecosystem design must begin with a disciplined focus on the customer's perspective and the value proposition the organisation is uniquely positioned to deliver. That clarity of purpose allows for effective governance – not by controlling every partner, but by anchoring the system around a shared experience and customer-centric outcome. In that sense, being strategically self-centred is not a flaw, but a requirement for coherence and impact.

The accelerating advancement of digital technologies – and artificial intelligence in particular – is further propelling organisations away from pipeline thinking and towards ecosystem-based thinking. In a pipeline world, technologies were tools applied to optimise internal processes and outputs. But today, AI systems do far more than support internal efficiency; they interact with users, learn from behaviour, and co-evolve with other digital tools. As organisations increasingly rely on AI to interface with customers, partners, and other systems, they find themselves operating within broader, interdependent networks that mirror the characteristics of CAS.

This shift is not merely technical – it is strategic. AI thrives on access to diverse, decentralised data and on collaboration across boundaries. It learns through feedback loops, responds to changing patterns, and adapts through continuous interaction. As a result, organisations that embrace AI (and every organisation should) are, by necessity, becoming more ecosystem-oriented. They must govern platforms, orchestrate relationships, and design for emergence rather than control. In this context, competitive advantage no longer lies solely in owning resources or perfecting internal processes, but in the ability to coordinate adaptive systems – enabling value to emerge from the interplay of people, data, and intelligent agents.

To conclude, understanding complexity means moving beyond linear thinking and embracing the dynamic, adaptive nature of the systems we operate within. It invites us to shift our focus from control to coordination, from fixed plans to flexible principles, and from isolated effort to interconnected action. But recognising complexity is only the beginning.

Crucially, complexity is not something we manage in the traditional sense – it is something we *interact with*. When approached this way, complexity becomes a source of strategic advantage: it allows us to discover new, value-based solutions through emergence, not by chance but by design. It demands a system-level perspective – one that enables organisations to identify complementarities, respond to changing conditions, and adapt through interaction rather than imposition.

To navigate such terrain effectively, leaders must develop the ability to hold tension, work with paradox, and resist the lure of either-or thinking. In the next chapter, we explore how embracing both–and logic becomes a cornerstone of the organisational mindset and a critical leadership skill in a complex world.

FOR CURIOUS MINDS: FURTHER READINGS ADVENTURES

Boulton, J. G., Allen, P. M., & Bowman, C. (2015). *Embracing complexity: Strategic perspectives for an age of turbulence*. Oxford University Press.

Cilliers, P. (1998). *Complexity and postmodernism: Understanding complex systems*. Routledge.

Holland, J. H. (2006). Studying complex adaptive systems. *Journal of Systems Science and Complexity*, *19*(1), 1–8.

Jacobides, M. (2019). In the ecosystem economy, what's your strategy? *Harvard Business Review*, *97*(5), 128–137.

Jacobides, M. G., & Reeves, M. (2022). *Winning with ecosystems: How to build, scale and sustain platform business models*. Harvard Business Review Press and Boston Consulting Group.

McDaniel, R. R., Jr., & Driebe, D. J. (2001). Complexity science and health care management. *Advances in Health Care Management*, *2*, 11–36.

McKinsey report downloadable from how the best companies create value from their ecosystems (mckinsey.com).

Sullivan, T. (2011). Embracing complexity. *Harvard Business Review*, *89*(9), 88–94.

Van Alstyne, M. W., Parker, G. G., & Choudary, S. P. (2016). Pipelines, platforms, and the new rules of strategy. *Harvard Business Review*, *94*(4), 54–62.

2

EMBRACING 'BOTH-AND' LOGIC

The second tectonic shift involves a fundamental change in how we approach strategy and strategic change. For much of the last century, strategy and change management relied on a relatively straightforward model: assess where we are, define where we want to go, and chart a clear, linear path to get there. This was often paired with the familiar change management mantra: *unfreeze, change, refreeze…, and live happily ever after*.

But in today's environment, the destination – the 'there' – is not fixed. It shifts constantly. The path forward is rarely linear, and the conditions under which decisions are made are in constant flux. Strategy can no longer be a one-off plan. It must become an ongoing process of learning, adaptation, and navigation through uncertainty.

To understand *why* this shift in thinking is necessary, consider the nature of the environment many organisations now face. We can think of it along two dimensions: the pace of change (how fast things are shifting) and the degree of change (how substantial that change is) (see Table 2). In environments where the pace and degree of change are both low, organisations experience slow, incremental shifts that evolve gradually. The 'last-century models' are often sufficient here. However, such environments are becoming increasingly rare: today most sectors and countries (perhaps with the exception of North Korea) are touched, directly or indirectly, by digital, societal, or environmental disruption.

