

# The Future of Strategy Implementation

A White Paper from the Strategy Implementation Institute



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# The Current State

Strategy implementation is rapidly growing in importance for three key reasons:

1. Strategy cadence is increasing, requiring organizations to implement more frequently.
2. Many organizations are transforming to compete in a digital market, which requires implementing new strategies.
3. The global pandemic requires organizations to rethink and redesign their strategy.

When strategy planning first became popular in the 1960s as a business discipline, it was not unusual to plan 10-year-long strategies or even longer. By the turn of the millennium, the average strategy lasted five to six years.

Today, the average strategy life cycle is only three years. Considering it can take 18 months before a large organization starts to implement its strategy successfully, what does this mean?

Just as the organization is implementing its current strategy, leaders need to be identifying the next strategy. This increase in strategy cadence—plus the high failure rate of implementations—has added to their increased importance. More than that, these factors have contributed to strategy implementation becoming its own business discipline.

Leaders need both the ability to craft the right strategy and the skills to implement it.

According to various research, for years organizations were planning new strategies but not successfully implementing them. (Succeeding in this context is defined as achieving at least 50 per cent of the strategic goals.) To address this failure, the Strategy Implementation Institute (the Institute) was founded in 2020.

## Dramatic Need to Improve Implementation Performance

The increase in strategy cadence and the high failure rate have firmly put the spotlight on this discipline *and* the need to dramatically improve implementation performance globally.

Another contributor to the high failure rate is that leaders have been taught how to *plan* but not how to *implement*, thus creating a strategy implementation skills gap. Every business school teaches how to *create* strategy; however, very few teach how to *implement* the strategy.

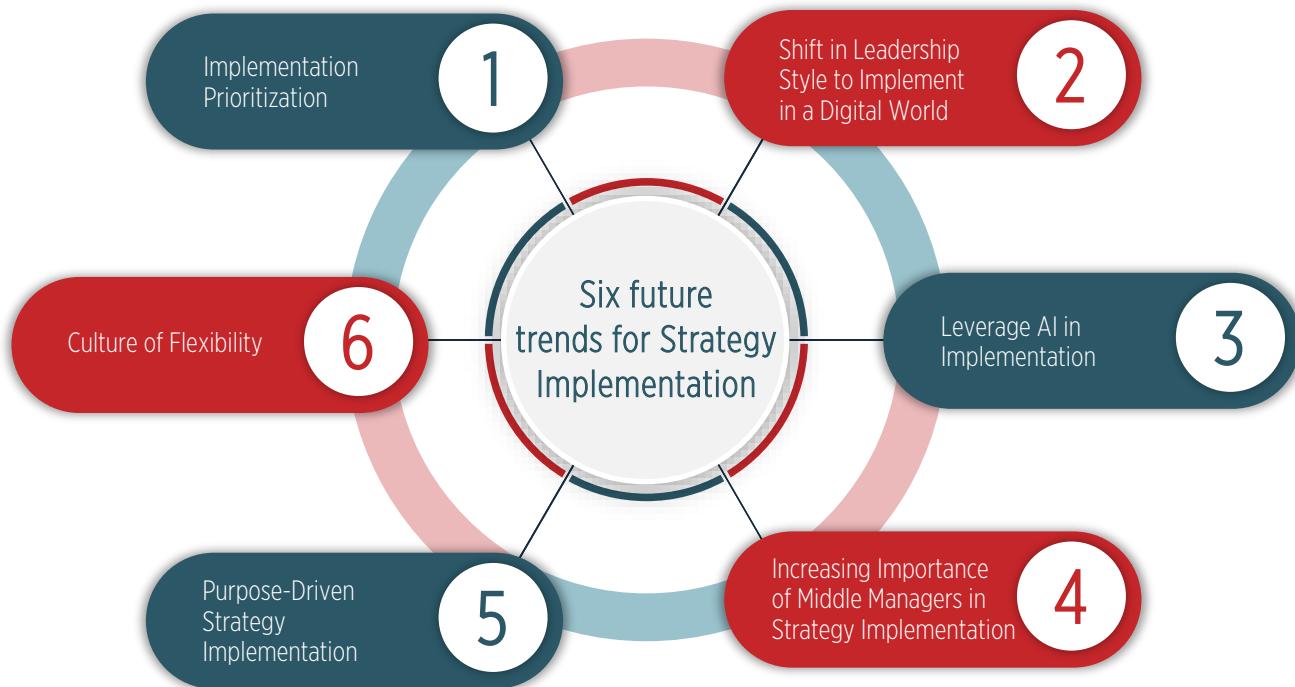
The strategy implementation challenge has further been complicated by the pressing need to compete in the digital world. Digitalization had already started to transform the way organizations operate. This was dramatically accelerated by the Covid-19 pandemic that has forced some organizations to change their operating business model. Digital implementation requires every leader to understand both technology and ways to transform their organization and its culture.



