Tackling the Digital Hype – Executing digitally enabled strategies

Implementing change and overcoming execution problems

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Turning strategy into execution is always difficult. Digital technologies can seem to solve many of these problems, providing more speed, learning opportunities and chances to pivot away from failure, but they can also amplify weaknesses. In this article, we look at common execution problems and show how they can be overcome by focusing on some fundamentals that are often neglected in the "new world" of digital.

The challenges of strategy implementation

Most executives agree that successfully implementing a business strategy is usually a lot more challenging than developing it. Unrealistic or overly academic theories, whilst persuasive on paper, can be costly in practice and all too often lead to passive resistance or even "tissue rejection" by the host organization. In these situations, advances in technology, increasingly software-related, are frequently perceived as a "silver bullet" that can ensure effective delivery of the anticipated change.

This perception has often been at the core of large-scale "legacy" Enterprise IT implementations – "Once we have implemented the single ERP[1] in three years' time, we will save X% costs and transform the company". For example, one FMCG[2] firm has been implementing its single global

Successfully implementing a business strategy is usually a lot more challenging than developing it. Advances in digital technology are frequently perceived as a "silver bullet" that can ensure effective delivery of anticipated change. However, digital can also expose a company's inner contradictions, reveal hidden pockets of poor performance and even lead to perceived core capabilities becoming seen as critical weaknesses. What are the most common execution problems when it comes to digital, and how can they be overcome?

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[1] ERP: Enterprise Resource Planning

[2] FMCG: Fast-Moving Consumer Good

Picture by mgkaya/iStockphoto

ERP program for nearly 20 years and still believes everything will be solved when they are finished in another five years' time. Unfortunately, each local implementation needs to be slightly different, as the world keeps changing, and consequently the only prediction that can be realized with any certainty is the ever-rising cost of the ongoing investment. Whilst this is an extreme example and not all large-scale systems fail, multiple analyses over the last 20 years suggest very few major IT programs deliver expected outcomes, and the bigger the program, the higher the chance of failure.

In today's world, "digital" rather than Enterprise IT is increasingly seen as the key enabler to transform the business operating model, with opportunities extending well beyond what Enterprise IT has been able to deliver. Undoubtedly, digital has huge potential: to fundamentally transform the business operating model; to unlock the "impossible challenge"; to greatly accelerate change; and to intimately connect a company to its customers in real time. For example, Netflix's reinvention of the video-delivery model from physical post to online streaming disrupted an entire industry, including video-rental stores, movie studios and TV networks.

However, digital can also expose a company's inner contradictions, reveal hidden pockets of poor performance and even lead to perceived core capabilities becoming seen as critical weaknesses. For example, a global publishing company is currently wrestling with the transition from supply of physical products to digital consumption and interactive customer participation, with a declining share price that suggests their transition is not keeping pace with market demands. Digital also adds more uncertainties, particularly around customer expectations, which are increasingly defined by the technologies they use in their day-to-day lives. For example, customers expect digital products always to work: issues with downtime, or being unable to use products on any device or browser, are no longer acceptable in a digitalized environment.

So whilst digital has the potential to bring huge value, it also brings more chances to fail. In our work with clients we see a number of commonly recurring pitfalls that all too often lead to failure in digital implementation:

- **Specious certainty:** Placing too much certainty on the capacity of new technology to deliver operating-model change; setting unrealistic expectations and outcomes and creating long-term plans that aim to deliver in the future what is actually required today; and having blind faith in immutable, up-front specifications and then failing to re-assess regularly enough whether to further invest, pivot or stop.

- **Neglecting organizational alignment:** Believing that a new technology system will fundamentally transform the organizational culture, behaviors and human interactions; expecting that employees will simply adapt to the system and willingly participate in the transformational journey.

- **The language we use:** Creating a constrained environment by using language that closes down commitment and participation (for example, saying no or shooting down ideas); generating false certainty through over-simplistic or over-deterministic metaphors; limiting ambition by adopting a narrow Weltanschauung (or world view)[3] incapable of tolerating other's perspectives.