In environments where the degree of change is high, but the pace is gradual, changes are profound but unfolds over time. Organisations have a window to observe, prepare, and adapt. A classic example is the emergence of the internet in the 1990s. It was widely recognised as a breakthrough innovation that would fundamentally reshape communication, commerce, and society. Yet the shift was not immediate. Organisations had time – albeit limited – to

Table 2. Context.

Pace of change	Low (Degree of change)	High (Degree of change)
High	An environment involves frequent, small-scale changes.	This is a highly disruptive and dynamic environment, requiring rapid and large-scale transformations.
Low	An environment characterized by incremental change that evolves gradually.	An environment with significant shifts but at a gradual pace.

explore, invest, and reorient their strategies towards the digital age. This type of change calls for vision and commitment but also allows for structured, phased, gradual adaptation.

In the past, the pharmaceutical industry offered a compelling example in this regard. Organisations in this space invested heavily in R&D with the understanding that the impact of today's innovation may not be fully realised for a decade or more. Strategic change in this context is essential, but it is also methodical. Companies must evolve their capabilities, partnerships, and even business models over time – all while navigating a highly regulated environment. For example, in the late 20th century, as the pharmaceutical industry began to recognise the disruptive potential of biotechnology, Roche made a bold and long-term bet. In 1990, it acquired a majority stake in Genentech, a pioneering biotech firm based in California. At the time, biotech was still in its infancy – the science was promising but unproven, and returns were far from immediate. Over the next two decades, Roche deepened its relationship with Genentech, eventually acquiring full ownership in 2009. This partnership allowed Roche to shift gradually – but fundamentally – from a traditional pharmaceutical model to one rooted in targeted therapies and biologics.

In contrast, in environments where the pace of change is high, but the degree of each change is relatively small, the emphasis is on agility and responsiveness. The core business model may remain intact, but organisations need to adapt rapidly to shifting conditions. A typical response in this quadrant has been the creation of external innovation labs, digital hubs, or agile units. These teams are set up outside of core operations to scan for emerging trends, test new concepts quickly, and bring insights back into the organisation. For instance, many large companies in fast-moving-consumer-goods, banking, and telecom sectors launched such units to stay ahead of digital trends without overhauling their entire infrastructure. The idea was to create 'fast lanes' for experimentation while preserving the stability of the core business. Nestlé's Digital Acceleration Team (DAT) is a prime example. Established to help the company respond faster to the growing influence of digital and social media, the DAT brought together employees from across the business to work in a fast-paced, startup-like environment. Their mission was to monitor digital trends, test new tools and ideas, and then scale successful innovations back into the broader organisation. This model allowed Nestlé to stay responsive without disrupting its core operations – a classic move in a high-speed, low-disruption environment.

However, the most challenging quadrant in Table 2 – and the one increasingly familiar to many leaders today – is where both the pace and degree of change are high. This is a highly disruptive and dynamic environment, one that calls for both rapid responses and large-scale strategic transformation.

It is probably about time we actually define what we mean by strategic transformation (after all, we're already well into Chapter 2). Strategic transformation can be defined as *strengthening today by reinventing the core operating model, while at the same time creating tomorrow's core business*. It is not just about optimising what already works – although that remains important. Strategic transformation requires organisations to *rethink how they create value today and how they will continue to do so in the future*. It means operating with a dual focus: *improving the current business while simultaneously reinventing it*. Crucially, the innovation required for tomorrow's value creation may well disrupt today's operating model – and leaders must be prepared for that tension.

Why dual focus? Because incremental improvement is no longer enough to succeed in a world shaped by exponential disruption – an environment defined by *both* a high pace *and* high degree of change. As we explored in the previous chapter, this environment is best understood through the lens of complexity: change is not only constant, but also nonlinear, interdependent, and emergent.

To survive and thrive in such conditions, organisations must pursue *ambidexterity* – simultaneously refining the present while inventing the future. This is not a choice between stability and innovation, but a commitment to doing both, side by side.

In this context, rigid plans and binary choices are rarely sufficient. What's needed instead is the ability to hold competing demands, to act amid uncertainty, and to lead by maintaining – rather than resolving – the tensions that inevitably arise. Strategic transformation is about *staying present in these tensions*, working within them, and learning to lead through them.

