

JANUS STRATEGY



LOIZOS HERACLEOUS

Janus Strategy is a gem of a book! It explores one of the eternal challenges in the field of strategy - how to manage dual and often contradictory challenges such as low cost and differentiation or centralisation and decentralisation simultaneously. Building on rigorous research and using a number of inspiring company examples, the book identifies the ingredients that need to be put together to meet this challenge. This superb book is full of fresh ideas and practical advice. It deserves to be widely read and be on the shelf of every senior executive crafting their organisation's strategy.

Costas Markides, Professor of Strategy & Entrepreneurship, Holder of the Robert Bauman Chair in Strategic Leadership, London Business School

Janus Strategy is a highly accessible and enjoyable practitioner's guide to ambidexterity: the ability to both explore and exploit in an advantaged manner. Illustrated by colorful case studies it argues that by deploying 6 principles, companies can not only trade off opposing considerations but achieve synergy between them, just as the Roman god Janus, was able to see in different directions simultaneously.

Martin Reeves, Senior Partner and Managing Director in the Boston Consulting Group's San Francisco office; Chairman of the BCG Henderson Institute

If you ever wondered how to pursue promising, though contradicting objectives (efficient operations and high risk innovation for example), this is a book for you. It's both an eye-opener and practical guide helping you to build your own Janus strategy. The stories from companies having done this before, makes it a great read. No doubt you will enjoy it as much as I did.

Christian Stadler, Professor of Strategy at WBS and author of Open Strategy, MIT Press

I have known and worked with Loizos Heracleous for many years and executive colleagues and corporate students have found his work to be both inspirational and of practical value. I trust readers will find this book equally stimulating.

Richard Hill, Director of Learning and Development at Rolls Royce (retired)

Bringing together a fascinating mix of cases, examples and thinking from refreshingly different areas, Heracleous has created a book that is as intriguing and inspiring as it is pragmatic and timely.

Marcus Alexander, Adjunct Professor of Strategy & Entrepreneurship at London Business School, Non-Executive Director and Strategy Consultant

Loizos is one of those very few academics who combines a joyful enthusiasm for business with rigorous research and analysis. Being able to handle ambiguity, to be able to think and chew gum, to be able to look and act in two different directions at the same time is a key skill of people who aspire to run large organizations, and is the reason why being a CEO can be such fun.

Rupert Soames OBE, Chief Executive Officer, Serco

A Janus himself as a rigorous researcher and inspiring educator at the same time, Loizos Heracleous has provided a much-needed perspective on strategy in his book *Janus Strategy*. Often managers shy away from trying to resolve paradoxes and conflicts in their business. This book shows us how to welcome and be comfortable with them, and more importantly, how to use them to build competitive advantage.

Pinar Ozcan, Professor of Entrepreneurship & Innovation, Saïd Business School, University of Oxford

Janus Strategy is a masterful presentation of the latest thinking about organization strategy written by one of the leading analysts and authorities on the subject. The book explains how strategy now requires multi-faceted thinking in today's complex world and illustrates the ideas with compelling case studies of leading corporations in different industries including: Apple, NASA, PARC, Singapore Airlines, and Xerox. Strategy-oriented executives, consultants, and business students will find this a richly rewarding read.

Robert J. Marshak, Ph.D., Distinguished Scholar-in-Residence Emeritus, School of Public Affairs, American University, and author of Dialogic Process Consulting: Generative Meaning-Making in Action

