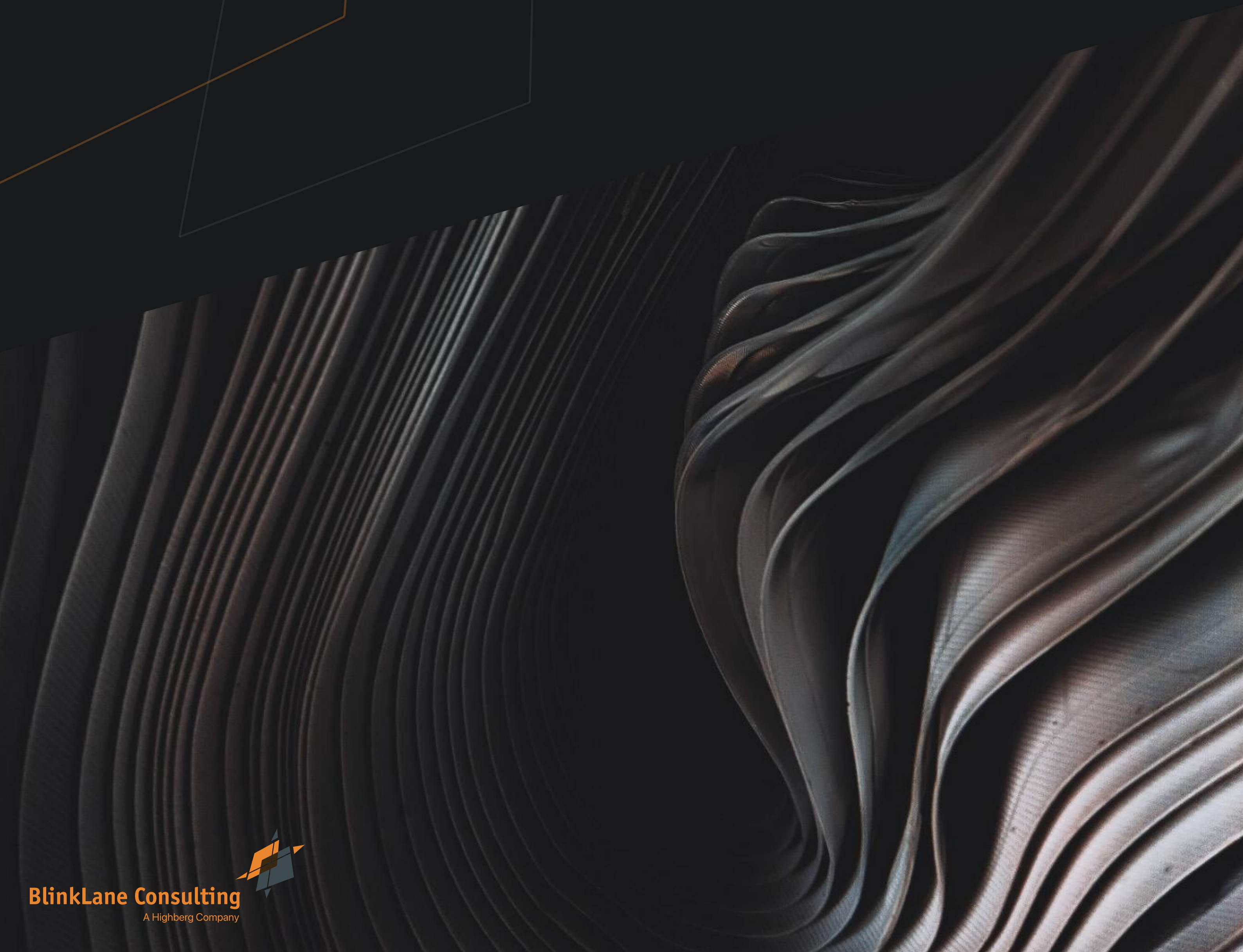
Trends in Strategy-Execution for Responsive Organizations

Towards an iterative strategy definition and execution process



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The last decade, organizations are more and more confronted with different competitive pressures. Emerging technologies, rising consumer expectations, complex value chains and changes to the way people live and work are just a few factors that trigger organizations to rethink their strategy. Combined with a relatively poor track record on large scale change execution, this has created a need for organizations to reinvent their strategy definition and execution processes.