To understand the tension at the heart of strategic transformation, it helps to distinguish between two fundamental logics: value capture and value creation. Value capture focusses on delivering results from existing operations – through efficiency, optimisation, and execution. It's about refining what already works: making processes leaner, improving margins, scaling proven models. This is where 'last-century models' has historically excelled. Value creation, by contrast, is about generating future possibilities – through innovation, experimentation, and reimagining how value might be delivered in new ways. It means exploring new business models, customer needs, and technologies that don't yet have a guaranteed return.

In the past, organisations could afford to focus on either one or the other, often sequentially. First capture and then create. First optimise and then innovate. Many successful companies built competitive advantage by choosing one path and committing to it. Toyota, for instance, became a global leader by relentlessly focussing on operational excellence through the Toyota Production System. Its advantage came not from radical innovation, but from refining every aspect of its manufacturing process – reducing waste, improving quality, and optimising productivity. Only later, once it had captured substantial market share and built a solid operational foundation, did Toyota begin investing more significantly in innovation – from hybrid technology to mobility services. This sequential logic worked in a more stable environment, where optimisation could secure long-term advantage before disruption arrived. But in today's fast-moving and nonlinear context, this 'capture first, create later' logic no longer holds.

Today's leaders operate in a world where value must be captured and created *simultaneously*. *It is not just about doing things right, but also about doing the right things* – and continuously questioning how we even know what 'right' looks like in a shifting landscape (see Chapter 9 for further discussion).

It's not just about doing things better or moving 'from good to great'; *it is also about actively seeking out opportunities to do things qualitative differently*.

And it is no longer sufficient to focus only on doing things to *become successful*. Leaders must also focus on what it takes to *stay successful* – especially when the very practices that drove success in the past may now hold an organisation back. Because whatever made you successful in the past is unlikely to make you successful in the future. As Marshall Goldsmith famously put it, '*What got you here won't get you there*'.

In a world characterised by high pace and high degree of change – where complexity, interdependence, and emergence define the landscape – clinging to past formulas can be more dangerous than letting go. What once provided an edge can quickly become a constraint. Strengths hard-won through years of success can turn into blind spots. Routines that once delivered efficiency can breed inertia. *Strategic transformation calls for the courage to evolve, the humility to unlearn, and the foresight to reinvent – all while continuing to perform*.

This isn't a simple balancing act – in fact, it's not about balance at all. It's about recognising tensions and learning to work within them, not by resolving them, but by drawing on them as sources of insight, creativity, and value creation. Navigating this space requires organisations to combine disciplined execution with visionary reinvention – often within the same leadership team, and sometimes within the same individual.

A powerful example of embracing this 'both-and' logic is Microsoft under Satya Nadella. When Nadella became CEO in 2014, Microsoft was still financially strong, but it had become too anchored in value capture logic. Its core businesses, especially Windows and Office, focussed on 'doing things right': maximising efficiency, protecting market share, and refining established products. Innovation was present, but often peripheral.

Nadella's leadership marked a deliberate shift – not away from value capture, but towards a more integrated model that embraced value creation alongside operational excellence. He reshaped the company's culture around continuous learning, collaboration, and experimentation. He championed cloud computing and AI as future growth engines, even when doing so meant disrupting existing models – such as the move from software licensing to subscription-based services with Microsoft 365 and Azure.

Crucially, Nadella didn't abandon Microsoft's strengths. He preserved the engine of value capture – *both* doing things right *and* doing them better – while layering in a new logic: doing the right things and doing them differently. Under his leadership, Microsoft became more outward-looking, developer-friendly, and ecosystem-focussed, while continuing to deliver strong financial results.

This is the essence of strategic transformation: reinvigorating the present while inventing the future – 'building the airplane while flying it'.

Leadership Huddles: Key Questions for Your Team

- *Are we protecting our core business at the expense of exploring what could become tomorrow's core?*
- *How comfortable are we, as a leadership team, with holding unresolved tensions – such as efficiency and innovation, control and emergence, or stability and change?*
- *What routines, processes, or beliefs have served us well in the past but may now be limiting our ability to transform?*

When organisations falter, it is rarely because the strategy was wrong on paper – it is because it never came to life through the actions of human capital. In the next chapter, we turn to the third tectonic shift: the imperative to place human capital at the centre of strategic transformation.

FOR CURIOUS MINDS: FURTHER READINGS ADVENTURES

Reference

O'Reilly, C. A., & Tushman, M. L. (2013). Organizational ambidexterity: Past, present, and future. *Academy of Management Perspectives, 27*(4), 324–338.

Suggestions for Further Readings

Birkinshaw, J., & Gibson, C. (2004). Building ambidexterity into an organization. *MIT Sloan Management Review*, *45*(4), 47–55.

