

EXECUTING YOUR STRATEGY

AT THE SPEED OF CHANGE



**ESSENTIAL
READING FOR
EXECUTIVES AT
ALL LEVELS**

RAPID CHANGE

Disruption is the new normal

DESIGN THINKING

It's time to think about strategy differently

STRATEGY EXECUTION

Traditional methods must be exchanged for agile methods

LIFE IN THE FAST LANE



Is your organization fast enough? Fast enough to develop new ideas and get them to market before the opportunity fades? If you are in an industry that is facing the impact of digital transformation, or simply the effect of new entrants that are nimble and focused, chances are that the change going on in your environment is faster than the speed of change inside your organization. That's a problem. You can get left behind the wave of change if you don't do something about it and quickly."

And the problem is here to stay. Gone are the days of "sustainable competitive advantage". Fewer and fewer things are immune to disruption. Practically every industry is experiencing the need for speed and innovation to remain relevant. We need to think in terms of how to innovate to stay ahead of the wave of alternatives and substitutes for what we offer. The taxi industry was relatively warm and comfortable with their barriers to entry until Uber exploded their model. Retail was a predictable channel of distribution until Amazon turned most stores into a showroom for on-line purchases. Newspapers and magazines (remember those?) were a primary source of information until smart phones turned everyone into a reporter and the internet became the main source of information.

Technology is advancing at a pace that makes some or most continuous improvement efforts pointless because change will obsolete the process before it can be improved. And so it is with our traditional view of how to create and execute strategic plans. In many businesses, the cycle time for creating a strategic plan, incorporating it into the budget and releasing it takes more time than the next wave of change takes to crash over us. The plan then becomes obsolete before it even gets out of the gate.

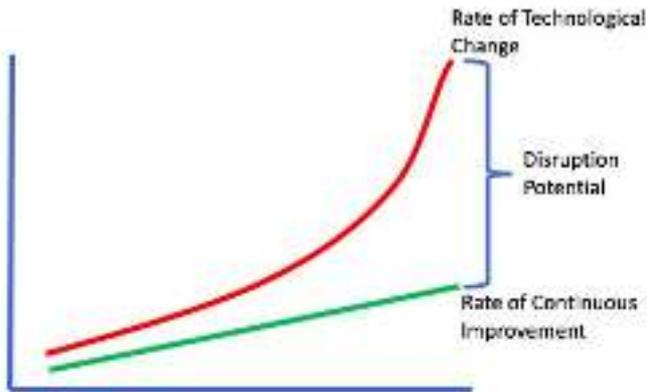
It comes down to speed, speed & speed.

Speed of innovation. This includes insight generation, designing, prototyping, testing, iterating, optimizing and scaling. All in an environment where there is a high degree of uncertainty about what will really work in the market and what the response will be from competitors. The development process needs to be created around design thinking so that we iterate toward a brilliant new product or service instead of planning for some "big bang" event. This makes us faster because our approach is grounded in better information."

Speed of organizational capability generation. Just because we invent the next generation solution with incredible market insight etc, does not imply that our organizations know how to produce, sell and service the new invention. Culture is not a four letter word but it might as well be when we encounter the inertia that goes with asking the team to make the changes we need to create the next level of our business. We need a faster and better way to bring the organization along starting with the executive suite.

Speed of implementation. Once upon a time it was possible to create very definite plans and lock them down into a predictable schedule. Few things are completely predictable at this point and therefore the traditional ways of planning and scheduling are no longer viable in order to get the job done. We need fast and flexible ways of executing strategy that keep us from getting the work implied by the strategy entangled in the operational day to day aspects of the business. Strategy and operations don't mix. When innovations are ready to become an operational reality they can be integrated into operations. Until then they need to be kept on separate tracks.

FRAME YOUR STRATEGY



“If the rate of change inside our business is slower than the rate of change in the environment, we are in trouble.”

Truth is that if we work the same way that we always have, we will be too slow to compete effectively. At the same time, the traditional methods of portfolio, program and project management are becoming less effective in situations where there is a need for speed and flexibility. That means that we need to change the way we work.

So what should we do?

We must break the challenge into 4 pieces:

Framing
Designing
Aligning
Executing.

