The Challenge of Strategy Implementation

It has never been harder to implement business strategy than it is today. The pace of change, amplified by the impact of digital business, often produces a focus on short-term gain that can be out of sync (or even in conflict) with long-term strategy. The negative results of “inside out” thinking and a myopic view of the organization as independent units— rather than a cohesive whole—already made strategy implementation difficult enough. The added acceleration of the Digital Age compounds the problem.

Winning in today’s business world requires achieving transformational change in how the business operates internally, and how it interacts with customers. Technology, while important, is not the answer by itself. Successful implementation of the right strategy is what drives real change and growth.

Success in implementing business strategy is all about mindset and culture. It is up to organizational leaders across the business and in IT to help drive a new view of the organization. This view comes from the outside-in (in other words, it comes from the customer’s perspective). It is an integrated view of the organization that reframes the company’s key business processes into strategic capabilities to consistently provide customers with superior value. This view places the impact of both departmental silos and data silos under a microscope. If your organization has had challenges in implementing strategy in a traditional departmental model, consider adopting such an integrated perspective where collaboration is the driving force.

This paper begins with a brief outline on strategy followed by the importance of measuring progress—a key pre-requisite for effective strategy implementation. Next, we address the role of frameworks in enabling the implementation of strategy, the need for agility and innovation in the anticipated business environment, and the progressively important role of IT and digital technologies. We then advocate the need for leaders to shift management attention from a traditional, departmental model to one that is focused on customer value creation and conclude with the increasingly important role of the CIO.

INTRODUCTION

Strategy implementation has always been challenging. In today's fast paced, digital world, the challenges are greater than ever before. An integral part of the current business environment is a focus on the short term. It's all too easy to lose sight of what is strategy. Even when there is clarity on strategic objectives, several powerful forces can create significant challenges in implementing strategy effectively. First, when a company takes an inside-out perspective, where the focus is primarily on what matters to the company with insufficient emphasis on what matters to customers, this reinforces a fragmented view of business and stands in the way of implementation. Next, a compartmentalized view of the organization, characterized by its departmental functions and its technology silos, can significantly impede execution. A traditional, internally focused perspective is an impediment to implementing strategy that transcends industries. The explosion of new technologies and the associated hype with new tools can have a major impact on leaders and how they think about what their organization needs. Also, a lack of discipline in prioritizing initiatives—or overload—can be particularly problematic.

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So, it's all too easy to forget that it's the effective implementation of strategy—and not technology alone—that drives transformational change.   Accordingly, companies who falter—often do so not because their vision is defective—but because of implementation shortfalls. The adverse impact of a culture resistant to change, characterized by a traditional view of business by the "old guard," and the wrong incentive structure was highlighted as major obstacles to implementing strategy by John Lojek, the former Director of Strategy at British Telecom. This sentiment was echoed by CIOs in financial services and manufacturing.

It's all about mindset and culture. When the organization pays disproportionate attention to how it is structured, there is a tendency to adopt an inside-out point of view. Similarly, the number of strategic objectives can swell to unmanageable proportions as departments independently identify internally focused initiatives. Success in implementing an effective strategy depends on both viewing the business from the outside-in (i.e. the customers' perspective) and reframing the traditional IT view of process to build the company's key business processes into strategic capabilities that consistently provide superior value to customers.[i]

WHAT IS STRATEGY?

Strategy is a concise explanation of key choices which position the organization to win in its served markets. It is not a long planning document. Instead, it's about making hard choices on what to do—and of equal importance—what not to do. This typically involves delivering greater value to customers or creating comparable value at a lower cost, or both. An effective strategy, that lends itself to ease of implementation, is not built upon a departmental view of the organization. Nor is it predicated on a technology view of the company. Instead, it is based on the belief that **activities** that invariably cross organizational boundaries to create value for customers are the fundamental basic building blocks of competitive advantage. That's the essence of differentiation.

In 1996, Dr. Michael Porter introduced the concept of "fit" in formulating strategy. Porter argued that a company cannot have a distinctive strategy if there is no fit across the **full range of its activities**. That meant that whenever a company could not establish fit across all of its activities—senior management would then backslide to a purely structural view of the company and focus sub-optimally on overseeing the tasks of independent departments. The concept of fit is increasingly important in today's digital environment. Although, the traditional and somewhat rigid concept of value chains has morphed into more agile and dynamic value streams, the focus on "fit" remains central to effective implementation.