- **Underestimating behavioral issues:** Customers and users interact with products and features in a variety of ways, often different to that anticipated by the designer; failing to adequately consider employees before embarking on change; misapplying or failing to appreciate behavioral levers; mismanaging employee resistance; and failing to communicate adequately, be that frequency, tone or authenticity.

Companies that are most successful in overcoming these pitfalls tend to be those which don't allow themselves to become distracted by the "digital hype" – in fact, they often find answers to these "new-world-"challenges in approaches that predate the digital revolution by many years, or even decades.

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[3]Source: B.Wilson et al, Soft Systems Thinking, Methodology and the Management of Changes [2015]

How to make digitally-enabled change successful

We see five concepts as being important to ensure successful digitally-enabled strategic change, as shown below:
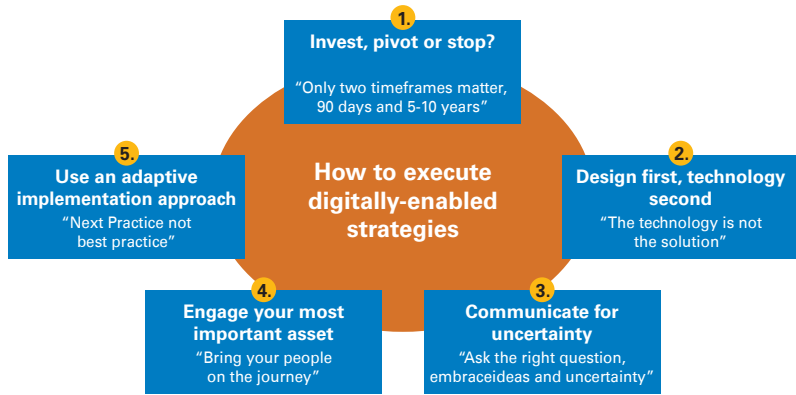

1.
Invest, pivot or stop?
"Only two timeframes matter, 90 days and 5-10 years"

5.
Use an adaptive implementation approach
"Next Practice not best practice"

How to execute digitally-enabled strategies

2.
Design first, technology second
"The technology is not the solution"

4.
Engage your most important asset
"Bring your people on the journey"

3.
Communicate for uncertainty
"Ask the right question, embraceideas and uncertainty"

Table 1 **The five concepts of digitally-enabled change**   *Source: Arthur D. Little*

1. Invest, pivot or stop?

The US oil baron and philanthropist, John D. Rockefeller [1839-1937], revolutionized the petroleum industry a century ago and still inspires some of today's widely used management ideas. Mastering the Rockefeller Habits [2002], among the most acclaimed management books of all times, uncovers the leadership and management principles Rockefeller applied at Standard Oil Company to master the US oil industry.[4]

One of the Habits urges us to "Plan and Prepare" and warns us "not to fall in love with our 1 to 3 year plans". Only two time frames actually matter: a 10-year plan to align on a common vision, and a 90-day data-driven plan focused on overcoming bottlenecks. Within 90 days, firms should be able to make a key strategic decision – invest, pivot or stop.

[4]Source: Forbes, Mastering The Rockefeller Habits - How To Scale a Hyper-Growth Business [August 2012]; Victor Chen, Rockefeller Habits Book review; Denver Business Journal, The Rockefeller Habits: What, why and how for Denver businesses [November 2008]

Companies can all too easily become focused on delivering large-scale three-year plans (e.g. major enterprise IT projects). Invariably, this involves detailed up-front program specification and extensive "left-to-right" planning, leading to outcomes that directly undermine the ability to turn strategy into successful execution. Some common pitfalls include:

- Costly, lengthy, monolithic projects with an inverse relationship between budget and chance of success

- Creation of a path of no return (e.g. "we've already invested so much money", "I have so much at stake")

- Promising to deliver what is required today, in the future

- No appreciation for an ever-changing landscape, and use of excessive complexity to justify failure to adapt

- Danger of irrelevance by the time the "solution" is delivered

These factors in combination can lead to a mentality of "we know what we need to do, if only you can let us get on with it". However, this confidence is all too often an illusion.