# Action Taken by the Institute

In February 2021, the Institute held a virtual conference to discuss the future of strategy implementation. Distinguished speakers included Professor Rita McGrath from Columbia University and Professor Tony O'Driscoll from Duke University as well as senior leaders from APMG and Singapore Airlines. Conference delegates not only heard presentations from the speakers but also discussed their impact in breakout sessions where they identified future trends for strategy implementation.

The conference became the catalyst for crafting this white paper, which highlights these six future trends for strategy implementation:



## The Future of Strategy Implementation

Members from the Institute have collaborated with the co-founders in writing this white paper, which highlights why these six future trends are significant for the future of strategy implementation



### 1. Implementation Prioritization

In February 2021, the Institute held a virtual conference to discuss the future of strategy implementation. Distinguished speakers included Professor Rita McGrath from Columbia University and Professor Tony O'Driscoll from Duke University as well as senior leaders from APMG and Singapore Airlines. Conference delegates not only heard presentations from the speakers but also discussed their impact in breakout sessions where they identified future trends for strategy implementation.

If your organization's priorities are wrong, the effects can be calamitous. Let's look at two corporate failures in recent times: Toys "R" Us and Blockbuster.

Toys "R" Us identified the internet as a new business opportunity, but it failed to implement its online strategy fast enough. That resulted in a decline in its reputation and cash flow returns for almost 15 years straight. It had created [www.toysrus.com](http://www.toysrus.com) to have an internet presence. At the time, it had a strong following and brand—a perfect mix for going online. It already had warehouses stocked with inventory and relationships with multiple suppliers. But Toys "R" Us failed in implementing its strategy because it was used to shipping large quantities of products to single stores for restocking. It was not set up to ship single products to multiple addresses. So, in the 1999 holiday season, the number of orders overwhelmed the organization, and it failed to deliver children's toys on time for Christmas. The resulting damage proved devastating to the brand. Customers abandoned not only its online shopping service but its physical stores, too.

Similarly, Blockbuster failed to prioritize the importance of the internet in its business model. The leadership team remained focused on a brick-and-mortar approach that became irrelevant in the changing video-rental marketplace around them. Repeating the mistakes of organizations such as Kodak, Nokia and Toys "R" Us, its leaders failed to see what was urgent and what needed to be prioritized. They stuck to their guns as everyone around them transformed to meet their changing customer needs.

## Alignment of Projects and Programs with Strategies

If the executive team doesn't set priorities, middle management and employees will, based on what they think is best for the organization. At first, we might think that's a good practice. Empowering people to make decisions has been promoted since the times of Peter Drucker. Yet, without decision-makers following a prioritized set of strategic objectives, the consequences are often disastrous.

A well-communicated set of priorities aligns most of an organization's projects and programs with its strategies.



This alignment is often championed by business thinkers. But the reality of how an organization works is more complex than many suggest. Sometimes, the strategic objectives are not clear or don't even exist. A gap and lack of alignment often exists between the corporate strategic objectives and the ones from the different business units, departments or functions.

To address the challenges of prioritization Antonio confronted over his executive career in several multinationals, he developed a simple tool he calls "Hierarchy of Purpose." Members of both the board of directors and executive team can use this tool to rank priorities and select strategic initiatives.

## Hierarchy of Purpose

- ..... **1.1 Purpose:** Vision and mission are often mixed up, and their differences misunderstood. Therefore, they are hardly ever used when strategic objectives are set. For clarity, it's best to use purpose instead—that is, state the purpose of your organization and the strategic vision supporting this purpose. The stated purpose has to be sharp and easily understood by everyone working in your organization. For example, Amazon's purpose—"to be earth's most customer-centric organization"—is so clear and compelling that it avoids ambiguity among people within the organization.
- ..... **1.2 Priorities:** The number of priorities admitted to by an organization is revealing. If the risk appetite of the executives is low, then they tend to set a large number of priorities. They don't want to risk not having the latest technology, missing a market opportunity, and so forth. On the other hand, if the executives are risk takers, they tend to have a laser-like focus on a small number of priorities. They know what matters today and tomorrow. Therefore, it's best to define the priorities that matter most to your organization—now and in the future. Amazon's purpose clearly puts the customer in the center; everyone working there knows that. That means when making decisions, those most closely related to customers always come first.
- ..... **1.3 Projects:** Strategic initiatives and projects, when successfully executed, bring the organization closer to its purpose and its strategic vision. These days, organizations have a large number of projects running in parallel, mostly because it is easier to start projects than to finish them. Very often capacity, not strategy, determines project launches. Therefore, if people are available, a project gets launched; if not, it is dismissed. Who wants to risk missing a big opportunity? But in which projects should organizations invest in and focus on? When executives employ the answers to the first two points of the Hierarchy of Purpose, they identify which strategic initiatives and projects align best with their purpose, vision and priorities. It also helps them identify those that should be stopped or scrapped. Some theorists suggest developing formulas that automate the process of prioritizing and selecting ideas, but that's not recommended. The exercise is to provide management with different orientations and viewpoints; however, the ultimate decision has to be based on the human intelligence of the executives.