'Framing Your Strategy' means understanding where the market and customers are and where they are going so that you can align the organization to the wave of change taking place. Taking a page out of design thinking, the place to start is our level of understanding and empathy from a customer viewpoint. We need to ask ourselves what we really know. Ask ourselves things like:

- What is happening to the market for what we do? How is it being disrupted by technology or other innovation?
- What is happening in our customers world? How are their needs changing?
- How are competitors responding to change?
- What completely different application of our core competency is there whether in our current industry or not?
- Who would the customers be in a different application? What would they want?
- Is there a technically feasible way to innovate in that space?
- Is there a business case to be made for a different application?
- What can we do where we can be the best in the world?
- What changes have occurred in the past and what caused those changes?
- What are the current emerging issues?
- What are the plausible futures?
- What is our preferred future and how would we get there?
- What do we need to do to align the leadership and culture of the organization to meet the challenges ahead?

Getting the frame or context right is the first and most important step in the process because if you get this wrong, no strategy will help and the false starts will slow you down. The starting point will be misunderstood and understanding the trends affecting the future will be of little use because an error in contextual understanding leads to a faulty plan that slows you down.



DESIGN

THE STRATEGY

Strategy always tells us where to play and how to win. In framing the strategy we may have created a large number of potential directions the strategy could take because there are always multiple places to play and multiple ways to win. In the design phase, we converge on an executable number of actions and pressure test them using a design thinking approach. Design thinking as it relates to innovations creates clarity by narrowing our thinking using three perspectives:

1. IS IT DESIRABLE?

IS THERE A CLEAR PATH TO GENERATING SOMETHING THAT THE MARKET WANTS?

2. IS THE PATH TECHNICALLY FEASIBLE?

IS THERE REASON TO BELIEVE THAT THE TECHNOLOGY EXISTS OR WILL EVOLVE QUICKLY ENOUGH TO BE ABLE TO SUPPORT THE DIRECTION?

3. IS THERE A BUSINESS CASE TO BE MADE?

CAN WE SAY WITH SOME DEGREE OF CERTAINTY THAT THERE IS A PAY OFF WORTH HAVING IN TAKING A GIVEN DIRECTION?

In order to answer these fundamental questions, we need to take a further page out of the design thinking playbook:

- 1. Understand** - do we fully understand the market needs, trends and implicit desires well enough to make an informed choice as to our direction?
- 2. Empathize** - can we truly see the situation from the customer viewpoint?
- 3. Ideate** - have we explored the broad range of alternatives and narrowed them?
- 4. Prototype** - can we make a sample or mock-up of what we intend to create?
- 5. Test** - how can we test the direction before attempting to scale?

In addition, you must think about strategy differently than you probably do now. Instead of thinking about strategy as one entity, think of it in two different arenas. One arena deals with the core business. The strategy for how to grow, or defend a core business is not the same as a strategy for bringing about transformation of the business, so don't combine them into a single strategic plan.

The strategy for the core business is likely to be largely focused on how to take on an adjacency, new channel(s), a new application etc. It is much more concrete and has fewer degrees of ambiguity. We can be much more certain about how to execute over the near term to reach our operational goals. The innovation strategy is about how to fundamentally change the game. The level of ambiguity is extremely high. These two arenas don't play nice together. They require two different mind sets, they compete for resources and they follow different rules. What is being talked about here is largely the approach to the innovation side of strategy but there are some aspects that apply to both (customer understanding and empathy for instance). What we use for designing the strategy are tools such as:

- 1. Strategy Maps** to build understanding from customer outcome down to execution capabilities
- 2. Strategy Canvas** to build our understanding of how our offer is different and better than alternatives
- 3. The pattern of fit** and attractiveness of alternatives

This work allows us to quickly choose the strategic path that is then prototyped and tested.



ALIGN YOUR STRATEGY

To the degree that we have a strategy designed for where to play and how to win, we need to make sure we don't make the mistake of having a strategy that does not fit well with the organization that must carry it out. The reasoning behind this is simple. If it comes down to a battle between the organization and the strategy, the organization will win every time.

Keep in mind that this is not necessarily done sequentially with framing and designing. The elements of getting the leadership team aligned can start immediately in the process and will continue into execution and be an ongoing consideration.

Here are the focus items in aligning strategy:

1. **Senior leadership team alignment** - is the interaction among the senior leaders conducive to executing strategy or are there major disconnects?
2. **Leadership Impact** - are the leaders in the organization having the right kind of impact on the team for the strategy to work?
3. Is the organization structured on the basis of "zone to win" which creates structural separation between the innovation and operational aspects of the business?
4. **Metrics** - do we have the right measurements in place to be able to govern the operational and innovation portfolios?

