Strategy is Dead

SUMMARY

All business leaders have experienced the symptoms of the strategy-to-execution divide: poor goal performance, unclear accountability, and finger pointing on whether the strategy or execution is the cause. The reasons for the strategy-execution divide, which today is literally killing the value of strategic planning in organizations, is explained along with a description of how data and AI technologies are eliminating the divide – and once again, enabling leaders to effectively create and execute winning strategies to achieve financial success.

Strategy is dead. Or, more accurately, the typical strategy workflow is dead. The way people approached strategy 10, 20, or 50 years ago does not work anymore. Today's world is changing too fast, spurred on by more interconnected geopolitics and the explosion in technology. The old-school approach to strategy development needs to fundamentally change to continue to add value in today's volatile and unpredictable business climate.

Figure 1: Strategy is dead. Or, more accurately, the typical strategy workflow is dead.

TYPICAL STRATEGY WORKFLOW

Most organizations operate with some sort of strategy cadence that dovetails with their operational execution and financial planning process. Execution is always happening concurrently, though the activities and organization might be adjusted as a result of a strategy refresh. Here (Figure 2) they are shown equally, but the phases are not all equal in terms of time or effort. Furthermore, there are multiple iteration loops across the phases. Only the primary loop is shown to represent a recurring (often annual) planning process. But there are additional iteration loops that happen across this workflow that each at their own frequency and cadence.

The first phase is to define or update the goals for the organization. What are we trying to achieve? Who do we strive to be? Where do we want to be in 1, 3, or 5 years? Importantly, how will success be measured in terms of revenue, profitability, market share, headcount, etc.? The timeframes of these goals will differ depending on the market, but it's important to define the timeframe as well as the goals themselves. Organizations typically strive to define goals that would be a stretch to attain, but that would be feasible if the organization excels over that timeframe.

The next phase is developing the strategy. Here the core task is devising and comparing scenarios. You need to look at your own company's capabilities, internal data, and competitive financials to the extent they're available. You need to review as much relevant primary and secondary research