- ..... **1.4 People:** Prioritizing at an organization level is incredibly difficult. Large organizations are made up of individuals who have their own strong sense of what matters. Every person in an organization has his or her own list of priorities. By their nature, the priorities are self-serving and informed as much by personal ambition and aspiration as any sense of alignment with the organization's strategy. Yet, employees are the ones implementing organization strategies as they perform day-to-day activities and deliver projects. They also have to make minor decisions and trade-offs every day. Creating clarity around priorities and the strategic projects of the organization will ensure that every employee works in the same direction. It is important to allocate the best resources to the most strategic projects and liberate certain employees from day-to-day operational tasks. Projects are delivered more successfully when they are run by a fully dedicated team and a strong, committed, pro-active sponsor.
  
- ..... **1.5 Performance:** Traditionally, performance indicators don't measure priorities and seldom indicate progress toward implementing an organization's strategy. Project metrics tend to measure inputs (scope, cost, time) instead of outputs because inputs are easier to track than outputs (benefits, impact, goals). You want to identify indicators linked to the organization's priorities and to the outcomes expected from the strategic projects. In this case, less is more, so stating one or two outputs for each area will do the job. It is better if people know by heart how performance is measured with outcome performance indicators embedded in their minds. Management should have the right information at hand to quickly react to market changes and supervise the pipeline of new priorities.

Think of your organization's purpose and priorities. Do all your employees work according to those priorities? Are the activities prioritized in the best interests of the organization as a whole? How would your priorities change in case of a sudden economic downturn?

Overall, prioritizing increases the success rates of the most strategic projects. It also increases the alignment and focus of senior management teams around strategies while creating a crucial implementation mindset and culture.

## 2. Shift in Leadership Style to Implement in a Digital World

At hyper speed, digitalization has gone from awareness among leaders to almost being a hygiene factor in the way organizations operate today.

Fueling the accelerated transformation was the recent pandemic, which forced businesses worldwide to rethink their operating model. For example, insurance organizations could no longer depend on agents visiting customers; universities could no longer bring students onto the campus; restaurants became dependent on take-away meals.

The combination of the pandemic and the restructuring of business models to compete in the digital world has dramatically affected how implementations are led, resulting in fundamental shifts in the way leaders operate today.

To implement in a digital world requires a style that differs from the past. For example, leaders used to walk into meetings and tell attendees what they wanted done. Today, they go into a meeting to find out what's happening in their organization.

Why? *Crafting strategy is driven from the top down while implementation in a digital world is driven from the bottom up.*

Employees participate in activities such as hackathons, customer journey mapping and design thinking. To implement the outcomes of these activities, they are empowered and supported by incubators and accelerators. They no longer need to go around asking for signatures of approval or budget funds.

To support this new way of implementing, leaders need to:

### ● ..... 2.1 Go Back to School

Implementing digitalization requires learning new skills that were unknown a few years ago. They need to go back to school to learn, for example, how to use machine learning or analyze data or understand agile.

As Satya Nadella, CEO of Microsoft, explains it, "Leaders need a learning mindset to move from 'Know it all' to 'learn it all.' They have to challenge the current way their business operates and be open to new ways of implementing their strategies.

### ● ..... 2.2 Encourage Failure

A crucial step in innovation is recognizing a to fail before we can succeed. We have shifted from aiming to create a perfect product to a minimum viable product (MVP). Leaders are responsible for creating an environment that supports failure and encourages employees to raise their hands when they don't know something—and then experiment. Harvard Business School professor Amy Edmondson calls this "psychological safety." It refers to the organization successfully creating an environment in which people know they will not be punished or humiliated for asking questions, experimenting or failing.

The trend is for executives to move from controlling everything to empowering and encouraging employees to try new solutions.