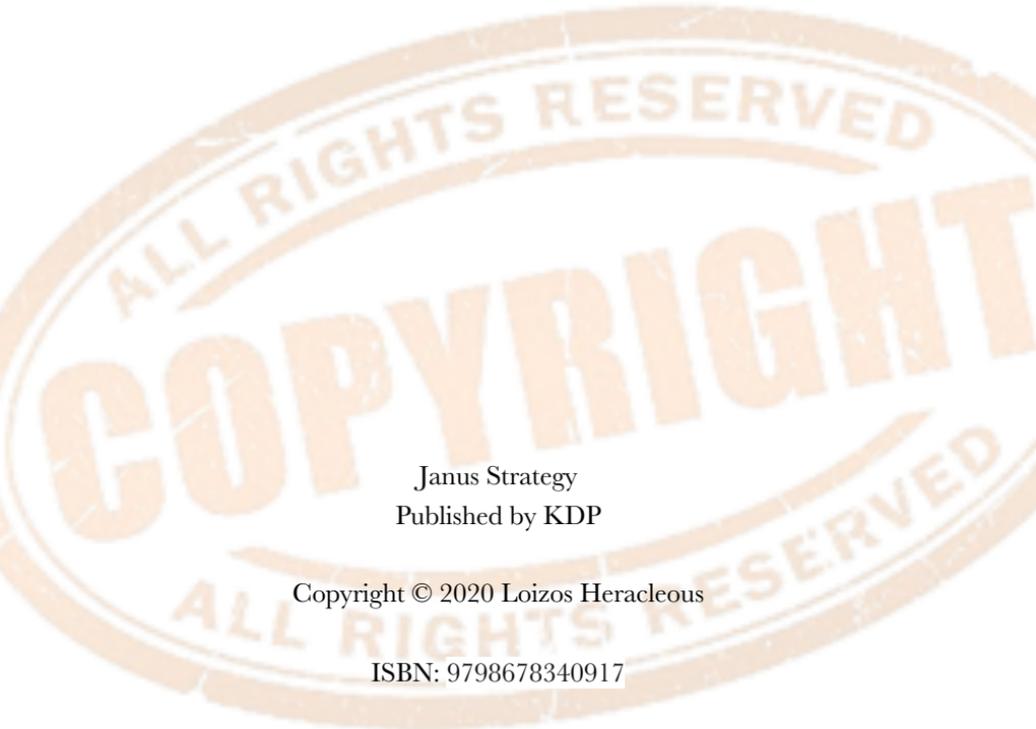
Heracleous inspires with a wonderful and rich collage of ideas drawn from Greek philosophers, Roman mythology, Nobel Laureates, and contemporary business leaders under the rubric of *Janus Strategy*. These insights on strategy are even more important in our digital age as we navigate uncertainty and crisis characteristic of our times.

Michael Barrett, Professor of Information Systems and Innovation Studies, Judge Business School, University of Cambridge

Never have we been so distracted by immediate challenges. Never have we had greater need to keep looking in many directions regardless of distractions. *Janus Strategy*, named after the Roman god who could look in many directions at the same time, is an apt metaphor to describe strategy in these very demanding times. A very seductive read.

Richard Whittington, Professor of Strategic Management, Saïd Business School, University of Oxford

Janus Strategy



Janus Strategy
Published by KDP

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ISBN: 9798678340917

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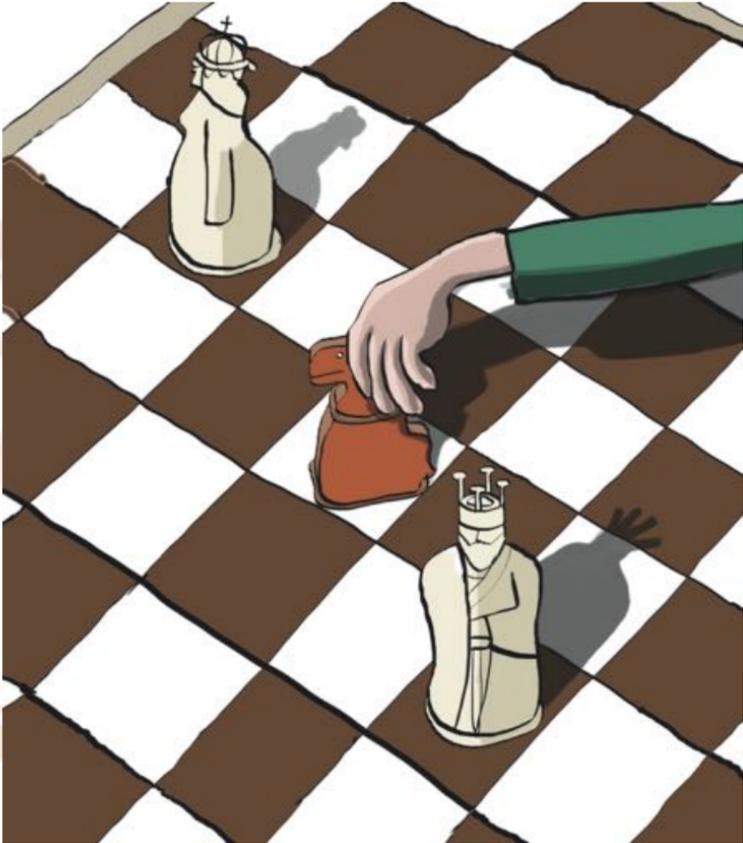
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Janus strategy involves moves that accomplish dual objectives simultaneously