Mankins, M., & Litre, P. (2024). Transformations that work. *Harvard Business Review*, *102*(3), 88–97.

Smith, W. K., & Lewis, M. W. (2022). *Both/and thinking: Embracing creative tensions to solve your toughest problems*. Harvard Business Review Press.

3

THE H-FACTOR

We have all heard the phrase, ‘people are our greatest asset’. But what do we really mean by ‘asset’? In this chapter, I want to challenge the prevailing interpretation of human capital as something created entirely at the individual level, belonging exclusive to people, held in isolation from the broader organisational context and managed by HR function. Instead, I argue for a shift in focus – from individuals as stand-alone contributors to the synergies and complementarities that emerge when individuals interact with the organisational architecture. The latter is more than organisational charts and workflows. It includes formal structures and processes, yes – but also the social environment, networks of interaction, as well as digital interfaces that shape how individuals act and interact. Human capital encompasses not only the individuals we hire but also the human and social capital they carry with them – shaped by their experiences, personal networks, and embeddedness in local and global business environments. Let me unfold this.

When we in research talk about people in the workplace, we often refer to their individual capacities, commonly summarised as KSAOs:

- *Knowledge* – the information required to perform a task, whether general or role-specific.
- *Skills* – proficiency in executing particular tasks, developed through learning and experience.
- *Abilities* – more enduring traits that apply across a range of tasks.
- *Other characteristics* – including stable traits like personality, which affect how one performs across situations.

Not all personal traits, however, count as KSAOs. Traits such as attitude, satisfaction, or motivation are more variable and situation-specific. They matter, but they are less stable and more situational, and hence more relevant in organisational settings. Consider multiculturalism. Curiosity about another culture – sparked, say, by a documentary – is a personal trait. But an employee who has internalised multiple cultural schemas – due to growing up between cultures or living extensively abroad – possesses stable, deeply ingrained KSAOs: the ability to navigate and interpret multiple cultural norms.

Now zoom out to the level of a team or organisation. Individual KSAOs have a potential to become true human capital – and thus an asset – when they generate value beyond the individual level. This depends on two factors: availability (every individual possesses multiple KSAOs, but their value to the collective depends on the individual's willingness to make them available) and accessibility (the extent to which others in the organisation can easily tap into that potential).

Take this example: imagine someone fluent in Farsi. That skill becomes a valuable human capital resource if the team needs Farsi translations to meet its goals. But if they're in a role or team where that skill isn't needed or noticed, it contributes nothing to collective performance. The skill exists and available, but the context doesn't enable access or use for team-level outcomes (accessibility).

In sum, individual KSAOs become an asset not simply by existing, but when:

- they are embedded within an organisational context that makes them not only relevant, but also available and accessible to others;
- they interact with systems, structures, and social networks that amplify their value; and
- they contribute to collective outcomes through interaction, not isolation.

> ***Reflect and Rethink: Your Personal Pause Points***
>
> - *Can you identify examples where individual KSAOs in your team or organisation generated value beyond the individual level?*

The next question is this: when does human capital become a strategic resource – something that not only contributes to short-term performance parity but also sustains competitive advantage over time? Strategic management scholarship, particularly the work of Jay Barney, teaches us that for any asset to qualify as a strategic resource, it must be valuable, rare, inimitable, and effectively organised. Not all assets meet these criteria. Human capital becomes truly strategic not merely by being present, but by being leveraged in ways that generate distinctive advantages – a so called point of differentiation that other organisations can neither easily replicate nor substitute.

Let's take again the case of multicultural employees. Many organisations invest in hiring diverse talent from around the world, yet few realise the full potential of that diversity. In our research, we studied two multinational enterprises, both based in France: BEAU, a leader in the fast-moving consumer goods (FMCG) industry, and AuditCo, a prominent firm in the auditing and business consulting sector (Hong & Minbaeva, 2023). These firms operated in distinct environments. The FMCG industry is characterised by constant market shifts and the need for rapid innovation. In contrast, auditing and consulting are grounded in stability, predictability, and adherence to international standards. Both firms actively recruited individuals with diverse cultural backgrounds, but their approach to managing multicultural talent differed sharply.

At BEAU, multicultural employees were hired intentionally to create globally appealing products and to design innovative ways of attracting international talent, often through functions operating outside the formal HR department. Multiculturalism was seen not as a peripheral trait, but as a strategic capability tightly linked to the organisation's global ambitions.

At AuditCo, multiculturalism was not a central recruitment driver. However, there were exceptions. For example, in teams working on International Financial Reporting Standards, multicultural employees were highly valued for their ability to navigate accounting practices across culturally diverse member countries. In these cases, multiculturalism was essential for technical coordination and cross-border understanding, but it was not generally leveraged as a broader organisational resource.