### ● ..... 2.3 Put Customer Obsession at the Heart of Everything

Over the last few years, we have moved from *customer service* to *customer experience* to *customer obsession*. The approach to digitalization had provided an impetus as well as new tools to support this journey. Design thinking, for example, leverages new approaches and technologies to create improved customer experiences. Employees are spending time identifying and fixing customer pain points and "the job to be done." As well, they are participating in hackathons to create new technology solutions that will improve the customer experience.

Leaders are encouraged to move their organizations from an "inside out" to an "outside in" approach. This means instead of looking internally, every decision starts and ends with what is best for their customers, based on what they need and want and the data that supports those decisions.

#### 2.4 Leverage Data to Make Better Decisions

An organization needs to be driven by its data in order to make better decisions. In today's most successful organizations, data analysis has become as common as the air we breathe. For large organizations to become data driven can take up to three years as they clean up old data, transform the mindset of how employees work and incorporate the use of data into day-to-day decisions.

Leaders have to ensure that their decisions are supported by the data. When they are not, leaders have been known to walk out of a meeting while stating the importance of data-driven decision-making.

#### 2.5 Minimize Bureaucracy

Bureaucracy can sabotage the whole organization's transformation to competing in a digital world. Why? Because organizations need to operate faster in both decision-making and the way they operate. That means eliminating time-wasting meetings, reducing levels of bureaucracy and speeding up decision-making.

#### 2.6 Hold People Accountable

Holding people accountable for taking the right actions to implement the strategy is significantly underutilized in organizations. In the past, they depended on annual employee reviews, which are rapidly becoming obsolete. To support this acceleration, leaders have to check in with their employees more frequently. For example, managers would ask their subordinates how they are performing every two weeks.

This reflects a trend toward check-ins—that is, instead of looking at past performance during an annual performance review, check-ins support employees by praising them for work done recently. They also identify where employees need support and offer assistance removing roadblocks and challenges.

Although none of the six transformations required for leaders are rocket science they do take discipline., adopting the new habits take the discipline that is often found lacking. [unclear meaning] As Warren Buffet said, "The chains of habits are too light to be felt until they are too heavy to be broken."





### 3. Leverage AI in implementation

For some years, project management reports have said that Artificial Intelligence (AI) could disrupt the project management profession. A lot has been written about the threats and opportunities AI could bring for the profession and project results—and therefore for strategy implementation success.

#### **Definition of Artificial Intelligence and its main subsets to align concepts**

- Artificial intelligence (AI): A broad discipline with the goal of creating intelligent machines, as opposed to the natural intelligence demonstrated by humans and animals.
- Machine learning (ML): A subset of AI that often uses statistical techniques to give machines the ability to “learn” from data without being explicitly given the instructions for how to do so. This process is known as “training” a “model” using an “algorithm” that progressively improves model performance on a specific task.
- Natural language processing (NLP): Enables machines to analyze, understand and manipulate language.
- Deep learning (DL): An area of ML that attempts to mimic the activity in layers of neurons in the brain to learn how to recognize complex patterns in data. The “deep” learning refers to the large number of neurons in contemporary ML models that help to learn rich representations of data to achieve better performance gains.
- Reinforcement learning (RL): An area of ML concerned with developing software agents that learn goal-oriented behavior by trial and error in an environment that provides rewards or penalties in response to the agent’s actions (called a “policy”) toward achieving that goal.

According to Gartner Inc, by 2030, 80 per cent of the work of today’s project management discipline will be eliminated as AI takes on traditional PM functions such as data collection, tracking and reporting.

AI will improve the outcomes of these tasks, including the ability to analyze data faster than humans and using those results to improve overall performance.

Taking a look at the current AI adoption in “The state of AI in 2020” report from McKinsey<sup>(2)</sup>, half of the respondents to the survey said their organizations have adapted AI in at least one function. By industry, respondents in the high-tech and telecom sectors are the ones who report more AI adoption, followed by the automotive and the assembly sector. From a business functions perspective, they have taken the top spots of product or service development, service operations and marketing and sales.

Regarding the use of AI in the projects, the use cases provided in a recent survey conducted were mainly related to the use of chatbots for getting information about project status and notifications sending.

Based on the data exposed above, we can identify two main areas where AI can make a bigger impact in the implementation. They are:

- Automation
- Prediction

Identifying in the automation area functions like:

- Reporting
- Tracking
- Reminders to the team
- Notifications

And in the prediction area, forecasts about:

- Risks
- Resources
- Timelines
- Budget

Let's review use cases currently available in some AI-based products:

**Stratejos** (<https://stratejos.ai/>): It provides assistance for teams using Slack with 85+ micro-jobs across Jira, Github, Trello and more, with the goal of saving time. Stratejos:

- Gets context and actions in Slack when mentioning a JIRA issue
- Handles daily status updates and follow ups
- Updates JIRA issues from Slack

**Riter** (<https://riter.co/>): Its main functions aim to automate sprints planning by distributing them in an optimal way with the data gathered.