Preamble

This book has been a long time in the making. I was sensitised to the dilemmas and inherent contradictions of business during my PhD research at Cambridge University between 1994 to 1997, when I had the opportunity to read Charles Hampden Turner's book *Charting the Corporate Mind*¹. Charles argued that intractable challenges of strategy and organization can be expressed as dilemmas whose poles can be reconciled by finding ways to address and interrelate both poles, and that this reconciliation can provide strategic direction and competitive success. Inspired by what I started to see in some leading, successful companies through in-depth case research, by 2006 I wanted to work on a book on how these companies manage to have winning combinations of strategies and capabilities that had traditionally been considered distinct or mutually competing. In 2009 I presented a talk at Warwick Business School entitled "Quantum strategies and organizational resilience", based on this case research. I argued that the strategic orthodoxy as found in Harvard Professor's Michael Porter's work² in the 1970s and 1980s, that firms had to choose a single "generic strategy" of differentiation or cost leadership

(combined with a choice of market scope), then align all their resources and operations behind that strategy to achieve sustainable advantage was most often sound advice; but not always. A clear choice of generic strategy gives direction on how to allocate resources, avoids potential conflicts across functions on such areas as values, processes and policies, and offers an unambiguous unique selling proposition to the market.

Yet, I thought that this strategic orthodoxy could be challenged. Alignment could potentially breed inertia, and there are ways to be both aligned and agile. Importantly, we can empirically see some organizations that have broken assumed trade-offs such as the one between quality and cost. My research of companies such as Singapore Airlines³ and Apple⁴ for example started pointing in this direction. Professor Porter had allowed that a combined strategy was possible, but only temporarily until competitors managed to imitate whatever competency was allowing such a strategy and then forced the firm to make a clear choice. Porter believed that a combined, integrated strategy that would encompass different “generic strategies” was not possible in the long term.

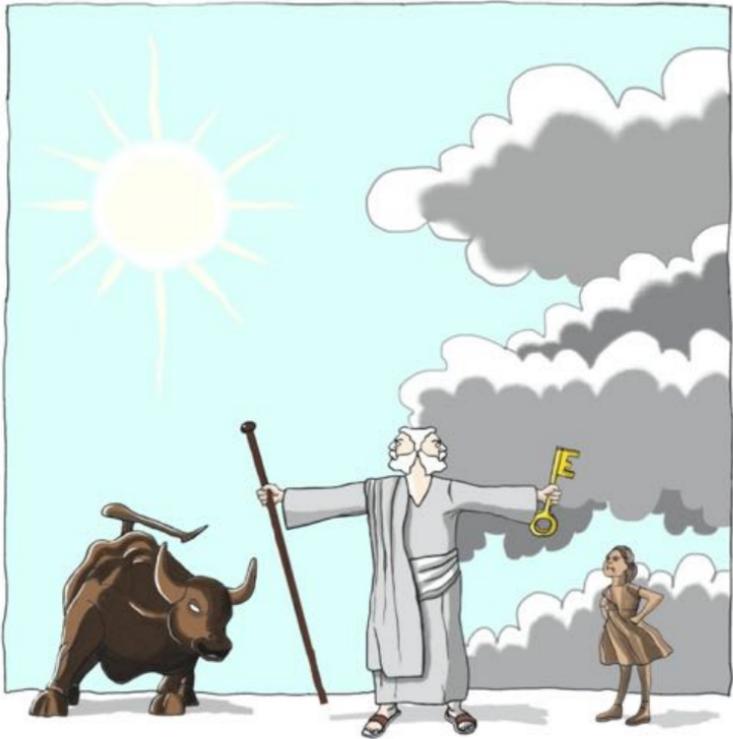
Others however started exploring how the inherent tensions of business could be negotiated. As early as 1976, Robert Duncan⁵ argued that companies should have dual organization structures, each consistent with the particular stage of innovation the company was

engaged in. In the initiation stage the structure should be more organic and flexible, and in the implementation stage the structure should be more mechanistic and defined. From 1988 onwards, Bartlett and Ghoshal proposed corporate “transnational” strategies⁶ that combine the competing goals and tensions of global standardization as well as local customization. In 1991, James March⁷ wrote about the importance of both exploiting current resources and capabilities and striving for efficiency, as well as simultaneously exploring new ones, innovating and opening up new markets. He termed this pursuit “ambidexterity”. In 1999 Derek Abell⁸ exhorted firms to balance competing in the present with developing capabilities for the future, labeling this orientation “dual strategy”. By 2004, Costas Markides⁹ advocated competing with dual business models at the corporate level, when different and often competing strategies are followed by different subsidiaries of the same corporation.

