From Failure to Fortune: How Data and AI Reshape Corporate Transformations and Drive Value Creation

SUMMARY

Transformation and turnaround missions are some of the most challenging assignments you can tackle during a career. Over the past four decades, academics and consulting firms have consistently estimated the probability of success of a critical transformation effort as less than 30%.[1,2] The pressure to deliver short-term results is intense, but you also need to set up the organization simultaneously for long-term success. Yet, those two activities often seem disjointed and at odds. The typical playbook is to replace the leadership and cut operating expenses. While either or both of those may be necessary, they may only provide a short-term lift at best and could mask more systemic issues. The question no one has been able to answer, until now, is: how can a leadership team manage short-term tactical moves while planning for and building a long-term growth trajectory needed to drive value creation? How can leaders better address this fundamental and eternal management challenge? Fortunately, technology is providing leadership teams with new tools to handle the complexity. Novel methods for analyzing a company's internal and external data, coupled with the emerging capabilities of AI, are allowing leaders to make faster, better decisions to provide short-term boost while creating long-term opportunity.playbook is to replace the leadership and cut operating expenses. While either or both of those may be necessary, they may only provide a short-term lift at best and could mask more systemic issues. The question no one has been able to answer, until now, is: how can a leadership team manage short-term tactical moves while planning for and building a long-term growth trajectory needed to drive value creation? How can leaders better address this fundamental and eternal management challenge? Fortunately, technology is providing leadership teams with new tools to handle the complexity. Novel methods for analyzing a company's internal and external data, coupled with the emerging capabilities of AI, are allowing leaders to make faster, better decisions to provide short-term boost while creating long-term opportunity.

1 John P. Kotter, "Leading Change: Why Transformation Efforts Fail," *Harvard Business Review*, May-June 1995.

2 P. Argenti, J. Berman, R. Calsbeek, and A. Whitehouse, "The Secret Behind Successful Corporate Transformations," *Harvard Business Review*, September 2021.

THE MISSION CHALLENGE

Turnaround missions are, by definition, tough assignments. Regardless of your role—the one mandating a turnaround (such as the board of directors or a private equity general partner), the one accepting the mandate, or the rare leader who recognizes that rapid transformation is needed—these missions are fraught with uncertainty, risk, and challenges. The stakes are high—either the mission succeeds, or the company faces insolvency, sale, or another transition—impacting customers, costing jobs at all levels of the organization, and erasing value for shareholders. But if you do succeed, it will be one of the most rewarding experiences of your career, and a proud and defining moment for the employees on the team as well.

Today's volatile financial climate heightens the need for operational excellence. In the past, investors might have taken positions in companies that were far undervalued and set the management's financial targets at some between the true value of the company and the purchase price. With interest rates at near-historic lows, this math worked out in investors' favor. But higher interest rates have driven up the costs of taking on so much debt, driving less margin between purchase price and true value and requiring operators to deliver higher performance and value creation.

At Juniper Strategies, we are turnaround experts. We have been in these circumstances many times—sometimes created by the macroenvironment, and other times by prior leadership's miscalculations. But regardless of how the organization got there, we successfully transformed teams, operations, and strategies to reach success. We know the intense pressure to deliver. We understand the need for short-term quick wins that build momentum, keep the business afloat, and maintain the hope of the shareholders, board, employees, customers, and all stakeholders. But we also know that you need to convert that hope into confidence by devising a clear path to achieving your business goals, with a credible and viable plan to get there—all while you continue to focus on day-to-day execution excellence.

There is a famous quote attributed to Jack Welch: "You can't grow long-term if you can't eat short-term. Anybody can manage short. Anybody can manage long. Balancing those two things is what management is." While that balance is fundamental to any management role, it is acutely challenging in turnaround missions. If the organization had a clear plan to achieve its goals—and that plan was working—you wouldn't be in this situation. You know you need a new strategy to win, and yet the last thing you have time for is to develop and implement something new and transformative. The only way forward requires you to merge strategy with execution, so that they are not disparate activities, but one fluid, agile process.

TYPICAL TURNAROUND PLAYBOOK

So often, a turnaround mission is attempted by running a typical playbook: assess and replace members of the leadership team, cut operating expenses, improve free cash flow, and hope a long-term plan will quickly emerge. Replacing the leader often seems like the easy option. As the person accountable, it's natural to assign blame for poor performance at the top, and to be clear, in some cases that is warranted. Perhaps the person does demonstrate weakness in decision-making, market understanding, operations, vision, or talent management. But frequently, the leader is simply the convenient scapegoat. It might be that there are more systemic problems hiding under the surface. But how do you determine if the current situation is really something within management's control, or whether it would have been the outcome regardless of the leadership? How do you assess the relative contributions of people and performance against other factors? Often times, it's not until the second or third leadership team runs into the same problems that you realize there is something more fundamental that needs to be addressed.