Both above-mentioned reasons were echoed in the conversations we had with managers in the field of strategy and transformation, working in Europe. We asked these transformation leaders: why have their organizations looked for radical new ways of structuring their business governance? This article is a result of these discussions held in the latter half of 2022. They reveal a swing towards adopting an iterative strategy definition and execution process within their organizations. Strategy-definition and -execution (from here on strategy-execution), or better yet: the ability to change strategies quickly in response to unexpected events, is firmly on the agenda of many strategy executives. But what are the trends in strategy-execution? We've discovered at least 5 of them and will argue that this is just the beginning.

A CONNECTED VIEW OF 3 BUSINESS GOVERNANCE ROUTINES

The COVID crisis may have opened the eyes to the C-suite that inherently, their company does have the ability to decide and respond quickly to heavy turbulence. Responsive organizations can compete and thrive in this age of change by continuously sensing for, and quickly responding to, market changes and emerging opportunities. To achieve such situational awareness, companies must connect three routines inherent in all companies

1) the strategy routine: the vision and strategy design, including the performance review process
2) the portfolio routine: the process of planning and prioritization of initiatives to achieve the target state, including the financial forecasting and planning process
3) the delivery routine: the process of innovation, solution design, - implementation and - maintenance in line with the desired business outcomes

The above borrows substantially from a belief in a more fluent notion of strategy itself: balancing between deliberate (planned, envisioned) and emergent (context- and learning-driven) strategy. As the father of Management by Objective (MBO) thinking on which most modern management methodologies are based, it seems only fitting to quote Peter Drucker: "the greatest danger in times of turbulence is not the turbulence: it is to act with yesterday's logic."

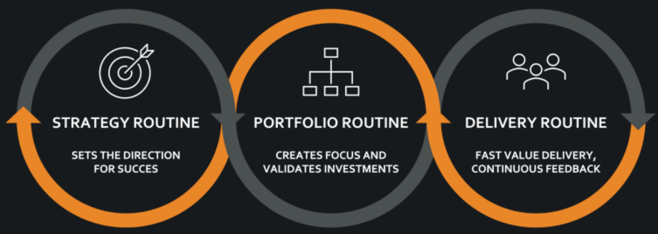

Figure 1: 3 strategy-execution routines

In our conversations with representatives from 9 companies, we focused on the strategy-execution side of governance. This is more than mere product- or solution development as it includes the commercialization as well as the resource strategy. It does not address the financial strategy of a company or its efforts in M&A. And we acknowledge there is likely a grey zone when it comes to the applicability of below-listed trends.

As a definition for governance, we settled to describe it as the set of principles, structures, and processes to direct an organization and positively influence its business outcomes. It leans on sense-making and problem-solving to make decisions that are subsequently communicated to the organization. Therefore, to achieve responsiveness, effective governance aims to optimize the combination of speed and quality of decision making within boundaries of costs to the organization to reach these.

SPEED x QUALITY = RESPONSIVENESS

COST EFFECTIVENESS

Figure 2: elements of effective governance

TREND 1: A TIGHT-LOOSE-TIGHT LEADERSHIP STYLE

The principles of effective governance have not changed much from what was already known. Transparency, alignment, accountability have been important before and will remain so in a VUCA (Volatile, Uncertain, Complex, Ambiguous) world. However, frontrunners in business agility now place even greater emphasis on transparency and alignment, combining these with a 'keeping options open' type of strategy. This reinforces the notion of a fast feedback loop that needs to be intentionally designed.

The Transformation Director in charge of the redesign of the strategy-execution loop for a leading Dutch telco phrased it as a "heavy reliance on a tight-loose-tight type of leadership style". At this telco, the CEO of a 7,5 thousand employee strong organization takes extra care ensuring few filters exist between strategic discussions within the executive team and the translation to the wider management community (more on this with trend 3). Any outcomes or qualitative insights resulting from the implementation are discussed at least quarterly. It reflects the 'mission command' leadership style of modern militaries and should be seen as opposite to either 'micromanagement' or 'command and control' styles (see Figure 3).