**Clickup** (<https://app.clickup.com/>): A tool with easy-to-set automations to make jobs more pleasant and efficient, Clickup:

- Sends prompts and reminders to the team
- Does automatic budgeting
- Delivers pre-processes schedules

Leaders need to be aware that AI that supports the implementation process is already a reality. The number of products and AI solutions available will increase dramatically in the coming years.

Based on their current and future business needs and the capabilities that AI will offer, leaders need to define their organization's strategy regarding AI adoption.

Based on "The state of AI and ML 2020" by Appen<sup>(5)</sup>, nearly three quarters of businesses consider AI critical to their success. However, nearly half of the respondents believe their organization is behind in their AI journey. This suggests a critical gap exists between the strategic need and the ability to execute.

To close this gap, it is suggested to use the Strategy Implementation Roadmap (SIR) from the Strategy Implementation Institute. It addresses these seven components to be worked on so leaders to succeed in strategy implementation:

1. Leadership Excellence
2. Financial Value
3. Business Model Redesign
4. Culture Evolving
5. Stakeholder Management
6. Employee Engagement
7. Track Performance

Adopting AI will save time, thanks to the automation of activities. It will also allow leaders to have better estimates and predictions about project needs and results. This means additional time is available for investing in key components such as Leadership Excellence, Business Model Redesign, Culture Evolving and Stakeholder and Employee Engagement. These should help increase the success rate of strategy implementation, which is currently quite low<sup>(6)</sup>.



## 4. Increasing Importance of Middle Managers in Strategy Implementation

The need for middle managers to be explicitly involved and accountable for strategy implementation is an ongoing trend with no end in sight. The future is already here!

Top-level organizational strategies that are developed and not aligned down through the organization, including multiple business lines and departments, are just that, a top-level organization strategy. Buy-in and support for the top-level strategy will not exist unless embedded at all levels. Middle managers provide the support, coaching, and facilitation of their direct reports by fostering the discipline to implement and execute the strategy. Once all organization levels take ownership for their share of the top-level strategy at their respective organization levels and assign accountability for strategy implementation, at that stage, the organization should be able to realize a fully aligned organization-wide strategy implementation.

Middle managers have a multi-faceted role to play.

According to Clifton and Harter, today's managers are facilitators or coaches for their employees. The managers are coordinators or orchestrators, speak with authority while still being open to employees' input, and set transparent systems of accountability in a world where work time and space are flexible and blended work and life. Today, successful managers are more analytical decision-makers. They are decidedly more future-focused and systems-oriented, naturally intrigued by possibilities and new ideas, and more objective and empirically grounded problem solvers and consumers of data<sup>(7)</sup>.

Maister states that middle management listens, values input, is trusted, is a good coach, communicates well, practices what they preach, and treats other unit members equally. Also, Maister's research was among the top factors in predicting a business's profitability; a clear outcome of strategy implementation is trust and respect at the middle management level. Further research has shown that where trust and respect between management and employees are high, financial performance predictably goes up. That management success is less a property of firms (the business's systems as a whole) but is mainly about the individual manager's personality within the operating unit. Success is about personalities, not policies<sup>(8)</sup>.

Sull et al. propose that in large, complex organizations, execution lives and dies with a group we call "distributed leaders," including middle managers who run critical businesses and functions and technical and domain experts who occupy crucial spots in the informal networks that get things done. Distributed leaders, not senior executives, represent "management" to most employees, partners, and customers. Their day-to-day actions, mainly how they handle difficult decisions and what behaviors they tolerate, go a long way toward supporting or undermining the corporate culture depending on the leader's quality, ethics, and values<sup>(9)</sup>.

Organizations need to initiate a top-level strategy alignment process, thereby making strategy actionable to everyone by cascading the high-level enterprise strategy to business and support units and individual employees. In the alignment process, middle managers need training in strategy management fundamentals. This training will raise the manager's line of sight above the usual operational plan they typically work under each year.

Simultaneously, the top-level strategy and implementation need to become centralized into a Strategy Management Office (SMO). The SMO will support the entire organization by managing all aspects of the top-level strategic plan and incorporating monitoring and evaluation of the departmental middle manager's strategy and the top-level strategy.

The middle manager's departmental, employee, and team strategies will soon realize that they are the front-line of its top-level strategy. Their objectives are now explicitly linked to the top-level strategic objectives.