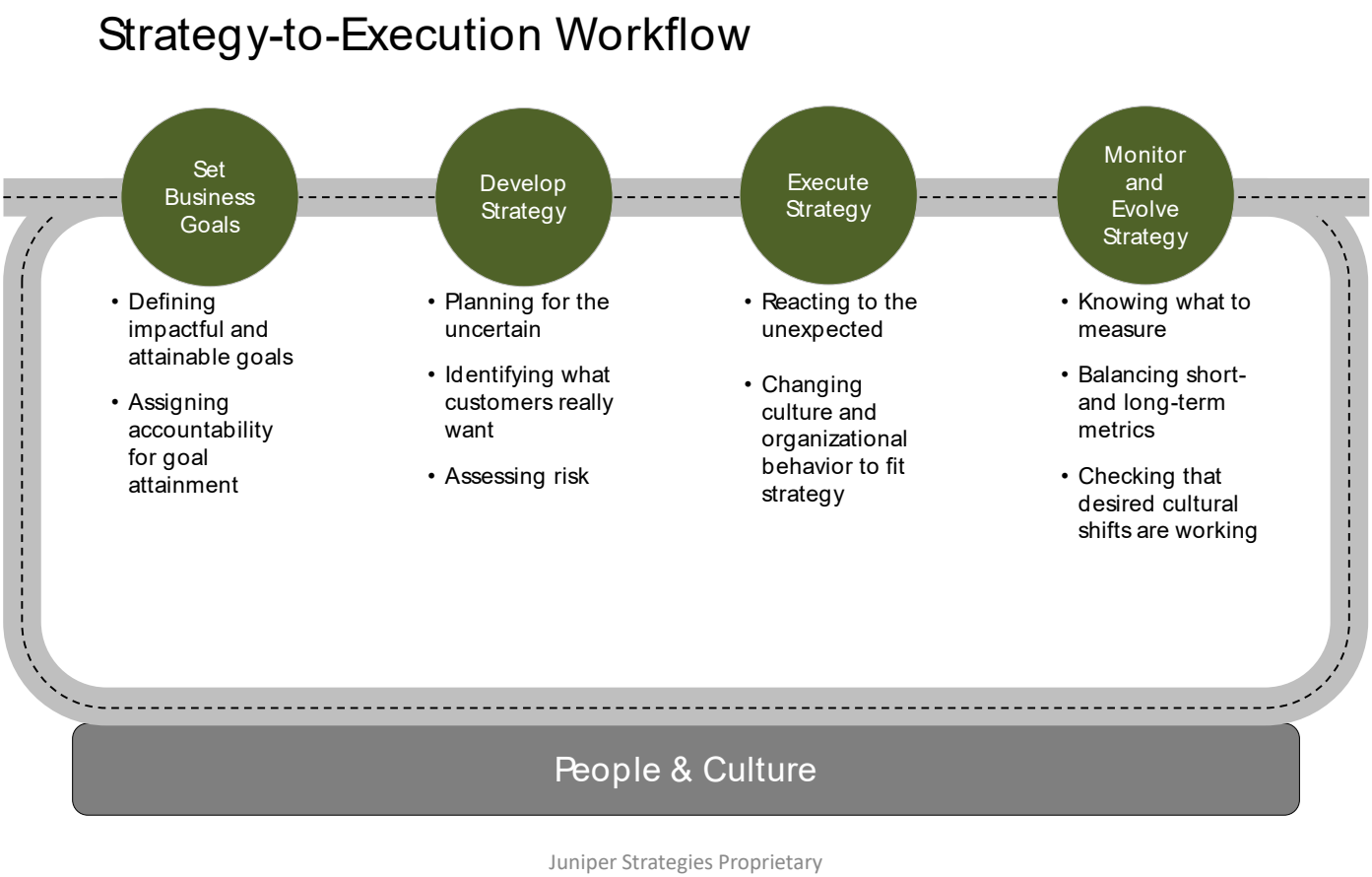

Figure 2: Businesses typically follow a recurring process for devising strategy and flowing through to operations.

data as you can, and perform a full assessment of customer needs if not already done. Once the comprehensive data set is compiled, you can start to create and compare scenarios based on their projected financial results and likelihood of success. Often, companies hold some sort of brainstorming session to ideate possible scenarios, either in a group setting or by delegating that responsibility to a single owner. From there, each scenario is worked up into a mini plan, with its own financials, required investments, and identified risks. Some companies will also perform a red-team scenario, where the goal is to identify possible gaps in the scenario, anticipate possible risks, and plan mitigations. From there you'll select the best strategy among the lot, and it usually gets presented to the executives and the board as the solution to drive record growth and profitability. The strategy is approved, and at least for now, everyone is optimistic.

Then things start to get real. Now everyone has to execute. You have to set budgets and allocate resources. You have to build operational plans, deciding what activities are needed to implement the strategy. You probably have to make organizational shifts, too. You need to assess the organizational experience and the skills required and do any up-leveling or recruiting to fill in the gaps. You need to compare your current culture – meaning, the behaviors and habits that are ingrained in the organization – to the desired future one and build a plan to shift as needed. You need to set KPI targets and assign accountability with associated performance goals. And you also might need to implement a new organizational structure. All of this requires bringing the people along on the journey, which requires its own resources to drive as its own project, but is critical to the success of the strategy.

Then the teams go off and build the tracking mechanisms and dashboards for regular monitoring in operational reviews. There, you want to identify if anything is below target, along with any course correction measures. That's when the first cracks start to show in the strategy-to-execution iterative process.

STRATEGY-TO-EXECUTION DIVIDE

The problem isn't in setting things up – as in, devising a new strategy and plan. That's the fun part, when everyone is full of optimism (you hope). The challenge usually comes in monitoring and adjusting the strategy when results are not meeting expectations. Things never go perfectly to plan, and companies usually react like ostriches – sticking their heads in the sand, paralyzed between two choices. We'll frame the two options as binary and equally applicable up and down the decision hierarchy – from the executive level down to the most detailed operational choice. Either they can throw out the plan and pick a different path – which can be viewed as flip-flopping by the organization – or they can stick to the plan and ignore the signs that it's not working (often articulated as "we're on the right path, we just have to keep executing and we'll start to see the results"). In practice, organizations can choose some hybrid with some degree of strategic pivot along the spectrum between "move fast and change everything" and "change nothing and just execute better." Yet no one really knows whether the strategy or the execution is the problem.