The contrast is instructive. BEAU treated multicultural employees as sources of strategic insight and innovation. AuditCo, by comparison, focussed on their utility in solving immediate problems or ensuring regulatory compliance. In both contexts, multiculturalism added value – but only in BEAU did it contribute to long-term differentiation and sustained competitive advantage.

This example illustrates a core point: human capital becomes a strategic resource not simply by being present, but by being used in ways that are valuable, rare, difficult to imitate, and embedded in the organisation. Furthermore, *to unlock the strategic value of human capital, organisations must invest not just in individuals, but in the organisational enabling factors that amplify their* *contributions*. In relation to the use of multiculturals, our research points to several enabling factors:

- *Tailored HR architecture*: Multicultural employees thrive when HR systems recognise and support their unique capabilities. Standardised HR practices often flatten differences; differentiated practices allow those differences to shine.
- *Global mindset development*: A shared mindset that values and integrates diverse perspectives is critical. But it does not emerge by chance. It must be cultivated through leadership, training, and reinforcement at all levels.
- *Inclusive team processes and leadership*: The way teams are led matters. Leaders who understand and embrace multiculturalism can turn diverse groups into engines of creativity and collaboration.
- *Flexible language policies*: Language is more than communication – it is inclusion. Organisations that support multilingualism signal that every voice matters in any language, not just the one that speaks the dominant language.

Of course, some benefits are immediate – such as smoother collaboration or better communication. But sustained competitive advantage requires more. It demands that these enabling conditions become part of the firm architecture.[1] When multiculturals have been continuously interacting with this architecture over time, their contributions can generate what strategists call complementarities: situations where the whole becomes greater than the sum of its parts (or what we referred to earlier as emergence in CAS, see Chapter 2). As Ray et al. (2023) explained, these complementarities arise when individual KSAOs – both *available* and *accessible* – are effectively *coordinated* through the firm's architecture. For example, team members may be willing to share their knowledge and skills, and others may be able to access them, but if there is uncertainty or disagreement about how to use that human capital across the whole firm, it will be difficult to align efforts towards a shared purpose. This is where firm architecture becomes critical. Purposefully designed structures, cultural norms, and leadership practices can unlock complementarities by enabling coordination. In doing so, they create social complexity – a configuration of interactions that is difficult for competitors to replicate and highly valuable for the organisation. They create a kind of built-in advantage because it becomes unclear, even to competitors, exactly how the organisation creates value. This lack of clarity, often referred to as causal ambiguity, makes imitation nearly impossible. Organisations that nurture such complementarities can often derive significantly more value from their human capital without proportionally increasing their investment.

This helps explain why some firms consistently outperform others, even when they appear to have access to similar talent. Strategists attribute these performance differences to conditions such as *interfirm heterogeneity*, *firm specificity*, *social complexity*, *path dependence*, and *causal ambiguity*. Together, these conditions act as isolating mechanisms that make it difficult for competitors to replicate the sources of advantage, thereby contributing to a firm's ability to sustain its competitive edge over time.

Yet few organisations succeed in realising these complementarities. Too often, human capital is managed through standardised practices, disconnected from business strategy, or fragmented across silos that inhibit collaboration and learning. When employees' KSAOs remain isolated, their value is limited. But when organisations design intentional architectures that connect individual capabilities to collective goals, human capital becomes a strategic resource.

This is the H-factor: human capital not as a collection of individuals, but as a system of synergies and complementarities – shaped by context, activated by learning and enabled through leadership in ways that ensure relevant individual KSAOs are made available, remain accessible to others, and are coordinated effectively through the firm's architecture. When these conditions are met, human capital becomes more than the sum of its parts: it becomes *a strategic resource*.

Leadership Huddles: Key Questions for Your Team

- *Do we treat human capital as a system of synergies or as isolated individuals?*
- *Are we building an environment where KSAOs are both unlocked and accessible?*
- *Are synergies in our organisation designed by intent, or do they emerge by chance*?

Nowhere is the strategic potential of these complementarities more visible – and more often misunderstood – than in transformations brought about by the digitalisation of business processes. Too often, such efforts are mislabelled as IT projects and framed as technological upgrades: sleek interfaces, new platforms, or automation-driven efficiencies. Sounds familiar? When framed this way, transformation becomes a surface-level makeover – modernising appearances rather than reimagining how value is created. The result? Organisations invest in digital infrastructure while overlooking the true purpose of business: solving meaningful problems and creating value for customers. Amidst the whirlwind of dashboards, apps, and tech solutions, it is easy to forget that the goal is not technology adoption – but value creation.