Management by Objective is often associated with the translation of this tight-loose-tight philosophy to the business world with Objectives Key Results, its most popular offspring today. In fact, OKR formed the starting point for all the organizations interviewed. Famed for its use by tech giants as LinkedIn, Google and Facebook, there is sufficient variation in implementation here. For one it is providing the background for a performance discussion and goals alignment. For another it is a very structured process to look back, spread lessons learned quickly, and look forward to new performance goals followed with strong discipline.

PLAN (mission)	DO (implementation)	CHECK / ACT (feedback)	
Tight	Loose	Tight	Mission Command
Loose	Loose	Loose	Inertia
Loose	Tight	Loose	Micro Management
Loose	Tight	Tight	Anti Engaging
Loose	Loose	Tight	Blaming Culture
Tight	Tight	Tight	Command and Control

Figure 3: leadership styles based on the level of alignment, balancing between 'tight' (emphasized in business governance) and a more 'loose' way (left to team or unit autonomy and local governance)

TREND 2: SPEED OF DECISION MAKING THROUGH A SINGLE COMPANY HEARTBEAT

The intentional redesign of the governance is something companies in strategy-execution transformations share. All but 1 manager we talked to spoke of a single heartbeat designed to run through the organization. The aim of this process is to align top management to shared goals. Next, it aims to challenge the feasibility of these by taking a holistic perspective as opposed to the often rigid and single-view approach of program governance. As capacity to deliver on strategic initiatives is often a bottleneck, prioritization of strategic plans is a logical and continuous part of it. This also requires a different mindset of the leadership involved; arguing priority relative to other initiatives evokes more scrutiny from colleagues than a regular defense of the business case against measured financial performance alone. Back to the Telco: "Not everyone liked [relative] value-based decision-making but supporting it [in the QBR]