## Middle Managers and the Future of Strategy Implementation

Middle managers and their effect on strategy implementation need to be guided by their leadership capabilities, work experiences, and the organization's needs from the manager and their respective teams. There are four attributes that middle managers need to implement for successful strategy implementation; staying tough, working smart, maintaining a united stance with the team, other team leaders, and always acting in a disciplined manner when implementing the strategy.

Maintaining a tough professional approach can cover striving for the best work from everyone on the team, keeping schedules, managing the team members' expectations, and striving for the organization's best outcomes while collaborating with the SMO and other departments' middle managers.

A middle manager in a strategy implementation position must work hard but smart and understand that strategy always does not perform as designed. The COVID-19 pandemic implications are an excellent example of how middle managers had to adapt, improvise, and overcome conditions never before encountered in the past to continue the organization's strategy implementation.

The middle manager needs to maintain a united position for strategy implementation at all times. A united intra-departmental and inter-departmental position with other strategy implementation middle managers are required to carry out a strategy for the common good of the organization. Strategy implementation is not for some departments or units and not for others and not just for some team members and not for others. Middle managers need to constantly communicate outcomes, propose team-developed interventions to fix problems, and give recognition where recognition is due.

Once the top-level strategy alignment completes down to departments, teams, and individuals, the middle manager must establish a disciplined approach to monitoring and evaluation. Monitoring entails taking accountability for a regular cadence of monitoring the strategies strategic objectives' performance through key performance indicators, project milestone attainment, and if the project is on budget at those milestones. The middle manager evaluates the strategy's performance from two perspectives at least four times per calendar year: (1) Strategic Effectiveness and (2) System Effectiveness.

The strategy implementation middle managers' work never ends since the strategy implementation needs constant attention, so middle managers are essential.





## 5. Purpose-Driven Strategy Implementation

Consider the following, a leadership team comes together to formulate strategy including the organization's mission (**purpose**) and vision (desired future state). Then, armed with specific intentions, leadership directs units and teams to implement initiatives and programs they have chosen. All too often in these circumstances, middle managers and their teams do not understand the real value behind what they are being asked to do. When this occurs, momentum is lost, and failure is likely.

Does this sound familiar? If it does, that is because:

Strategy implementation often fails due to non-alignment and ineffective communication caused by a lack of common purpose from those involved in the effort.

Two significant steps are required to correct this. First, demonstrate how employing a purpose-driven strategy implementation program increases your organization's chances of a successful implementation effort and, second, explain what that entails. Successful strategy implementation in today's uncertain socioeconomic environment requires leaders to engage and align everyone in the business, at all levels, around a shared purpose. Focusing on profitability of the business alone in today's world is not enough.

According to Gary Harpst, founder of Six Disciplines, "A purpose-driven leader helps others discover the meaning that is inherent in the work they are doing today and reinforces the value of who they are and what they are contributing to the benefit of others<sup>(10)</sup>."

The importance of a purpose-driven strategy implementation is the focus of a 2019 *Harvard Business Review* article entitled "Put Purpose at the Core of Your Strategy" by Malnight, Buche, and Dhanaraj<sup>(11)</sup>. The most important point the authors make in the article is that the organization must include purpose in everything the organization does at every level, top-down and bottom-up.

The importance of purpose in strategy was also cited in a 2019 Oxford Said Business School study. The Oxford study reached a similar conclusion that, as the *Harvard Business Review* article, to move from "ambition to action" an effective purpose should be relevant to what the organization does AND encompass all the diverse roles and responsibilities in the business/organization.

Finally, the importance of purpose in strategy implementation was the focus on an April 5, 2021 McKinsey article entitled "Help your employees find purpose—or watch them leave." Their findings point out "People who live their purpose at work are more productive than people who do not. They are healthier, more resilient, and more likely to stay at the organization. Moreover, when employees feel their purpose is aligned with the organization's purpose, the benefits expand to include stronger employee engagement, heightened loyalty, and a greater willingness to recommend the organization to others<sup>(12)</sup>."

## Meaning of Purpose

Purpose is like a North Star illuminating the fact that while the “means” may evolve, the “end” will remain constant. As Bob Patton, EY’s Americas Vice Chair of Strategy, put it, “Purpose must resonate at every level, from the C-suite to business units to teams to the individual worker. When it’s brought to life at the individual level—when each employee can find meaning in their work and see how it contributes to the organization’s purpose—that’s when you see purpose get real<sup>(13)</sup>.”

To be successful in today’s disruptive environment, organizations need to deliberately implement their organization’s strategy, products and services in ways that make someone’s life better. In so doing, they give employees a heightened sense of purpose to their own lives. This is the essence of a purpose-driven organization and a purpose-driven strategy implementation.