Let us be clear: achieving operational excellence through digital tools is necessary. But it is not sufficient. True transformation begins when organisations combine from 'doing digital' to 'being digital' (Ross & Beath, 2019). These are connected but fundamentally different journeys. 'Doing digital' involves applying new tools to existing workflows. 'Being digital' means reimagining how value is created. It demands innovation, exploration, and continuous learning. Crucially, it requires human capital not to follow technology, but to lead it.

Focussing exclusively on people skills – upskilling and reskilling – is another common pitfall. Upskilling refers to enhancing employees' existing skillsets to match changing roles. Reskilling refers to acquiring entirely new skills, often in response to automation. Many workplace technologies are designed to reduce labour costs by substituting machines for humans. Historically, technologies – from tractors to spreadsheets – have replaced human physical effort, precision, or calculation. Reskilling initiatives, therefore, often emerge as reactions to such substitutions.

But the real value of human capital in the digital age lies not in resisting automation, but in shaping it, steering it, and co-evolving with it. Most work involves a mix of inputs – creativity and routine, judgement and execution, inspiration and perspiration. When automation improves certain tasks, the value of complementary human tasks increases. In this context, value is created through augmentation – the zone where humans and machines interact. As Sebastian Raisch and colleagues argue, augmentation is a co-evolutionary process: humans and machines continuously adapt to and learn from one another (Raisch & Fomina, 2024; Raisch & Krakowski, 2020). Here, the synergies between individual KSAOs and digital technologies are not only relevant – they are mission-critical.

Organisations that understand this shift stop treating people and technology as separate capabilities. Instead, they *design for augmentation* – creating architectures where human insight, creativity, and judgement are amplified by digital systems.

This is where the H-factor becomes indispensable. Human capital is not a group of individuals working alongside technology. It is a system of synergies, shaped by augmentation contexts, activated through the design of augmenting spaces to embrace learning, and enabled by leadership. Real transformation does not begin with technology deployment. It begins with augmentation – *enabling greater human capital value in use* and laying the foundation for sustainable competitive advantage.

Reflect and Rethink: Your Personal Pause Points

- *Are we measuring the success of our digital initiatives by the systems we have installed- or by the human potential they have enabled?*

So, by now I hope it is clear: a human capital strategy must focus on complementarities – not just individuals. This is precisely why managing human capital is fundamentally different from the traditional approach of managing human resources. We should not outsource human capital strategy to HR alone, where the focus often lies in addressing individual behaviours through policies and systems. Nor should digital transformation be outsourced to IT, which excels at systems but risks entrenching bureaucracy. In both cases, the focus remains on individual-level optimisation rather than systemic enablement.

In fact, strategic transformation cannot be led by any single siloed function because human capital is not enabled by structure – it is enabled by leadership. A human capital strategy that empowers the organisation to foster, develop, and renew the capabilities necessary for long-term success may be initiated by top management through compelling strategic narratives, but it must be enabled by leaders throughout the organisation. In times of transformation, we must equip leaders with the muscles to navigate – *especially when there is no map*.

And now to the elephant in the room. If human capital is a strategic resource – and not merely the sum of individuals who just happen to work for us at this time – why do we continue to 'outsource' its management to a functional silo like the HR department? This outdated framing reflects a deeper organisational issue. The treatment of HR, IT, and communications as support functions – adjacent to rather than embedded within strategy – is a lingering legacy of 'the last-century models'. In these models, such functions were labelled as 'support' to business operations identified as 'core' for value creation, a classification that still shapes how they are perceived and prioritised today. This legacy has become one of the most persistent roadblocks to transformation.

Do not get me wrong. I love HR. I am HR. I fell in love with the profession in April 1996, at the end of my MBA with financial specialisation, when I stumbled across a book on Personnel Management (yes, that is what it was called back then). I have been passionate about HR ever since. And I am also tired of people hating HR. Like Hammonds who in his widely referred blog post 'Why We Hate HR', wrote: 'After close to 20 years of hopeful rhetoric about becoming "strategic partners" with a "seat at the table" where the business decisions that matter are made, most human-resources professionals aren't nearly there. They have no seat, and the table is locked inside a conference room to which they have no key'.

Fast forward to today: HR finally has the key and is seated at the table – but everyone else has left that room. As sporadic changes and mega-trends increasingly originate outside the organisation, strategy is no longer developed in the boardroom. It now unfolds in close proximity to customers, outside permanent structures, and in real-time. Yet HR remains trapped inside the closed room – imprisoned by the logic of supporting functions, chained to the wheel of annual processes, and blinded by the self-imposed role of strategy implementer.