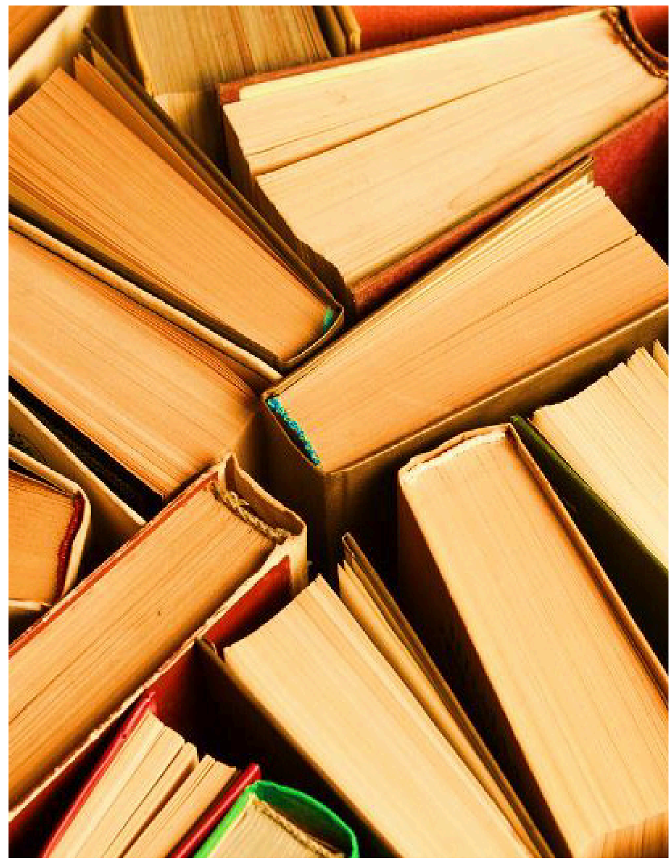

Figure 1: All the typical transformation playbooks reduce to two concepts—change leadership and cut costs.

Cutting operating expenses is often the second tool employed, as it will absolutely provide a short-term financial win. Leadership starts looking for any budget item that can be cut. It typically starts with discretionary spend slowdowns in things like travel and outside services, coupled with a hiring freeze. Those measures do produce a short-term lift to profitability, because the cost savings are immediate while any impact to revenue takes longer to realize. But at some point, cost-cutting can bleed over into halting initiatives that haven't produced a return yet are critical for longer term success. Of course, if youdon't fix the short term, you don't get to play the long game, but this perspective sets up a false choice. The danger is these longer payback time initiatives may fuel the future profit engines of the company. Ruthlessly investing in the core alone provides focus, but it traps you when you need to grow. On the other hand, you might starve your core to continue funding your growth initiatives and put your existing profit engine at risk. And that starts the downward spiral, because it is that engine that is needed to fund the investment in your future growth strategies that will pull you out of the quagmire. Then there is a hybrid, third option, which is all too common. This option places no bets at all and can be paraphrased as: “We know we are doing too many things, but we don’t know what we can cut without significant downside impact or risk, so we’ll just keep doing a little bit of everything.” This is symptomatic of environments where you lack compelling information to make clear decisions, and the gumption to make hard calls when prepared with that information.

With a set of necessary short-term tactics set in motion, the entire company recommits to staying laser-focused on execution, intent to just stay the course and do a little bit better. Everyone believes they are working to support a winning strategy, and now they just need to focus on operationalizing it. To a great extent, the focus on immediate execution is absolutely the right priority to ensure that the company maintains sufficient cash reserves to continue operating over the short term. Almost always, teams believe they somehow will find the time to address the long term. But their short-term focus and the constant disruption that is today’s complex business environment means they rarely find time to do the heavy lifting of exploring and defining better paths to achieve their long-term business goals. Not only do they not have the luxury of time, they also can’t withstand the impact to the organization of initiative or strategy churn.

It’s important to point out that the typical turnaround playbook isn’t wrong; we ourselves have successfully employed it many times. That is why these practices have become standard: they’re the ones that have proven to work most consistently in a variety of circumstances. It’s natural that in dire situations, people will tend to choose the solution they perceive to be tried and tested. But there is a reason why the data shows that so many turnarounds fail to meet their long-term objectives: there was never a connection between the short-term improvement and the long-term success of the company.

THE NEED TO MERGE STRATEGY WITH EXECUTION

It's easy in hindsight to claim that a leader didn't create a new strategy or didn't fix the existing one, and only focused on "financial engineering." That ignores the true challenge a turnaround leader is handed. The problem with strategy development is that it's too often decoupled from day-to-day operations, so it seems like a distraction from the "real work" of running the company. This can show up in a few ways. The first is in disjointed operations and strategy processes. How many of us have sat through operational reviews that don't tie the short-term performance back to the business goals of the company? And how many have gone through annual goal-setting exercises without a deep understanding of what worked—or didn't work—over the past year, and why? Strategy is fundamentally a hypothesis on the best way to meet your business goals, based on a set of assumptions. So your operational reviews should be geared towards assessing the health of those assumptions through leading indicators that help you understand whether your strategy is on track, and therefore, whether you will meet your business goals. Merging strategy health check-ups into your execution workflow makes that natural and seamless.