Understanding "fit" requires—at a minimum—a shared understanding of vision, the targeted customer and market segments, the products and services to be offered, and the capabilities to be developed. Note that the concept of capabilities here goes well beyond the traditional IT paradigm of process. In this new context, capabilities are defined as strategic when they begin and end with a customer, and represent a set of business processes which are strategically understood, including clarity on the development of a supporting infrastructure. In a nutshell, this view of capability is fundamentally about future desired performance in a big picture view.[ii] The evolution of digital technologies has transformed the range of options in determining the information systems, measurement framework, and reward systems (aka management systems) that will need to be developed.

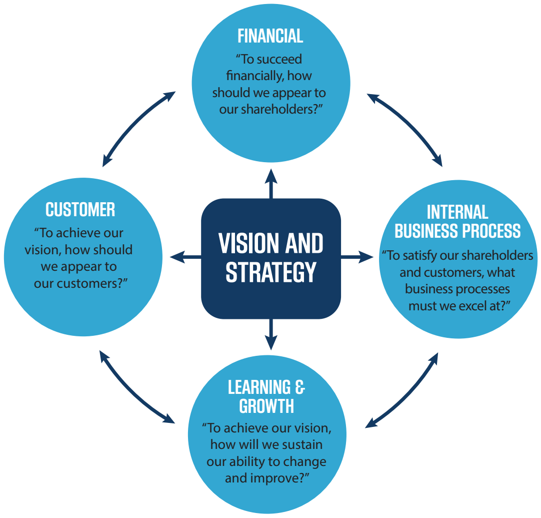
The crux of value creation hasn't changed all that much in the past couple of decades. Although the landscape of value propositions is still a choice between operational excellence, product leadership and customer intimacy, the increasing power of customers combined with digital technologies now requires tireless attention to customer experience. An organization has the best chance of formulating an effective strategy when it views itself from the customers' point of view in the context of value streams or business processes—and not in the context of how it is organized. This view is best built through review and discussion of customer journey maps and process relationship maps. The dialogue around these artifacts is most likely to promote a shared understanding of strategic objectives and drive the level of organizational alignment needed for effective implementation. It is least likely to result in fragmentation and implementation failure.

MEASURING PROGRESS IN STRATEGY IMPLEMENTATION

A clear and concise statement of strategy is a prerequisite for implementation success. The effective identification and implementation of strategic objectives has to have the means to prioritize initiatives and measure progress.

Identifying the critical few initiatives is one of the critical success factors in implementing strategy. This requires at a minimum having both clearly defined priority setting criteria and an accurate assessment of the organization's capacity for change. Priority setting can be problematic when department heads take charge and adopt a silo view of performance. The former CIO of a mid-west manufacturing firm recalled how strong C level department heads and inside-out thinking at his company resulted in having over 20 major initiatives identified in their last strategy document. The chance of success is low when there are such a large number of strategic objectives. So, if your organization has identified more than handful of strategic initiatives, these will test the organization's capacity for change. Once the critical few initiatives are identified then a disciplined method of measuring progress is needed.

Kaplan and Norton's "Balanced Scorecard" approach is a framework that promotes an outside-in perspective, features a process-based perspective and can be used to describe, measure, and align assets to achieve desired levels of performance. The balanced scorecard template as displayed in Figure 1 below prompts the organization to frame its strategy into operational context around four perspectives:



- **Financial** (Results)
- **Customer** (What our customers expect)
- **Internal-Business-Process** (Processes, technology and resources)
- **The Learning and Growth** (Skills and knowledge)

< *Figure 1: Summary of the Balanced Scorecard* [iii]

The attention paid to customers and internal business processes in the balanced scorecard, is arguably the greatest strength of this framework in better linking measurements to strategy. It facilitates paying attention to developing an implementation plan for the scorecard, including connecting the measures to databases and information systems, communicating the key metrics throughout the organization, and encouraging the development of second-level metrics for units—when appropriate. This approach can help link top-level business unit metrics down through to specific operational measures.

Deploying technology in implementing strategy has become as important to implementation success as prioritizing initiatives and measuring progress.

HARNESSING TECHNOLOGY

While technology is playing an increasing role in strategy implementation, it would be a mistake to narrowly focus on the technology itself. Instead, as MIT identified some time ago, digital transformation needs to target transforming customer experience, operational processes and business models. [iv]

Sidney Fernandes, System Vice President/CIO at USF, understood the importance of this fundamental principle in developing the technology strategy for his organization. Instead of the narrow focus on technology, he asked where do we add value? He concentrated squarely on student success—aligning IT strategy with student success—that meant helping students get jobs—good jobs. This insight led to understanding the importance of transforming paper-based activities to mobile and transforming key processes such as student on boarding, course registration, seeking financial aid, etc. By seeing the business of education from the students' point of view, Fernandes and his team were able to apply low-code technology and case management in an agile environment to create value for students and faculty.