The fundamental problem is that this sets up two distinct and often competing phases of strategy vs. execution (Figure 3). But neither can exist without the other. Strategy without an operational plan that can be effectively executed remains the subject of ivory-tower vaporware; execution without strategy is aimless. Strategy teams are accused by business line leaders of living in a fantasy world of idealized theory with no accountability. The business line leads are accused of not having any real foundation for their forecasts, decisions, or assertions, and no link between their goals and their operational plan.

But strategy and execution aren't two distinct phases. 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. There has to be a better way.

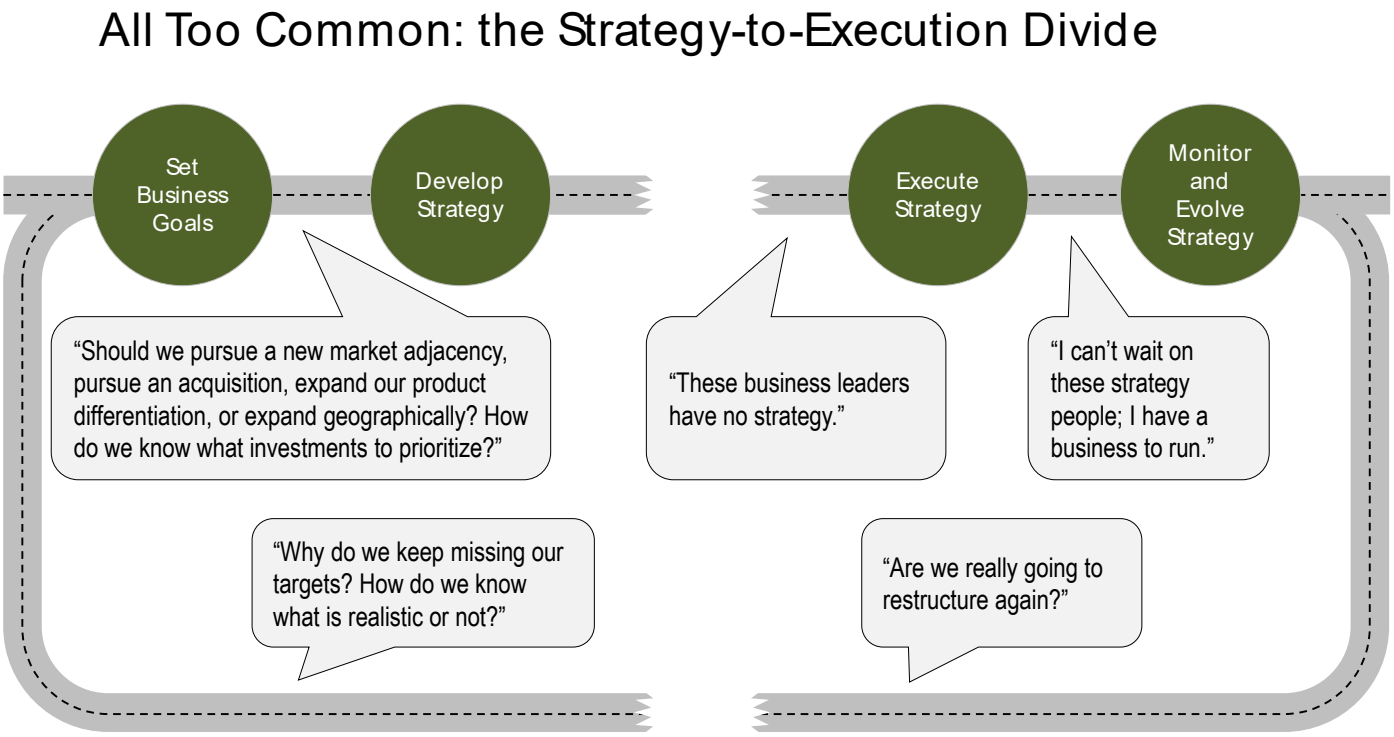

Figure 3: Businesses often struggle with a gap in bridging strategy to execution and making this a fluid, iterative process.