What will it take to get HR into the driver's seat of strategic transformation? To answer this, I adapt a statement by Jeffrey Immelt (2017): HR must be profoundly convinced that it must transform itself, and that doing so is a matter of life or death. HR professionals must place themselves at a strategic inflection point – the point at which, as Andy Grove described, 'fundamentals are about to change. That change can mean an opportunity to rise to new heights. But it may just as likely signal the beginning of the end'. From that point, doing things better, cheaper, or faster will not be enough. Rising to new heights will require doing things qualitatively differently.

We can start by throwing out the wheel of annual HR processes – but we might keep its outer circle and place the customer at the centre. We must ask the most important question: How do we create value for the customer through human capital? If HR leaders cannot answer this question, they must push themselves further into the inflection point. The timing is perfect. Executives across the C-suite are beginning to recognise that value creation is intricately tied to an organisation's human capital. No other function has a deeper understanding of how to influence individual behaviours and harness synergies across organisational processes and structures to make 2 + 2 equal 5.

And with that, I conclude my emotional divergence. Now, back to the core business of leading strategic transformation. But let me be clear: HR needs to transform itself – otherwise, it may not make it into the rest of this book.

FOR CURIOUS MINDS: FURTHER READINGS ADVENTURES

Hong, H.-J., & Minbaeva, D. (2022). Multiculturals as strategic human capital resources in multinational enterprises. *Journal of International Business Studies*, *53*(1), 95–125.

Immelt, J. R. (2017). How I remade GE. *Harvard Business Review*, *95*(5), 42–51.

Minbaeva, D. (2021). Disrupted HR? *Human Resource Management Review*, *31*(4), 100820.

Raisch, S., & Krakowski, S. (2020). Artificial intelligence and management: The automation-augmentation paradox. *Academy of Management Review*, *45*(2), 405–422.

Raisch, S., & Fomina, K. (2024). Combining human and artificial intelligence: Hybrid problem-solving in organizations. *Academy of Management Review*, *49*(1), 1–24.

Ray, C., Nyberg, A. J., & Maltarich, M. A. (2023). Human capital resources emergence: The role of social capital. *Academy of Management Review*, *48*(1), 1–25.

Ross, J., & Beath, C. (2019). *Designed for digital: How to architect your business for sustainable success*. MIT Press.

APPENDIX 3.1

'Mirror Moments': Human Capital Synergy Self-Assessment

To fully activate the H-factor, organisations must ensure that individual KSAOs are not only present but also made available, remain accessible to others, and are effectively coordinated. The following questions offer a quick diagnostic to assess how well your organisation is currently enabling these three conditions. Reflect on each statement and rate your organisation from 1 (Strongly Disagree) to 5 (Strongly Agree).

	Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
Availability					
Employees are willing to share their skills, knowledge, and insights beyond their formal job responsibilities	1	2	3	4	5
Employees actively help colleagues, even when it is not required by their roles	1	2	3	4	5
Critical information and expertise are shared openly rather than withheld for personal advantage	1	2	3	4	5
Accessibility					
People know *who* to approach when they need specific expertise or information	1	2	3	4	5
Our organisational environment encourages direct communication and knowledge-sharing across teams	1	2	3	4	5
Employees can easily access relevant knowledge and support without needing to go through intermediaries	1	2	3	4	5
Coordination					
There is shared understanding among employees about how different skills and knowledge should be applied to achieve team goals	1	2	3	4	5
We have effective routines, roles, or norms that help align individual contributions with collective objectives	1	2	3	4	5
When multiple employees contribute to a task, their inputs are integrated smoothly and efficiently	1	2	3	4	5

Calculate averages for availability, accessibility, and coordination, and plot them on the graph below:

Scores:

Above 4 on all three dimensions: You likely have a strong foundation for human capital synergies. Focus on how to maintain, formalise, or scale what works.

Between 2 and 3: There are opportunities to enhance the intentionality of your people systems. Strengthening trust, transparency, and clarity around roles may help.

Below 2 on all three dimensions: Human capital may be fragmented or underleveraged. Consider rethinking your architecture, incentives, and norms to enable availability, accessibility, and coordination.

Reflection Prompts

- In which of the three dimensions do we have the biggest gap?
- What examples in our organisation illustrate strong or weak human capital synergies?
- What structural, cultural or leadership changes could better support these three enablers?