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The fact is that "digital" has fundamentally changed customer expectations in both B2C and B2B environments. In B2C, consumers demand mobile and have become accustomed to the cloud. The B2B customer experience is gradually approaching B2C as one study found that over 60% of B2B buyers research at least half of their work purchases online and nearly 40% complete at least half of their work purchases online.

The vast majority of executives acknowledge the importance of investing in digital technologies, yet there's still much to learn when it comes to implementing digital. Up to 90 percent of digital transformation projects have fallen below expectations delivered only minor improvements or failed altogether due to shortfalls in delivering on customer experience and data structure issues.[v] Also, while 9 out of 10 executives say that artificial intelligence (AI) will be essential to their business strategy, many executives are still trying to figure out how to fit AI into their business models.[vi]

There's even some debate around definitions. For example, the definition of what is included in AI includes machine learning, deep neural networks, and natural language processing for some. For others, it also includes robotic process automation. Each of these unique technologies has issues regarding strategy implementation. One survey found that only one in three AI projects are successful and 96 percent of organizations face data-related problems like silos and inconsistent datasets. Data silos can be just as great an obstacle to strategy implementation as departmental silos. In fact, the root cause of data silos is frequently related to legacy systems where each department defined specifications in accordance with its own needs and without regard to the information needs of other units.

Paying close attention to the way data is structured is something that the Head of Process Excellence at a major bank understands all too well. He observed that data structure issues have adversely affected the return on investment from their robotic process automation (RPA) transformational program involving over 300 "bots." Further, he concluded that building in "intelligence" and creating greater process visibility into the RPA program are two of the areas that require greater focus for success.

Consolidating data across platforms is taking on increasing importance. For a complete picture of customer experience, organizations need to consolidate the data that are typically stored in disparate systems. To successfully adopt a customer centered approach, it's important to rethink traditional, siloed structures and deploy cross-functional teams to develop, test, measure, and optimize tactics against a common set of success metrics. As data is often stores in organization structures by information systems, cross functional collaboration is needed to overcome the silo mentality by department, brand, product, geography and/or channel.

Cutting through the hype in digital is another area that can be problematic. RPA is the acronym for Robotic Process Automation. Enterprise RPA is one example of how hype around technology can confuse issues for business leaders. Many organizations have used RPA to improve productivity by automating simple, repetitive, rule-based tasks. One might argue that "robotic process automation" is a misnomer. As RPA works at the task level perhaps it would be more accurate to call it "robotic task automation?"

Speed is of the essence in deploying new digital technologies to implement strategy. The old lock step, “waterfall” approach is less likely to succeed than the application of “agile” principles. In part, that’s because cross-functional teams, in an agile approach, requires staff from different departments to work together and to use experimentation and creativity to build value.

Optimal results in deploying digital for strategy implementation are achieved when an organization integrates various digital technologies, such as social, mobile, analytics and cloud, in transforming how their businesses operates in creating value for customers—and this often requires a shift of management attention.

SHIFTING MANAGEMENT ATTENTION

Many organizations will find that they need to shift management attention from departments to value streams or processes in order to succeed in implementing strategy. The answers to a few simple questions will let you know whether that’s needed in your organization. Do your leaders focus more on reporting relationships than on the flow of work to create value for customers? Do your department heads behave more like competitors than collaborators? Do your executives usually view the business with a functional bias? Are your IT application siloed along departmental lines?

Shifting management attention from what departments do to what the company does to create value for customers can be one of the critical success factors in implementing strategy. As the late Wayne Dyer wrote, “If you change the way you look at things—the things you look at change.” However, making the shift can be challenging.

Dogged persistence and C level support is needed to shift management attention. The Managing Director and CIO of one of the world’s largest and most successful investment firms described her experience as, “When I came here we did everything in silos. It took a lot of crazy persistent behavior to make the shift to looking at things from the customer’s point of view and end to end processes—and it took someone from the outside to see the breakdowns. It really helped that the CFO got it—even then it was 3 years in the making.

What the organization measures can be a powerful catalyst in shifting management attention.

On the other hand, the former CIO and Chief Process Officer of a mid-west manufacturing company battled with powerful peers for years to shift management attention from a departmental focus to a customer centered business process-based view with less than optimal success. On the surface, he checked all the right boxes. He was the primary advocate for customer centricity. He promoted the use of the balanced scorecard model. His team defined the organizations core processes. He even encouraged expressing strategic objectives in a business process context. In reflecting upon his experience he concluded that leadership is the primary prerequisite in shifting management attention and that if that is absent, departmental silos dominate. He added that managing by process is a long and difficult journey.