The other problem with strategy development is that if you want a quality result, you need time—from your front lines, your best thinkers, your advisors, and the board. Often leaders attempt to generate something without allocating reasonable time to this vital activity, rationalizing that, "We don't have time to reconsider our strategy now, or we certainly can't afford to pivot; we're in the middle of this critical initiative, deal, project, etc." Short-term results are seen as a distinct deliverable from preparing for long-term results, and with a higher priority. But there are ways that you can develop strategy in record time and simultaneously couple it to your short-term execution efforts. You then get the benefit of using the same tools you use to evaluate your strategy to help you make better, faster short-term decisions, and ensure that those decisions will also support your long-term business objectives via your strategy.

Your strategy should never seem like a disparate activity from your operations. Strategy and execution aren't two distinct phases; they are two sides of the same coin. You might review your strategy on a regular cadence (say, annually), but you don't stop running your business in the meantime while you do it. And likewise, what you learn day-to-day on the ground should be informing your strategic decisions in a more iterative, closed-loop process, rather than waiting to refresh your strategy once a year. The better approach is simple: instead of a strategy-to-execution divide, make it one process—seamless, fluid, and agile.

Figure 2: Too often, strategy development and execution are seen as a fragmented, disparate activities, when in fact they are two sides of the same coin.

MAYBE DON'T CALL IT "STRATEGY"

There is a better way forward that eliminates the strategy-execution divide. Instead of a linear strategy workflow with a feedback loop that seems to take all year (just to start over again a year later), make the combination of strategy and execution an integrated, continuous process.

Perhaps a first reframing is not even to call it "strategy." Call it "execution planning" or whatever makes it sound concrete and tangible to the team. What you call it is not important. What is important is that you have a clear hierarchy starting with your business goals and moving down through

PUTTING IT INTO PRACTICE WITH THE JUNIPER STRATEGIES TOOLSET

Juniper Strategies provides multiple software-based modules that can be combined sequentially to deliver higher-return outcomes. The Market Scan Module or the Culture Module can be used standalone for ingesting information to build a strategy thesis or evaluating the company's organizational behaviors, respectively. When used together, they provide the foundation upon which the additional modules can be layered to complete more steps of the strategy-to-execution workflow.

your assumptions for how to get there, how you will measure and track those assumptions, and what actions you will take to ensure your success.

At Juniper Strategies, we have built tools that enable teams to achieve their goals with execution planning. Combing the best of the over 500 growth and transformation frameworks, traditional AI technologies and cutting-edge generative AI capabilities, it has become possible to both automate and improve the quality of many of the routine tasks that people typically perform manually as part of the strategy-execution workflow. You can think of execution planning like you do route planning in your car today. In the past, you used to research paper maps, scour websites for construction updates, and listen to the radio for traffic updates. Today, you enter your destination, choose a scenic route that avoids tolls, and select your stops along the way, while your GPS application delivers execution planning.

The Juniper Strategies toolset is based on a holistic, causal model to predict a company's market share gain based on an intuitively simple but fundamentally critical premise: that customers will tend to choose the solution that they perceive delivers the most value at the lowest cost. From that basic premise, we can balance the value that the company delivers (in the eyes of customers) against its cost efficiency in delivering that value relative to its competitive peer set. This value judgment is based on a proprietary, algorithmic analysis that ingests customer survey data, company data, competitive data, market data, domain expert interviews, and macroeconomic information. The result of that analysis is a data-driven, quantitative assessment of the company's strategic initiative options and financial projections for each of those options.

There is another crucial element to successful turnaround missions: company culture. Turnaround missions can be a shock to culture, either intentionally or as a byproduct of other changes that need to be made. When you're trying to change the performance trajectory of the company, it's critical that you have the people aligned around that goal and the organizational behaviors in place to support it. Juniper Strategies can also assess how well the company's organizational behaviors support the strategy, and how they would need to evolve to support the strategy's success even further.

AVOID FAILTURE.
CREATE VALUE.

In turnaround missions, you know you need a different course to get back to profitable growth. You also know you can't disrupt the team too much with long-term planning while continuing to execute short term. You need the team focused on delivering immediate results, and you can't afford distractions. The ideal solution is to adopt an approach that merges strategy into your execution workflow, so that your short- and long-term plans blend into one, cohesive plan. With a differentiated toolset to do just that, Juniper Strategies will ensure you have the rare, desired result: simultaneous short- and long-term fortunes.

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