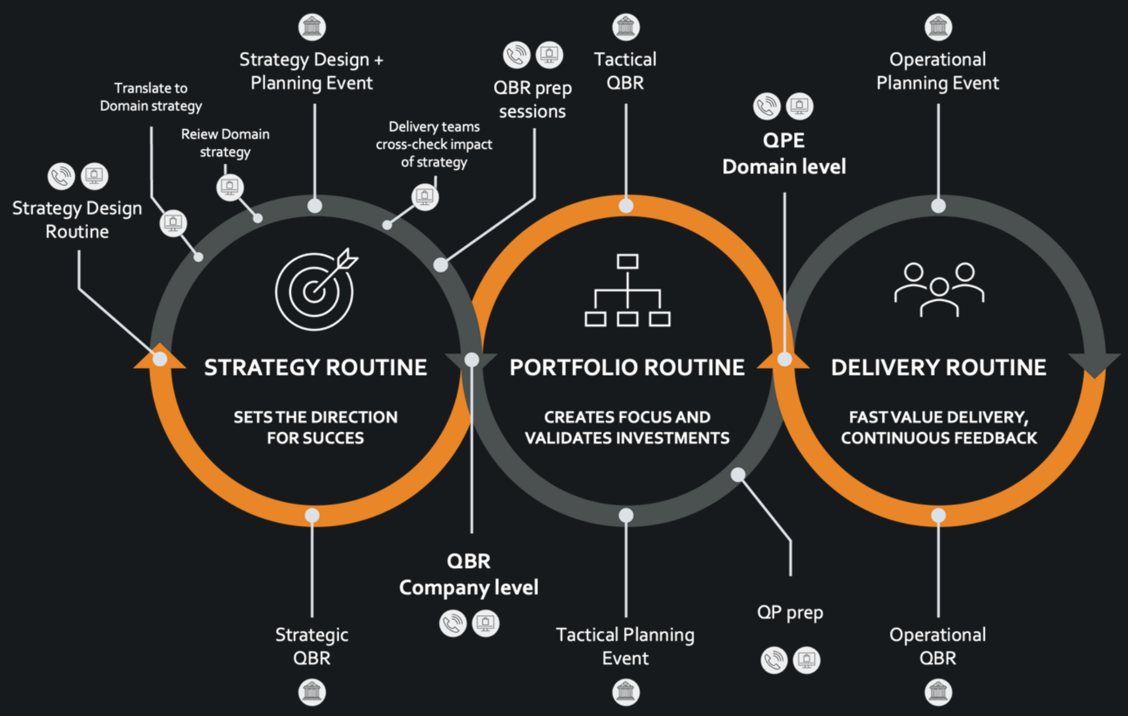

Figure 4: Comparing three example heart beats we see similarities and differences. All examples companies aim to connect the three routines and work in a syncronized quarterly rythm. Company B took a different approach and separated the planning from the feedback events. Company T and R have a similar setup, both have strategy routine preparing for the company quarterly business review (QBR). However, company R uses a 6-month strategic cycle. Within this 6-month strategic cycle company R organizes, like company T, quarterly planning events (QPE) on Domain level.

allowed people to see the total picture [of the strategy-execution process intent]."

Though many names for top-level decision-making platforms have been mentioned, Quarterly Business Review (QBR) with the process labeled QBR-flow is most commonly used among the companies we interviewed. As the name suggests, this heartbeat typically assumes a quarterly rhythm. However, as one online retailer mentioned, it is not always easy to maintain this frequency with the executive level. "The preparations just took too much effort, so [following a quarterly rhythm at first] we moved to half-yearly instead." When automation efforts pay off, it is expected they return to the quarterly schedule.

TREND 3: MORE INCLUSIVE DECISION MAKING

Your team finds itself hosting a very first QBR session. Instead of asking the business units one at a time, their entire management teams are asked to reflect together as a team of teams. The atmosphere is one of curiosity, some scepsis but generally collaborative; for many it is the first time they are invited to comment on company strategy this directly. Midway the event though, some leaders start to doubt the process. Rather than a reaffirmation, their teams point to a weakness that undermines the plan's feasibility. So they now present two scenarios to the leadership. One scenario would sacrifice part of the strategic growth objectives. The other would sacrifice short-term profitability. Both were promised to investors. Not every QBR will end in such a dramatic conclusion, but it does highlight a dilemma leaders will face: how to respond to such challenges? Your choice may well impact the future transparency and subsequent dialogue expected. Responsive organizations emphasize their governance should foster critical dialogue, enable challenging the assumptions and allow admission to failures.

We have found that within the set of observed forward-thinking organizations, their strategy-execution transformations focused on improving decision-making quality more than perceived decision-making speed or efficiency. The number of people involved in the decision-making typically goes up, not down. "We invite the Top-60 [n-1 & n-2] both in our strategy days [yearly, strategy-inspiration sessions] as well as to our QBR. We suggested once to bring that number down, but our CEO favored the direct involvement the larger setup brought." Explained one manager. At the before mentioned online retailer, the total number of people involved in the quarterly strategy-execution sessions alone totaled close to 150; top management combined with subject matter experts. A notable exception in the group is another online retailer from the Netherlands, still leaning on a strong CEO-founder-mentality. According to their former Chief Strategy Officer "Every quarter we looked at the 2-3 quarter roadmap of the different domains, based on their latest quarterly planning. What was in, what was out. Our CEO would directly compare these [20] domains and arbitrate resources between them."

But as in all other investigated cases, such arguments would always be delivered by the demand- and delivery-side of the organization in unison. Together, they have skin in the game and can turn the conversation from wishful thinking to open risk confrontation. The Telco's transformation lead: "Truly managing the QBR flow from the perspective of aligned value streams made a difference in breaking siloes between departments still separately represented in the senior leadership team."

TREND 4: TOOLING MATTERS IF YOU AIM TO COMBINE QUALITY WITH SPEED

We already mentioned that decision-making quality and considerations of alignment in most explored cases outweigh efficiency arguments. But such considerations do play a role in the form of constraints. If the preparation for parties involved in the governance platforms is too time-consuming it could easily lead to rejection. One leader explained how it influenced their heartbeat, and how they turned to tooling as a change lever: "we started with a quarterly cycle but realized we were not there yet for the top level [of our company]: the preparations just took too much effort. So we moved back to half-yearly. As our automation efforts are expected to pay off soon, we likely move back to quarterly."