What the organization measures can be a powerful catalyst in shifting management attention. Inside-out thinking emphasizes metrics such as cost and volume, while outside-in thinking stresses metrics such as quality and timeliness—which are what truly matter to customers.

Asking provocative, customer focused questions is yet another tactic that can contribute to shifting attention. For example, the late Steve Jobs was acknowledged as a leader who had the knack of asking deep, meaningful questions about a company's core purpose.[vii] Questions such as the following can move the leadership team out of their traditional comfort zone.

- How do we help our customers achieve their dreams?
- What is our core value?
- What do we stand for?

Certain customer experience and high-level process frameworks can also be used effectively to shift management attention. For example, the Customer Experience Professional Association (CXPA) framework prompts leaders to discuss customer centered subjects around topics such as customer understanding, measurement, and organization adoption. Similarly, APQC's Process Classification Framework (PCF)[viii] can be used to create a common language around generic enterprise level business processes and there are also some industry specific process frameworks such as the TM Forum eTOM framework for the telecommunications sector.[ix] The Director for IT Architecture at a major American telecommunications company reported that the company has used the eTOM framework to categorize applications and understand what business process those applications support as well as how they are impacted by initiatives. The use of frameworks in this way is useful when it stimulates conversation on interdependence and the need for collaboration.

Because the CIO is at the hub of digital transformation journey she or he is uniquely positioned to demonstrate leadership, integrate emerging technologies, and advocate for a customer centered view in a process context.

THE CENTRAL ROLE OF THE CIO

Digital technology is increasingly needed to implement strategy. Yet, companies continue to struggle with digital transformation. On one hand some progress has been made on using mobile—largely driven by customer expectations. On the other, there has been some backsliding. For example, only 38% of organizations say that their employees can collaborate digitally with other employees, compared to 70% in 2012 and just 33% of organizations agree that digital technologies improve communication between senior executives and employees versus 62% in 2012.[x]

Given a strong partnership with line of business leaders, the CIO will take on increasing importance in terms of using technology to implement strategy in how the company interacts with customers, how products/services are delivered, and how back office tasks are executed by advocating a customer centered approach, promoting agile principles and cross functional collaboration.

The CIO has an opportunity to step up and help the organization view digital as the principal enabler of strategy implementation. For many CIOs this may be problematic as currently less than one third of IT leaders have a digital strategy that encompasses the enterprise, and 78 percent of nearly 4,000 CIOs worldwide said their digital strategy is moderately effective or worse, suggesting such efforts are still in their infancy. [xi]
One of the first challenges for CIOs to meet head on is to develop a shared understanding of priorities with line of business executives. There is much work to be done here. One study reported that in 2012, 53% of respondents said that the CIO and senior business executives had a common view of IT investment priorities, but this declined in 2018 to 36%.[xii]

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The CIO can make play a leading role in strategy implementation by educating line of business leaders on the importance of data silos. The way in which data is structured can significantly enable or impede the implementation of digital technology.

The CIO can also reinforce the importance of seeing the business from the customers' point of view and emphasize the need to break down departmental and data silos. Breaking down silos leads to the kind of improved prioritization and greater cross functional collaboration that is needed for effective change management.

The CIO is perhaps best placed to advocate agile principles and make it clear that this is way more than jargon, scrums, practices, and user stories—it's a mindset.

They can also lead the charge to go beyond decades of sub-optimal process modeling experience in a traditional IT paradigm to viewing business processes and resources as strategically understood capabilities. CIOs have become somewhat immune to the hype around new technologies, but business leaders are more susceptible. So CIOs can represent the voice of reason on the role of digital technology.

Strategy is about hard choices on what to do and—what not to do. The CIO has an opportunity to champion a shift of management attention and the deployment of digital technology for effective strategy implementation.

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i. This point was articulated by George Stalk, et al in their 1992 HBR article "Competing on Capabilities: The New rules of corporate Strategy," well before Dr. Michael Porter's 1995 HBR article "What is Strategy?"

ii. The paper by Alan Ramias and Andrew Spanyi on capabilities presents a perspective that is dramatically different than what is frequently referred to in business architecture literature. See Demystifying the Relationship between Processes and Capabilities at BP Trends Website

iii. http://www.valuebasedmanagement.net/methods_balancedscorecard.html

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v. https://www.couchbase.com/binaries/content/assets/website/docs/whitepapers/cio-survey-results

vi. https://www.informationweek.com/big-data/ai-machine-learning/why-your-ai-pilot-fails-to-launch/d/d-id/1332486

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x. https://www.capgemini.com/resources/understanding-digital-mastery-today/

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