EXECUTE YOUR STRATEGY

Here is where there is a big difference in how to gain serious speed in the whole strategic execution space. As was mentioned earlier, the innovation side of the strategic execution arena is higher in ambiguity than the operational side. How to increase share or margin may be much more straight forward than creating a breakthrough. The simple truth is that there is no way to remove much of the ambiguity in innovation without an iterative approach.

Incremental or iterative approaches to software development go back at least two decades but in other areas of enterprise strategy, it is much less common. The basic idea here is to apply design thinking once more and combine it with agile principles that focus on short term actions with a longer term objective in mind.

In a conventional approach, we would determine the final deliverable and then create a plan to get there. The resulting plan would be long term in nature. In a design thinking approach with agile implementation we would define the objective, not the end deliverable.

A dramatic example is Airbnb. In creating something where the objective of connecting private individuals who have a need for accommodations with people who can supply them, it would be difficult at best to define the exact final deliverable. It requires a number of iterations and prototypes. The imperative here is to break the execution into "sprints" that have an objective and a short time line. In all probability, this means breaking the strategic direction down into 30 day sprints. The process then goes from this:

An example of a high level objective might be to re-purpose a core competency into a different market. This would be the equivalent of Amazon taking their data center and data management expertise and baking it into a cloud computing solution. This is a long way from on-line book selling where they started. The imperative here is to break the execution into "sprints" that have an objective and a short time line. In all probability, this means breaking the strategic direction down into 30 day sprints.

To the right is a typical annual cycle that starts with 'reflect' in the early fall and repeats annually. By breaking down the strategic direction into sprints, the process then goes from one cycle to many.