The most successful companies use data analysis and insights from adjacent industries to continually assess and regularly revisit the decision whether to invest further, pivot or stop. Once a trajectory has been agreed, they adopt a "right-to-left"[5] planning approach with agile delivery. At ADL, our own internal manifestation of this approach is a short **Phase 0** (rapid analysis focused on a clearly bounded "exam question"); **Phase 1** (to prove the "art of the possible"); and a **Minimum Viable Solution (MVS)** (to answer the exam question and build momentum through rapid iterative enhancements to the solution). This approach provides leaders with a constant stream of evidence to help bring people on the journey

[5]An approach to planning that fixes a challenging delivery deadline and then critically reviews project activities to ensure they can be 'pushed back' into the available timebox. Subsequent project governance ensures that this right to left push is maintained and the delivery deadline is prioritised

and creates a multiplicity of learning opportunities that allow regular course-correction.

2. Design first, technology second

Back in 1968, Melvyn Conway anticipated some of the organizational and cultural challenges we now see in IT and digital projects. Conway's Law states: "Any organization that designs a system […] will produce a design whose structure is a copy of the organization's communication structure"[6]. Whilst this law predates the digital age, its effects are observable every day in technology-related business transformations. A large, complex, matrixed company implementing a company-wide technology (e.g. a single CRM[7] platform) will end up implementing a system that reflects the complex, matrixed model, as its design is ultimately a representation of underlying organizational factors. All too frequently, we still experience very large corporate technology projects where a primary objective is to create a new, standardized organizational structure through the implementation of a single standardized technology platform.

Putting technology before design, which is effectively setting the "how" before the "why", and failing to address underlying organizational and communication structures will simply widen the gap between strategy and execution, and between anticipated outcomes and reality. Without purpose or design in mind, and an understanding of how to bring the organization on the journey, Conway's Law takes effect.

A "design first technology second" approach is much more effective: consider the underlying purpose of the strategy; carefully design, with the employee or customer in mind, to understand the functional (i.e. technically required) and non-functional requirements (i.e. how people actually will use the technology); before defining how best to implement the solution.

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[6] Source: M. Conway, How Do Committees Invent?, Datamation [1968]
[7] CRM: Customer Relationship Management

A further way to mitigate Conway's Law is to adopt a "micros-ervices" technology pattern and its associated operating model. Microservices bring together discrete, loosely-coupled applications within a single ecosystem, and allow seamless communication without creating direct dependencies upon each other. An oper-ating model that aligns with this approach empowers individual technology teams to be responsible for both "build and maintain" (or as Amazon says, "If you build it, you run it"[8]). Another example is Netflix, with its "context, not control" principle. This gives teams enough freedom to adapt their microservices to meet changes required in product design, constantly informed and evidenced by the Data, Analytics and Algorithms function[9].

3. Communicate for uncertainty

Soft Systems Thinking[10] reflects how language can alter one's Welt-anschauung (or world view). This can be illustrated through the var-ious perspectives that a prison governor can adopt on the purpose of their prison (e.g. punishment of criminals, protection of society through incarceration, or prisoner rehabilitation). An individual's per-ception of the core purpose will influence all dimensions relating to the prison: every aspect of operation, measure of success and culture will be influenced by whether the governor's primary world view is punishment, incarceration or rehabilitation.

In business, programs and projects are typically defined by lan-guage and nomenclature that aims to set goals and targets, define activities, and identify and manage risks. The shared language used is an important factor in determining how the team perceives values and priorities, and how it behaves in relation to risks and outcomes. The language we use can all too often leave little room to move sideways, or explore new ideas, which in turn can lead to promising opportunities being discarded too early and failing ideas persisting for too long.

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[8] Source: F. Paganelli, Programming Amazon EC2 [2011]

[9] Source: Netflix, Netflix Culture: Freedom and Responsibility

[10] Source: 'Systems Thinking, Systems Practice', Peter Checkland [1981]

The deterministic world-view and language of traditional Enterprise IT can often conflict with the experimental aspect of digital - where an input solution is probably not known. Imagine two scenarios: A) ask your team to deliver a tightly prescribed set of functionality by a fixed deadline; or B) provide your team with a specific input question and desired outcomes, allowing for exploration and experimentation in delivery. Which scenario is more likely to lead to the optimal answer, and deliver a breakthrough? Language can be used to either open or close creativity, and can therefore lead to widely differing results.