Consider the case of the Finnish oil-refining organization Neste. Neste was facing setbacks—a sharp fall in oil prices, market overcapacity, falling margins and new carbon-emission legislation across the EU. In response, the Neste board and leadership team embraced a new mission (i.e., purpose) centered on protecting the environment by moving toward renewable fuels.

To begin their strategic transformation journey, Neste examined its historical roots, current situation and ambition to become a leader in sustainability. The new strategy was deployed by launching value creation programs to operationalize “purpose-driven” action plans. The programs would also actively promote culture change by encouraging new behaviors and ways of working, and by launching customer-focused projects.

At the heart of Neste’s work was a focused effort to motivate its employees to get on board with renewable fuels. At the same time, it carefully observed the impact that this shift in corporate culture delivered. After examining what the changes had wrought, organization leaders addressed issues that needed to be tackled differently. The result? Over a span of three years, Neste’s renewable fuels business went from a €163 million loss in 2011 to a €56 million loss in 2012, before shooting up to a €273 million profit in 2013. By 2017, profits were €561 million. Today, renewables account for more than 70 per cent of Neste’s profits<sup>(14)</sup>.

## Ideas for Implementing a Purpose-Driven Strategy

To implement a purpose-driven strategy, leaders and organizations must:

- Define a compelling purpose that captures the hearts and minds of their employees and key stakeholders.
- Transform their leadership agenda to focus on implementation driven by purpose, team alignment, effective communication and effective engagement, and by rewarding efforts that demonstrate purpose.
- Invest the resources required for their team to establish competencies and OKRs (Objectives and Key Results), when and where appropriate. These are based on goals and objectives aligned with the organization purpose. (This adds to other implementation activities such as cutting back on unnecessary work, carefully prioritizing initiatives, tracking performance and maintaining agility).

All leaders and managers are obligated to the organization and to each other to deliver positive results. Unfortunately, too often a gap between strategy and implementation occurs for those charged with implementing the approved strategy directives. In today's disrupted environment in which agility in implementation is vital, this "strategy implementation gap" can be a fatal error. It could lead to unwanted (and worse, unexpected) costs, increased risk, lost opportunities and ultimately failure to execute.

When an implementation failure occurs, the losses are significant for the organization, its employees and those who depend on them. Ultimately, the customer is affected, too. To mitigate this painful gap, organizations, small teams, and individuals are best served when they drive strategy implementation by focusing on their organization's purpose.





## 6. Culture of Flexibility

In 2013, PwC found that 51 per cent out of more than 2,000 employees surveyed in 50 countries said that their workplace culture must evolve in the next five years for their organization to succeed, grow and retain the best people. In a 2018 survey, the percentage rose to 80 per cent<sup>(15)</sup>. Moreover, a clear misalignment between culture and strategies emerged.

The main trends responsible for this are:

Much shorter strategy lifecycle and rapid changes required by the digital transformation, fast-changing competitive landscape, and changes resulting from the pandemic—remote and hybrid working affecting how individuals learn, perform and interact with each other.

Research undertaken in 2020 by Gartner revealed that 74 per cent of companies plan to permanently shift office workers to remote working once the corona virus pandemic is over<sup>(16)</sup>. Also, research by Future Forum in 2020 has found that hybrid working is the "office of the future". Moreover, in April 2021 McKinsey & Company reported that employees prefer flexibility and are actively interested in "collaboration, connectivity, training and technology policies"<sup>(17)</sup>. As a result, company headquarters are moving towards digital environments, and adopting digital tools which enable greater engagement and collaboration in comparison to traditional office working<sup>(18)</sup>. Therefore, if companies do not adapt their culture to become flexible, they risk losing talent.

Consequently, all the processes are accelerating, implementation strategy included. The uncertainty on what to do and how to do it is also growing. Leaders must review their organization's culture to ensure it aligns with the current flexible working environment. Failure to do may result in strategic drift or misalignment (Johnson et al., 2008).

### Research on Organization Culture

Schein (1997) defines organization culture as composed of four main elements: values, beliefs, behaviors, and the paradigm (defined as taken-for-granted assumptions).

Johnson (et al., 2008) explains that the taken-for-granted nature of a culture is what makes it centrally important to strategy and implementation, to the extent that culture is an unintended driver of strategy.

Stacey (2007) suggests that organizations are complex. Individuals are constantly interacting with each other and within communicative interactions different behaviors and power relations emerge, which lead to politics or games being played between different people that hold different values, motives, ideas and intentions. These communicative interactions form part of an organization's culture and help shape it in ways that might work for or against the strategy implementation.