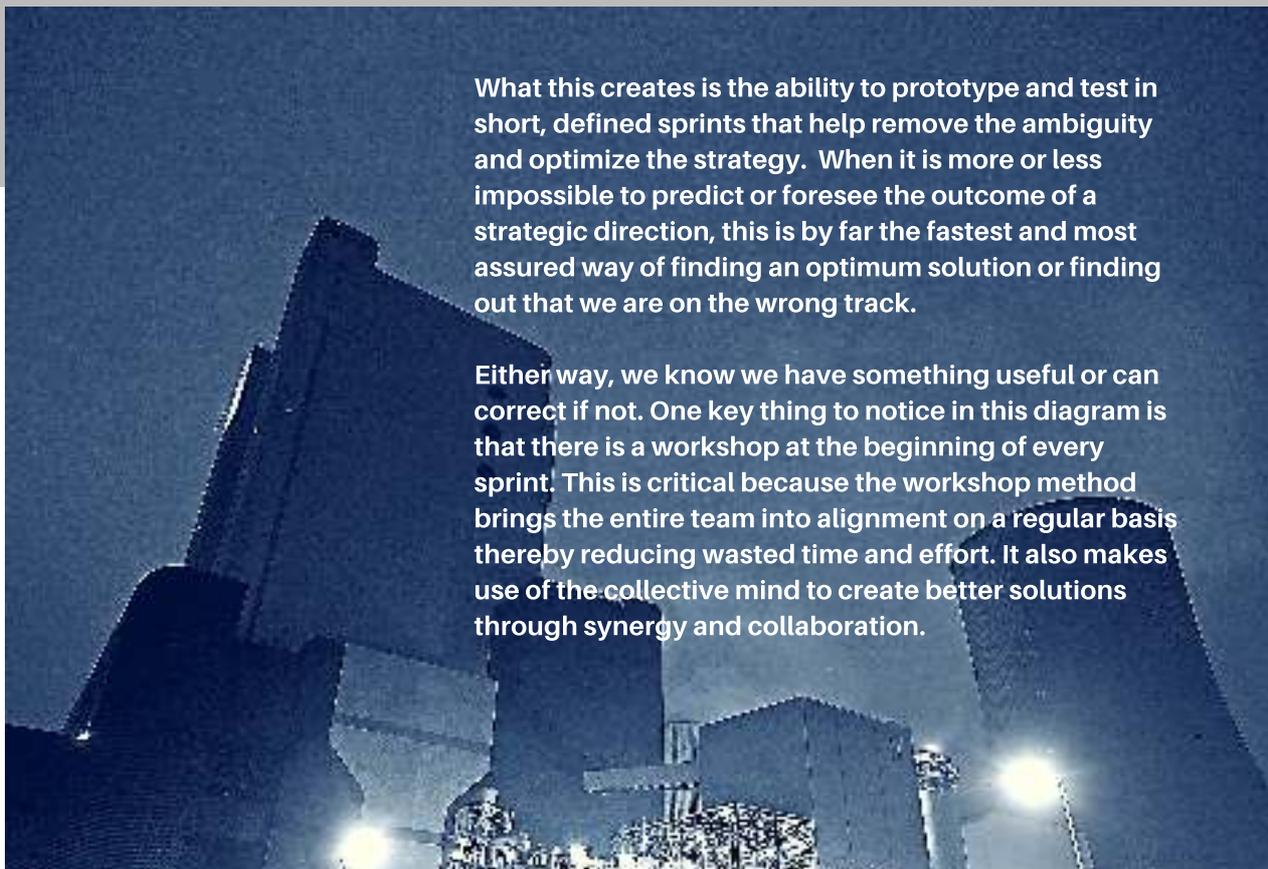


New technology has been brought to the workshop arena that allows groups to pre-format meetings, collaborate fully with global teams and capture group work virtually instantaneously instead of typing up hundreds of post-it notes. This is a major breakthrough in team collaboration and overall speed of execution.



What this creates is the ability to prototype and test in short, defined sprints that help remove the ambiguity and optimize the strategy. When it is more or less impossible to predict or foresee the outcome of a strategic direction, this is by far the fastest and most assured way of finding an optimum solution or finding out that we are on the wrong track.

Either way, we know we have something useful or can correct if not. One key thing to notice in this diagram is that there is a workshop at the beginning of every sprint. This is critical because the workshop method brings the entire team into alignment on a regular basis thereby reducing wasted time and effort. It also makes use of the collective mind to create better solutions through synergy and collaboration.



PARTING THOUGHTS

It would be great if every emerging idea had a bundle of proof that went with it. The ideas expressed here are not without evidence but are not what could be called "best practice". After all, best practice has to be around long enough to be proven to be "best". The life cycle of practices is

- **A thought becomes a**
- **Theory that becomes an**
- **Experiment that becomes a**
- **Leading practice that becomes**
- **Best practice (given proof) that becomes a**
- **Common practice that becomes an**
- **Obsolete practice**

Best practice is in the end "over the hill". It's on the back half of the life cycle. So the moral of the story is that if you wait for proof, you will miss the benefit of early adoption. The suggestion here is that you begin to prototype and test the concepts and find out how much benefit there is for you in adopting the mind set of "Executing Your Strategy At the Speed of Change".

SUMMARY

Our world moves too fast for conventional strategic planning and execution processes. The rate of change simply outpaces what the traditional mindset created in this area. Remember, project management (the carrier and implementer of strategy) was a discipline that grew out of aerospace, large pharmaceutical, and construction industries. These are relatively large and slow moving industries. (Although all are getting disrupted right along with the rest of us). The methods and thought processes that make a company successful under the original mental models that come from these industries simply do not match today's reality. In short we need to

1. Frame up our strategic context on a continuous basis, not just annually
2. Design strategy on the fly as the conditions on the ground evolve
3. Execute strategy in an agile fashion using the latest in team collaboration technology in workshop format
4. Make sure we continuously align the organization along the way
5. Integrate design thinking into the entire process
6. Move now to incorporate the best thinking on this subject and not wait for proof!

ABOUT THE AUTHOR

Mark Morgan is a seasoned Senior Executive and Consultant with more than 40 years of success across the high-tech, construction, manufacturing, and critical infrastructure industries. His broad areas of expertise include strategic planning, portfolio management, executive coaching, program management, change management, business transformation, and organizational development. He has held leadership positions at companies such as StratEx Advisors Inc., IPSolutions, and IBM. As Founder, CEO & Chief Executive Advisor for StratEx Advisors since 2007, he leads strategy development and execution across an array of industries. He is lead author of the acclaimed book "Executing Your Strategy" by Harvard Business Press. He holds a BSET in Mechanical/Manufacturing Engineering from California Polytechnic State University and an MBA in Management and Operations from Golden Gate University. He is a certified Project Management Professional (PMP) and a Stanford Certified Project Manager.