For example, we recently worked with an organization to explore how they should communicate to customers during technical incidents. They were initially focused on an SMS (text message) solution for a minority of customers. We challenged conventional wisdom to allow other options, by redefining the key input question to "How should the company communicate with relevant customers when things go wrong?". By resetting the language and focusing on the purpose (i.e. communicating with relevant customers), we identified a design that would target customers only if they were directly impacted by an issue. We were then able to quickly prototype a potential solution to inform an investment decision, before delivering a Minimum Viable Solution which targeted relevant customers on key products. The solution decreased support-call volumes related to these types of incidents by three quarters, whilst greatly improving the customer experience.

4. Engage your most important asset

Implementing change is hard because organizations are composed of people, who have different perspectives, incentives and motivations. Often referred to as the "soft" side of delivery, it is invariably the hardest. In our experience, companies that do not obsessively consider employees before and during each stage of strategy execution are likely to fail.

There are countless tools and approaches for managing the people side of change, including many of our own[11]. However, one

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[11]For example, "The Change Side of Transformation - A Wolf in Sheep's Clothing?" [Prism S2 2015, Advancing transformation]

especially valuable contribution is provided by MINDSPACE – Influencing behavior through public policy[12], commissioned by the UK government in 2010, which examines how behavioral change can be harnessed to deliver breakthrough results. Some key recommendations which are highly relevant for digitally-enabled strategy implementation include (not exhaustive):

- Identify and leverage the individuals who will be most respected in delivering the message, be listened to and inspire (which will vary by audience). A great example of this is the 1997 internal launch of "Think Different" by Steve Jobs[13]

- Spread the message with key influencers or early adopters who have the network to influence peers

- Understand underlying motivations and ego, and then incentivize accordingly (not necessarily in money terms)

- Consider the path of least resistance for employees, make change easy and relevant. Aim to change the defaults to make the new easier to do than the old

- Acknowledge that public commitment engenders a community that buys in together to deliver shared outcomes

5. Use an adaptive implementation approach

Traditional "best practice" approaches assume we can precisely predict the outcomes of strategies and projects through detailed "left-to-right" execution plans. Yet this rarely goes to plan, as "best practices" are almost exclusively designed for closed systems, where all the inputs can be controlled and managed. In reality, digitally enabled strategy implementation, especially in large companies, takes place in complex open systems. These open systems comprise interactions from a diverse range of individuals, acting with a degree of autonomy and unpredictability. Trying to oversimplify such a system, in order to implement a rigid, deterministic strategy, is destined for failure.

[12]Source: Institute for Government & UK Cabinet Office [2010]

[13] https://www.youtube.com/watch?v=9GMQhOm-Dqo&feature=youtu.be

Instead, companies need to identify and acknowledge when a system is open, with strategic plans assuming the emergence of uncertainties. Management should maintain a clear view of the desired outcome and goals, but focus on delivering the next part of the plan rather than adhering to the longer-term program, whilst providing "invest, pivot or stop" decision points if new evidence challenges the initial strategy. This evidence should include internal data analysis combined with an external and forward-looking focus on similar and adjacent industries. This type of adaptive approach, which we refer to as "next practice",[14] has been shown to be far more successful than the traditional best practice approach.

Insight for the Executive

Successful implementation of digitally enabled strategies is challenging. Companies that blindly follow the latest "digital hype" often pay inadequate attention to important and long-standing fundamentals that are critical to get right. We can summarize these fundamentals in terms of five key concepts:

1 Invest, pivot or stop
2 Design first, technology second
3 Communicate for uncertainty
4 Engage your most important asset
5 Use an adaptive implementation approach

[14]Source: Becoming a Next Practice Business [Prism S1 2015]

In the 1860s Helmuth von Moltke – the head of the Prussian army – postulated that, "No plan survives contact with the enemy". This observation has proven immutable over the last 150 years, and successful leaders, more than ever, need to constantly adapt in order to improve the chances of successfully realizing their strategy, whilst staying aligned to the core mission and vision. In today's digital age this fundamental truth still holds, because at its heart, strategy is a human construct that transcends individual technologies or structures.

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