All of this pointed towards a new approach to strategy. Despite the valuable insights of this and related research, more needed to be done to understand how an organization could pursue strategies that encompass competing demands and capabilities simultaneously. This became painfully obvious during my executive education work over the years. This is where ideas and models need to be scalable up and down the ladder of abstraction¹⁰. High up on the ladder, sits the idea that a

dual strategy or an ambidextrous company could simultaneously address a number of mutually competing demands. But how does this look at the more applied level of organizational choices, functional strategies and actions?

This is why I decided to conduct in-depth case research on companies that developed the capability to not only balance but rather synergize competing tensions. *Balancing* assumes a binary logic - more of X is less of Y, and a workable balance between them must be found. *Synergizing* however promotes a logic of synthesizing or integrating opposites and achieving virtuous-circles - more of X could also be more of Y, if we look beyond assumed constraints for novel solutions. I researched companies such as Singapore Airlines, Apple Inc, Narayana Health, Toyota and NASA that made great strides towards what I call *Janus strategy*. I also researched companies that tried to synergize competing tensions but were unsuccessful in doing so, such as Xerox. The label Janus Strategy was inspired by the Roman god Janus who faces in and is engaged with two, four or six opposing directions simultaneously. I am sharing in this book what I learned over this multi-year journey.



The Roman god Janus looks simultaneously in two directions. With one hand he holds a staff to show the way, with the other a key to open and close passageways. Janus embodies contradiction and paradox as generative forces in all areas of life including commerce

2

Toward Janus Strategy

In 1996, when Indian cardiac surgeon Dr Shetty treated Mother Teresa, founder of the Missionaries of Charity and Nobel Peace Prize winner for her work with the poor, he learned a valuable lesson. This lesson would inspire him to set up Narayana Health and save the life of thousands of heart patients in India who would otherwise have died without access to proper, affordable medical care. What she told him was that “hands that serve are holier than lips that pray”. At the time, Dr. Shetty was working in another hospital in India and was witnessing too many people lose their loved ones because they could not afford the cost of heart surgery that was equivalent to several years’ salary in India.

The need for improved medical provision and infrastructure in India was and remains dire. There are 7 hospital beds per 10,000 population in India as compared to 63 beds in Europe, 34 beds in the USA, 25 beds in China and a world average of 26¹. Only 3% of specialist physicians in India serve the rural population,

that comprises 70% of India's total population. 61% of the costs of medical treatment in India are out-of-pocket, the highest percentage globally. Dr Shetty decided to build a hospital with a difference, with funds borrowed from his father-in-law. His mission was to provide quality, affordable cardiac healthcare to the masses².

Narayana Health (NH) Group's flagship hospital, with 300 beds, was founded in 2001 in the outskirts of Bangalore. Its mission was to serve everyone in need of medical care, including the poor and underprivileged who could not afford to pay. Narayana Health has grown to 47 healthcare facilities with over 6,500 beds, 30 specialties, and 17,000 employees³. It has lower operating costs and charges lower prices to patients than any other hospital chain in the world. The cost of open-heart surgery at NH for example is US\$ 2,000⁴. This is much lower than the average cost in Indian hospitals of US\$ 7,900, and about one sixtieth (yes, 1/60th) of the cost of open-heart surgery in the US, where the cost is in the region of US\$ 100,000 to US\$ 125,000. NH's ultimate goal is to keep increasing its operating efficiency so that it will at some point be able to offer open heart surgery at a cost of US\$800. The Table below gives further comparative data⁵.

Intriguingly, while NH's costs and prices charged are the lowest in the world, the quality of care is world class when seen via key indicators. The 30-day post-surgery mortality rate for a coronary bypass procedure

at NH's Bangalore hospital for example is 1.3%, below the average rate of 1.9% in the United States. Infection rates for coronary bypass graft surgery are 1%, equal to that of the United States. NH's flagship center has grown to become a 3,000-bed multi-specialty "Health City" hospital comparable to the world's best.