Note

1. I intentionally use the term *firm architecture* rather than *infrastructure* to emphasise the intentional and dynamic nature of how human capital is embedded within organisations. Whereas *infrastructure* often implies a static or technical support system, *architecture* refers to a complex and carefully designed structure – much like 'the architecture of a symphony', where individual elements interact in precise, coordinated ways to produce a coherent whole. In Part II, I operationalise this concept through the lens of microfoundations – specifically, the organisational processes and structures that enable dynamic capabilities.

INSTEAD OF CONCLUSION

Strategic transformation is not a project to complete. It is an ongoing journey, one that involves navigating complexity, embracing paradoxes, and unlocking human potential at scale. This book has explored how today's tectonic shifts – rising complexity, the imperative for both–and leadership, and the centrality of human capital – demand not just new strategies, but fundamentally new ways of thinking, leading, and learning.

At the heart of this journey lies the H-factor: human capital not as a sum of individuals, but as a living system of synergies and complementarities. Shaped by culture, activated through learning, and enabled by leadership, this system allows organisations to evolve from merely coping with disruption to actively shaping the future.

The H-factor offers a modern view of human capital. It focusses not only on the individual but on the conditions that allow their knowledge, skills, abilities, and other characteristics to:

- Be made available to the organisation,
- Remain accessible to others over time, and
- Be coordinated effectively through the organisational architecture.

When these conditions are present, human capital becomes more than a collection of capabilities – it becomes a strategic resource, creating sustainable competitive advantage.

Furthermore, in an era shaped by AI and constant disruption, human capital includes the capacity to co-learn with technology, to navigate augmentation spaces, and to translate machine-generated insights into meaningful human action. In this context, learning, unlearning, and co-learning – across teams, technologies, and time – define the new frontier of strategic advantage.

Leading strategic transformation, then, is not about controlling a predefined path. It is about shaping the conditions in which transformation can emerge – where people are empowered to contribute, where systems support continuous learning, and where leadership is not confined to the top, but embedded across the organisation.

It demands that we design organisations not as static hierarchies but as complex adaptive systems – where complementarities thrive, where learning is part of the workflow, and where change is not imposed, but cultivated.

It calls for a shift in mindset: away from the linear, pipeline logics of the last century, such as Strategy → Structure → Systems, towards three fundamental questions: How do we deliver value to our customers? What dynamic organisational capabilities are needed to deliver that value? And finally: What human capital strategy can create, develop, and sustain those capabilities? (See Figure 2)

Above all, transformation is emotional. It requires courage, vulnerability, and psychological safety. It asks leaders to guide others through ambiguity while undergoing their own transformations. The most successful leaders are those who begin by challenging themselves and who embrace discomfort, question long-held assumptions, and model the kind of learning they wish to see in others.

This is the essence of the H-factor: a reminder that leading strategic transformation is, above all, a human journey – one that begins and evolves through human capital.

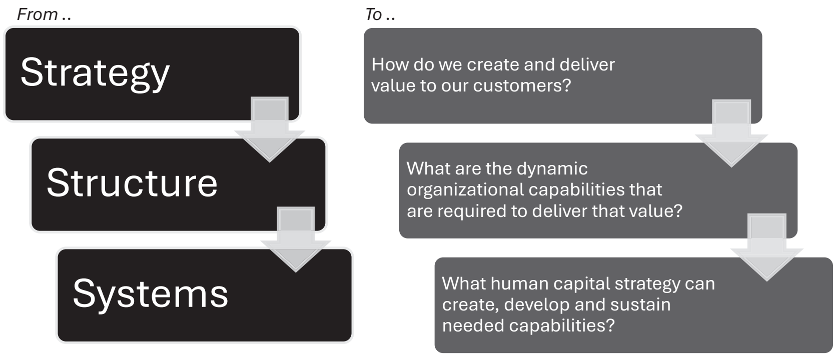

Fig. 2. Shift.

As you close this book, the real journey begins. The pages may end, but the work of leading strategic transformation is ongoing: noticing where synergies are waiting to be unlocked, where leadership is waiting to emerge, where learning needs to deepen.

You did not get the detailed map for the road ahead. But you carry with you a compass – the frameworks, questions, and perspectives that can guide you through complexity with clarity and courage.

And who needs a map anyway? In a world that shifts faster than any plan, maps become outdated the moment they are drawn. What endures is the ability to navigate: to sense, to adapt, and to lead with intention.

So. Lead boldly. Tend patiently. Learn continuously.

And remember: transformation does not begin by changing others. It begins by changing how you see, how you connect, how you lead, and how you nurture your H-factor.

INDEX