Aside from the obvious role for automation in limiting preparation effort, it also supports decision-making quality. In a dynamic environment, the integrity and timeliness of the reporting matters a lot. It is why companies invest in rolling out uniform planning software tracking large initiatives and connecting these to strategic objectives. The use of templates to structure input to the QBR further allows the reader to grasp assumptions quickly, focus the conversation on scenarios and turn the conversation faster to risk/opportunity likelihoods. One step beyond would be the building of one central hub, sometimes called a 'war room' but now popular by the Japanese term Obeya. The aim of such a room, whether physical or virtual, is to combine all relevant data and insights in strategy and portfolio performance. Ultimately, it allows the leadership team to quickly focus on the topics of interest, often decreasing meeting time as well as its quality.

TREND 5: IMPLEMENTATION IS A JOURNEY

The earlier used example of a 'tough call' choosing between two scenarios with their own drawbacks is based on a real case. It ended when the CEO stood up, praised the teams for enabling an early intervention that still allowed time to mitigate any scenario drawbacks. "If not, I will take this hit", said the CEO as recounted by the strategy-execution lead.

For many transformative efforts, the role of leadership can make or break their success. Whatever strategy-execution process these companies had before, it will have evolved and improved over many years. Replacing this with a governance system emphasizing an entirely different set of principles, will equally require time to settle in and mature. The choice for an incremental approach – i.e. gradually increasing the scope of business units involved – helps organizations to experiment and learn on a small scale.

It also allows the facilitating team to involve the key stakeholders in the organization more deeply. Having them understand the true intent of the transformation rather than just expose them to the result, proved invaluable in the cases examined. It increased buy-in and made the process better as the early feedback helped navigate pitfalls. The communication effort often did not stop there. Apart from being a regular topic at town halls we've heard of this rhythm becoming a part of a management guide at onboarding, as well as a series of podcasts for the entire organization.

Old business governance structure	Following introduction of QBR-flow at Telco	Introduction to QBR
Cadence: Building and evaluating year plans in the context of 5-year plans	Building and evaluating quarterly plans in the context of year and 5-year plans	Directly
Strategy-review cycle disconnected from portfolio	Strategy-review as part of the executive team meeting 3 weeks prior to QBR	Within half a year
Investment Committee to approve project plans next to financial forecasting (CAPEX-OPEX) with wide participation	Investment Committee aimed at building insights as input to QBR, reduced in size	After a year
Commercial Committee discussing policy as well as progress on initiatives and priorities	Commercial Committee focused on policy (e.g. pricing policy) alone	Within half a year
Business (Sales) Review meeting	As is	n/a
Top-5 Strategic program review meeting	Completely absorbed by the QBR-flow after	After a year

Figure 5: the implementation journey: the increased span of control of the QBR process over time for a Telco company

What should become clear is that transforming your strategy-execution processes is not something that is done overnight nor finished after its first introduction. It needs proper preparation of the content, the desired leadership style and associated soft skills. It requires follow-up, having learned from early experiments what works and what doesn't. A final key success factor in the words of one interviewee: "it is key to have a central team that is responsible for leading the change and supporting the process."

SOME FINAL THOUGHTS

What has long received a lack of attention in strategic thinking is the execution side. The last 5 years or so we clearly see a correction. The limits of a pure programmatic approach to strategy are now broadly accepted. Strategy is recognized to be iterative in nature. Intuitively this makes sense, but many of the business governance systems remain aimed at exercising control of a fixed plan. As a result, focusing efforts beyond strategy design to the execution side of strategy is now a regular leadership topic. Such transformations of governance systems should emphasize the pursuit of shorter plan-do-check-adjust cycles, as known to other parts of the organization.

Simultaneously, on the tactical and operational levels of business we now see a re-appreciation of strategy. Decentralization of decision making and increased autonomy at operational levels requires a strong shared goal, mission command. With the right translation strategy can become actionable, manageable, and therefore more beneficial in guiding day-to-day management decision making. As these 2 worlds meet more frequently, we expect more trends of how-to to emerge in years to come. Some of these, including the ones mentioned in this article, might prove to be less effective or simply lose in value over time. Others may stick as part of the new strategy-execution blueprint. The journey is far from over.

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- Our thanks go out to those that shared their views with us

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