Metric	Narayana Health	Industry
Cost of cardiac bypass surgery	US\$ 2,000 in 2019 and reducing over time	US\$ 7,900 in India, US\$ 123,000 in US
30-day mortality rate for coronary bypass graft surgery	1.4%	1.9% in US
Infection rate for coronary bypass graft surgery	1%	1% in US
Bedsore	Almost 0%	8 to 40% globally
Installed cost per bed	US\$ 43,000	US\$ 60,000 in India
Number of cardiac surgeries per day per hospital	34	5 to 6 in India and US
Number of surgeries per surgeon	30 per week, 36,000 in career (25 years at 48 weeks per year)	India: 15 per week, 18,000 in career. US: 3-4 per week, 3,600-4,800 in career
Utilization of operating theatre	18 hours per day (15 min turnarounds)	8 hours per day (30 min turnarounds)

Table 2.1. Operational metrics at Narayana Health vs Industry

Dr Shetty's dedication to helping others as well as business acumen have been recognized over the years by numerous international awards. Yet he remains humble, true to the lesson he received from Mother Teresa about the importance of hands that heal, and has instilled this culture throughout NH: "I am essentially a heart surgeon who loves operating for the whole day if given a choice. I do spend about ten percent of my time every day on strategies, and day-to-day management of all our organization is left to the professionals. We do have senior doctors at key roles in the administration; however, they too spend most of their time in patient care and have associates who do the day-to-day management."⁶

NH achieves economies of scale, scope and learning. With higher scale, come lower average costs. The company does not acquire the latest medical technology, but rather reliable, tried and tested machines, and sweats the assets. Economies of learning come from honing skills over time. Doctors' skills and efficiency improve with the high volume of surgeries, and there are weekly meetings to share best practices in the context of lean philosophy. Economies of scope come from sharing resources across units, for example having centralized diagnostic equipment and centrally coordinated purchasing. But these different types of economies are not sufficient to explain how NH manages to deliver high quality surgery at the lowest cost.

Align but embrace paradox	NH achieves economies of scale, scope and learning through mutually supporting, standardized processes, leading to the lowest costs and prices in the world; at the same time as it delivers world class quality. High levels of standardization and reliability are coupled with continuous improvement and refinement
Be a Janus strategist	Founder Devi Shetty's vision is to offer life-saving surgeries at both high quality and at the lowest cost. He continues to be hands-on, conducting daily surgeries, as well as engaging in long-term thinking about the future of NH (simultaneously operational and strategic). Shetty's passion and vision touches all employees about what matters; helping society as well as creating a sustainable, financially healthy business
Make dual strategic moves	NH develops and implements a culture of thrift through processes such as sterilizing and reusing consumables and having in-house mechanics to maintain and fix equipment, reducing cost and maintaining high quality and reliability. The company hires employees that believe in the vision and exert discretionary effort, increasing productivity. NH invested in its own Health Colleges to train nurses and physicians to ensure steady, high quality supply of personnel; a cost increase in the short term that leads to cost reductions in the long term
Use tech to both exploit and explore	NH develops technology such as custom apps that connect patient records with central servers in real time and generate daily profit and loss account; adopting single-line billing for patients; and Atma operations software that enables visibility and control of daily process flows. These both optimize, as well as contribute to reliability of processes and quality of care
Design agile org	NH has flat organization design, minimal bureaucracy, continuous improvement and sharing of best practices. Ongoing process innovations such as role enrichment for nurses and family challenge convention, increase efficiency, and contribute to quality of care
Leverage business networks	NH develops and works in the long term with networks of local suppliers for quality inputs at lower cost. In this way it ensures reliability of the supply chain, high quality levels, and cost control. It owns and operates a network of 47 healthcare facilities with nearly 6,000 operational beds, allowing it to achieve scale and scope economies and transfer of learning

Table 2.2. The six elements of Janus strategy at Narayana Health

There is a configuration of practices, that together form Janus strategy, as shown above in Table 2.2. The six elements indicate that NH is an archetype of Janus strategy; an organization that can synergize the seemingly incompatible goals of intense efficiency (“cost leadership” among its peer group to use the established language of Porter’s generic strategies), as well as world class quality levels (“differentiation” in the traditional strategy parlance). This is accomplished by an interconnected set of strategic innovations in terms of its business model and by precise, clockwork-like operations.

Janus strategy at NH creates a competitive advantage; as well as a noteworthy contribution to society that saves lives every day. NH is just one of a select breed of companies that manage not just to optimize and balance, but rather to synergize strategic goals that have traditionally been in tension with each other.

Optimization refers to maximizing outputs by achieving balance between fixed constraints and incompatible goals; where more of X is less of Y, and vice versa. To synergize however, means to find ways to transcend incompatibilities, to find virtuous circles, to reach a ground where two plus two can equal five; where X and Y can grow together. This is a very challenging strategy to achieve. One way it has been investigated is to see how many companies can outperform their peers

on both revenue growth and profitability, goals that pose competing pressures. Significant investment is needed to grow, which reduces profitability in the short term. Conversely, cost reduction can lead to higher profitability in the short term; but compromise future growth and profits by starving growth-oriented investments.