De Wit and Meyer (2010) advocate that organizations must align their culture with the structure, processes, business model and members of the organization as well as being able to simultaneously respond to changes in the macro-environment. It is a paradox that needs careful planning and management.

## Focus on the Cultural Side

Strategies are a complex matter (Stacey, 1996; Appelo, 2008) due to a lack, or redundancy, of information, opinions, possible scenarios, business approaches among decision-makers and the overlapping of all these elements. While organization culture is mostly unspoken and unwritten, it refers to and is affected by assumptions, beliefs, habits, routines, symbols, the environment and even the kind of product/service provided. Employees as well as leaders might operate with a scarce, if not absent, awareness about their interpretations of all these elements. If asked about them, they give answers that are uncertain, inconsistent or even contradictory.

The main issue is that when strategy and culture are misaligned, usually the implementation is a struggle and strategic plans might fail. How do we address this problem? Instead of designing new strategies, we propose focusing on the cultural side—that is, to make the organization culture less chaotic, more agile and consequently better equipped to support the strategy implementation.

We also need to define a new cultural paradigm. In it, cultural discrepancies, inconsistencies and clashing approaches unconsciously born by employees are assessed as we work toward a conscious, transparent cultural realignment. In doing so, we nudge the idea that the main goal of the renewed culture is to support the strategy implementation within a new reality in which remote and flexible work is becoming the main priority<sup>(19)</sup>.

## Example of a Flexible Culture

Bain & Company<sup>(20)</sup> is a good example of a company that has created a flexible culture. The company's philosophy is centered around collaborating, having fun, working hard and fully supporting its employees. For example, its slogan is "a Baine never lets another Baine fail."

Bain & Company advocates the following five best practices to develop a flexible culture<sup>(21)</sup>:

1. Ensure flexibility is flexible.
2. Link flexibility to strategy and the customer.
3. Model flexibility.
4. Encourage and enable team flexibility.
5. Support individuals to work flexibility.

Alternatively, Fujitsu successfully implemented an effective hybrid working model by focusing on the following four best practices<sup>(22)</sup>:

1. Understand the critical drivers for jobs and tasks.
2. Consider employee personal preferences in relation to hybrid working.
3. Consider how work gets done by reviewing projects and workflows.
4. Pay attention to inclusion and fairness when developing hybrid practices.

## Actions for Leaders to Promote Flexibility

In order to make the organizational culture more flexible and adopt a cultural paradigm to provide resources, support, and consistency to an organization's strategic planning and implementation, consider these suggestions<sup>(23)</sup>.

1. Involve the leadership in all phases of the cultural transformation and strategy implementation<sup>(24)</sup>.
2. Engage employees by their talents more than formal roles, to count on all the skills and knowledge available<sup>(25)</sup>.
3. Be aware that flexible and remote work will not suit everyone.

4. Embrace a non-blaming approach for those who highlight issues and provide value-adding incentives for those who adjust their behaviors.
5. Adopt a research-based approach to assess the "current" state of cultural chaos present at your organization by using, for example, McKinsey's 7 S model to identify the systems, strategy, structure, style, staff, and skills present<sup>(26)</sup>.
6. Ask people which cultural elements they are struggling with while they are trying to achieve the organization's objectives and what they would like changed within the "current" culture. This will help in mapping the "desired" organization culture and perform a gap analysis.
7. Set a new clear organization's vision, or reinforce the current one, around the importance of adopting a flexible culture able to support strategy implementation<sup>(27)</sup>.
8. Create flexible working policies that support the desired culture by advocating collaboration, connectivity, training, and development<sup>(28)(29)</sup>.
9. Devote special attention to helping middle managers who might be particularly under pressure because of their need to support the front-line staff while learning how to navigate the new situation themselves.
10. Design an evaluation plan to tell you if and how your staff members are working on their cultural aspects while following the principles of the desired culture. It is important to constantly observe how well the strategy implementation is supported by the new cultural framework and if any adjustment is needed<sup>(30)</sup>.

## Difficulties for Public Sector Organizations

In our view, private organizations may have the capability and freedom to transform their culture and support the strategy implementation. However, this may not be possible for some public sector organizations where strategy is "imposed" (Mintzberg et al, 2008) and culture might be chaotic that is, policies are dictated, and they work within the confines of the central government.

From a complexity science perspective, this could be described as a "wicked" problem for public sector organizations. Immediate solutions are not available due to the complex and interconnected nature of the problem. For instance, there is limited control over those processes that could help transform the culture from chaotic to flexible (agile). There are also conflicting interpretations about the best ways to support the strategy implementation.





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