TAKING A CUE FROM OTHER DISCIPLINES

This planning-execution divide has existed in other disciplines and in other tasks. One example we can learn from is the realm of software development. Until the early 2000's, software development was typically done through a waterfall method, where there were very distinct phases of planning and execution done in a rigid sequence. That approach results in a significant amount of up-front planning before you really start developing anything, which leads to incorrect development cost estimates and unidentified risks. Essentially, this is the same strategy-execution chasm that we observe in business strategy. You had one phase of a project coming up with lofty plans, and another phase actually trying to implement what is soon seen as an unrealistic plan, with the two rarely converging – resulting in delays, cost overruns, finger-pointing, and frustration by customers, leadership, and management alike. Instead, in the 2000's a new approach to software development caught fire, called agile software development, or Agile. This approach favors planning in smaller increments of work, where you adapt and iterate as you build and learn through the process. Today, Agile is considered the de facto standard approach to application software development. The analogy to strategy development does have its limitations. For example, Agile is solely adaptive, whereas cutting-edge strategy practices are both adaptive and predictive. Furthermore, full Agile implementation can be inefficient for some organizations and certain development project teams. Nonetheless, the core principle of adaptive, iterative, and (in our case) predictive strategy development can help us bridge this chasm between strategy and execution.

THE BETTER WAY FORWARD

Just like in other disciplines, there is a better way forward for how to approach eliminating the strategy-planning-to-execution divide. Instead of a linear strategy workflow with an annual feedback loop, you can apply the same agile, fluid principles. It is possible to implement an integrated workflow that is constantly scanning for signals from the internal or external environment, flagging them up for consideration, and updating the strategy at the earliest possible moment to minimize the costs of change, both in terms of operational expense and employee engagement. Today's technology is making this possible by automating many of the routine tasks that people typically perform manually as part of the strategy-execution workflow.

Every step in the strategy execution workflow is meant to accomplish one of four things: information ingestion, synthesis, decision, or action. Information ingestion can be automated using document scraping, machine learning, and natural language processing techniques. That is typically a very manual process that requires person-days of effort for the typical strategy process and can be easily automated with little impact to data quality. Once the information is ingested, it can be synthesized for analysis and query. Today, generative AI techniques are being explored as a way to synthesize documents with great success if proper training and prompt engineering is applied. There are limitations, however. Depending on the breadth and type of material being synthesized (namely quantitative information such as company financials), current generative AI tools can often yield a great degree of hallucinations. In other words, they appear to make up nonsense. Today, it's important to have a human in the loop to do the analysis directly, if not verify the validity of results from gen AI tools. However, given how quickly these models are evolving, it's very likely that more of the synthesis and analysis will be able to be automated in the near future. The most critical task – decision-making – still requires leaders, experienced employees, and especially key front-line workers who are closest to the customer to judge the recommendations and predictions that are delivered from AI-aided strategy tools, just as they make decisions by judging the information and recommendations coming from the manual processes today. AI tools can make a recommendation of possible paths forward, but until technology is more broadly adopted in the strategy workflow, it's a safer bet both for the outcomes themselves and for the acceptance of the recommendations to ensure that people are signing off on the recommendations out of the technology. But even this has a familiar analogy. It is well-known how often drivers initially ignored GPS navigation system recommendations in the early days when it suggested routes or paths that didn't agree with their experience and intuition. Not until the technology had matured did people shift to letting Waze or other AI-technology tools close the travel planning-execution divide.

By automating as much as possible in the strategy workflow, we can transform strategy from a one-off annual activity to something that is much more dynamic and interwoven into driving value for the business. The traditional strategy workflow may be dead. But by taking advantage of data and applying technology intelligently to the strategy problem, the outlook for strategy is very bright.

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