McKinsey consultants investigated how many companies out of their sample of 1,077 could outperform in terms of revenue growth and net profit margin over a ten-year period. They found that 2.8% of companies outperformed in terms of growth, and 9.2% in terms of profitability. But only 0.8% of companies outperformed in both profit and growth⁷. The Boston Consulting Group asked the same question and found that only 2% of companies in their sample of 2,500 companies could accomplish this feat over a 5-year timeframe⁸. These rare companies can thus balance exploitation of current capabilities and resources with the exploration for new ones.

In this book we explore how organizations such as Narayana Health, Toyota, Singapore Airlines, Apple, and NASA, have accomplished different types of Janus strategy.

What is Janus Strategy?

Conventional strategy wisdom based on Professor Michael Porter's writings⁹ from the 1970s and 1980s holds that firms should choose a single, clear "generic"

strategy. This could be a strategy of “differentiation” (claiming uniqueness in their market positioning about quality, innovation, styling, or engineering, and also displaying such uniqueness); or a focus on “cost leadership” within a peer group via intense efficiency. This choice is combined with either serving a specific market niche better than established competitors or going for a broad market. Each company could then build on this initial, generic strategy through particular operational and positioning choices to align operations to strategy. According to Porter, trying to accomplish both cost leadership and differentiation would lead to operational confusion and to becoming “stuck in the middle” without any competitive advantage. Such an effort would run into organizational contradictions, stakeholder confusion, unclear positioning and ultimately would fail. The need to make tough strategic choices has been one of Porter’s central claims, and it has shaped the field of strategy since¹⁰. This is good advice for many companies and situations, but does not take into account how technology, novel organization designs, the sharing economy, flexible employment contracts, and other developments can create opportunities to transcend tensions and synergize competing demands.

We know through empirical observation and in-depth case research that some extraordinary firms can accomplish Janus strategy, the ability to synergize

capabilities and strategic positions that are traditionally considered contradictory or distinct. While Singapore Airlines for example is the most awarded airline in the world in terms of service excellence and innovation, it also manages to maintain intense control of its costs and maintain higher efficiency than its peers¹¹.

Apple has created market-defining innovations in terms of product design and integration of technologies, as well as perfecting the ecosystem business model of consumer electronics, software and services. What is not widely appreciated is that it also has the lowest costs compared to its peers, for example in terms of its SGA ratio (Sales, General and Administrative Costs) and its R&D intensity (Research & Development) ratio. Apple spends around 5% of revenues on R&D, lower than all its peers, and gets the highest bang for the buck in terms of what it can create with this spend. It also has the lowest bureaucratic costs, the costs of running an organization structure, since compared to its size, it has the flattest organization design in the industry¹².

Chinese enterprises such as Haier are disrupting Western multinationals by being able to offer both high technology and high variety at low cost, and by being able to move premium products into the mass market¹³. These capabilities are blurring and challenging what traditionally have been regarded as clear strategic lines. For example, the beliefs that high quality and variety comes at a cost penalty or a premium price; and that

premium products cannot be mass marketed because their high costs imply a high price point that the mass market cannot bear.

While investigating the strategies and capabilities of the companies discussed in this book, two things became clear to me. First, that their accomplishments challenge the strategic orthodoxy that choosing one strategy precludes another because of the need for alignment and the existence of opportunity costs and sunk investments. What we see in these companies is that they simultaneously occupy strategic positions that have been considered contradictory or distinct. Second, having the capability to synergize competing demands can lead to competitive advantage that is relatively sustainable in a world where advantage is fleeting, because such a capability cannot be easily imitated. I label this pursuit Janus strategy and I explore the underlying principles involved in accomplishing it. These principles are based on in-depth case research on such companies.

Before settling on the term Janus strategy, I previously used the term quantum strategy¹⁴ to describe such a capability. In quantum physics a particle can be at two places at the same time, an event deemed impossible at the conventional level of reality. In quantum computing, a quantum bit or qubit can be simultaneously in the position of zero and one. According to the CEO of a quantum computing

company, “this object is actually in two different states at the same time. And it’s not like it’s half in this state and half in the other; it’s in those two states at the same time ... Einstein called it spooky. But it is a fundamental law of quantum mechanics...”¹⁵. I employed this event as an analogy to describe the capability of an organization to occupy two competing strategic positions at once since strategically, it’s at two places at the same time. I then decided that Janus strategy could more clearly convey this strategic approach.

It is worth noting that Janus strategies do not simply balance or optimize conflicting tensions within an assumption of a zero-sum game, or either/or thinking (that more of X is less of Y and vice versa). Rather, there has to be both/and thinking and actions. According to the Boston Consulting Group, “incumbents in uncertain and dynamic environments must simultaneously run the business by exploiting existing opportunities and reinvent the business by exploring new growth areas. This ambidexterity is especially difficult for large, established companies, which tend to overestimate the longevity of their business models. Those that do take exploratory steps often don’t go far enough”¹⁶

Yet, strategic ambidexterity is still not at the level of Janus strategy. As shown in Figure 2.1 below, Janus strategies derive from sustainable outperformance in both dimensions of a dilemma, and on finding virtuous

circles and ways to synergize the competing demands posed by the dilemma.

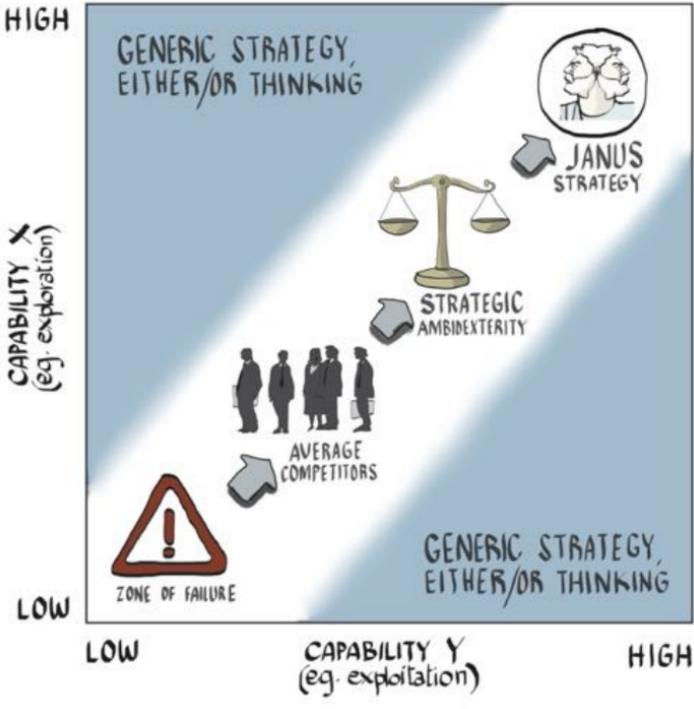


Figure 2.1: Janus strategy as synergizing competing tensions

So for example Narayana Health provides life-saving heart surgery at 1/60th the cost of the same surgery in the United States, offering similar or higher levels of quality on key metrics relating to post-operative mortality and infection. Apple Inc. spends less than 5% of its revenues on Research and Development, as compared to other technology giants that spend several multiples of that amount; yet Apple has created market-

defining products, regularly tops innovation rankings, and remains one of the most valuable companies in the world. Singapore Airlines has low costs relative to peers; yet is the most awarded airline in the world for service excellence and innovation; and has achieved healthy returns and comparative out-performance in an industry that bleeds red ink.

Toward Janus Strategy

Competing tensions are endemic, embedded in the very fabric of organizations. Companies have for instance to both exploit current capabilities and resources, and at the same time explore, to develop new capabilities and resources¹⁷. They have to both perform in the present, as well as open up new avenues for the future¹⁸. Global companies have to standardize their processes and operations as far as possible across nations to accomplish efficiency and reliability; but also to customize their operations and offerings in different regions to suit the local conditions. At the level of organization design, companies have to differentiate their functions so that specialization and deep expertise can develop. At the same time they must also integrate their functions so that the overall mission can be delivered. At the individual, human level, companies have to empower their staff to ensure that employees give their best, but also have control over outputs to ensure quality and productivity. The list is endless. And such

tensions repeat themselves, much like fractal patterns, throughout the organization.

Janus Strategies encompass generative tensions between opposites. They promote a way of thinking, as well as organizational principles, that seek to synergize competing tensions, create virtuous circles, and search for complementary solutions, rather than capitulating to the dilemmas and satisficing with binary, either/or solutions. This book outlines how Janus Strategy can be accomplished, based on insights from companies that have done so.

About the Author



Loizos Heracleous is Professor of Strategy and Organization at Warwick Business School, and Associate Fellow at Said Business School and Green Templeton College at Oxford University. He earned his PhD from the University of Cambridge and received a Higher Doctorate (DSc) from the University of Warwick for lifetime contributions to his field. He researches and teaches about strategy, organization change and development, and corporate governance. His research has been published in 10 books and over 80 research papers, in journals that include the *Academy of Management Journal*, *Academy of Management Review*, *Strategic Management Journal*, *MIS Quarterly*, *Harvard Business Review* and *MIT Sloan Management Review*. His work has been honored over the years by four Awards from the US Academy of Management and by three awards from Emerald. He is a recipient of the *Douglas McGregor Award* from the *Journal of Applied Behavioral Science* and has served on the editorial boards of several leading journals. He has worked with senior leaders at several blue-chip corporations and agencies and is regularly quoted in business media. More information about Loizos' work can be found at www.heracleous.org and at his Twitter feed @Strategizing.

2. Toward Janus strategy

¹ These medical statistics are from Narayana Health's Annual Report 2018-2019, available at: https://www.narayanahealth.org/sites/default/files/download/annual-reports/Annual_Report_2018_19.pdf

² More details about Narayana Hospital and Dr Shetty can be found in Bruce, K. & Heracleous, L. 2015, Narayana Health: Bringing quality healthcare to the masses, The Case Center, Case 315-202-1; and in Heracleous, L. & Bruce, K. 2015, Narayana Health Case Teaching Notes, The Case Center, 315-202-8.

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⁴ Altstedter, A., 2019, The world's cheapest hospital has to get even cheaper, Bloomberg Businessweek, 26 March. Available at:

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⁷ Devan, J., Klusas, M. B., Ruefli, T. W. 2007. The elusive goal of corporate outperformance. *McKinsey Quarterly*, May: 1-4.

⁸ Haanaes, K., Reeves, M. & Wurlod, J. 2018. The 2% company. Boston Consulting Group. Available at: <https://www.bcg.com/en-gb/publications/2018/2-percent-company>

⁹ Michael Porter advanced his influential ideas on generic strategies and their implementation, as well as the need to make a clear choice among strategies, in *Competitive strategy* (Free Press, 1980) and *Competitive advantage: Creating and sustaining superior performance* (Free Press, 1985).

¹⁰ For more information on Michael Porter's position and on the history of the strategy field see Heracleous, L. 2003. *Strategy and organization: Realizing strategic management*. Cambridge: Cambridge University Press, chapter 1.

¹¹ Heracleous, L. & Wirtz, J. 2010. Singapore Airlines' balancing act. *Harvard Business Review*, July-August: 145-149.

¹² Heracleous, L. 2013. Quantum strategy at Apple Inc. *Organizational Dynamics*, 42: 92-99.

¹³ These companies have been labeled "Chinese dragons". See Williamson, P. J., 2010, Cost innovation: Preparing for a "value for money" revolution, *Long Range Planning*, 43: 343-353.

¹⁴ Heracleous, L., 2013, *Quantum Strategy at Apple Inc*, *Organizational Dynamics*, 42, 92-99; Heracleous, L., 2013, *What do Apple and Singapore Airlines have in common?* *Quantum strategy*, *Bloomberg Business*, Available at <http://www.bloomberg.com/bw/articles/2013-07-31/what->

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¹⁵ The growing potential of quantum computing. Interview of Vern Brownell, CEO of C-Wave Systems, McKinsey Global Institute, February 2016. See also Eisert, J., Wilkens, M. & Lewenstein, M., 1999, Quantum games and quantum strategies, *Physical Review Letters*, 83, 3077-3080. Eisert et al. found that quantum strategies outperform classical strategies in the game of Prisoners' Dilemma.

¹⁶ Reeves, M. Bergman, R., Gourevitch, A. & Ortiz, M., 2016, Forks in the road: Navigating industry disruption, Boston Consulting Group, www.bcgperspectives.com, p. 1.

¹⁷ March, J. G. 1991, Exploration and exploitation in organizational learning, *Organization Science*, 2: 71-86.

¹⁸ Abell, D. F. 1999, Competing for today while preparing for tomorrow, *Sloan Management Review*, Spring, 73-81.

3. The six elements

¹ Parts of the discussion in this chapter draw from Heracleous, L. 2013, Quantum Strategy at Apple Inc, *Organizational Dynamics*, 42, 92-99.

² Porter, M. E. 1985. *Competitive advantage: Creating and sustaining superior performance*. NY: Free Press, pp. 11-12.

³ Porter, M. E. 1985. *Competitive advantage: Creating and sustaining superior performance*. NY: Free Press, pp. 19-20.

⁴ Porter, M. E. 1985. *Competitive advantage: Creating and sustaining superior performance*. NY: Free Press p. 20.

⁵ For further details of Danny Miller's research on generic