

Jomer & Co

Increased levels of experimentation when executing strategy

A leadership team's singular assignment is to get results out of the chosen strategy and take the business to its full potential. Perhaps the most crucial activity involved in strategy execution is experimentation and learning. Experimentation offers an antidote to the tendency of rigidity in thinking. A readiness to experiment, to learn from the results, and to adjust the strategy and the elements in the strategic direction accordingly, is a hallmark of an agile organization. It mitigates the tendency of thinking becoming narrowed.

The linear approach to strategy implementation may have worked reasonably well in relatively stable and predictable environments. However, today's discontinuous environment requires a more dynamic and agile approach when the strategic direction is to be developed, implemented, and then repeatedly and continuously modified in response to changes in the environment as well as the organization's own reality. Ultimately, strategy is a way of thinking, not a procedural exercise or a set of frameworks. Rigidity is fatal when the environment shifts. The fact that a sustainable organization must learn from both its successes and its mistakes, when implementing strategy, and thereby improve its odds of winning, raises questions like: *To what extent does our offering win the trust of the customers? To what extent does our operational model support our strategy? To what extent do results correspond to expectations?*

Organizations that are able to continuously experiment, learn and adapt will be the ones that succeed in the long run. This white paper explores the essentials of learning from experimentation in the context of strategy execution.

Making strategy execution work

We all know that learning from success and failure is one of the most important capabilities for people and organizations to develop. Yet surprisingly, learning from success can present even greater challenges than learning from failures¹. When we succeed, we are likely to conclude that our strategy and actions are the reasons, i.e. that the strategy is correct and that we have all the knowledge and information we need. However, it is not uncommon that executives and managers attribute a successful strategy to their own insights and capabilities, and downplay environmental factors and random events that most certainly have played in. There is often a tendency not to investigate the causes of good performance systematically, which has been proved to be a normal human behavior². Furthermore, we tend to value answers over questions because answers allow us to take action, while questions mean that we need to keep searching and thinking. Asking good questions and gathering evidence usually guide us to better answers. The quality of our thinking is influenced by the quality of the questions we ask, since questions stimulate generation of meaningful options, new

¹ Inspired by the thinking of Edmondson.

² Kahneman.

ideas, and helps to discover new ways of doing things. When a win is achieved, the organization must learn what led to it with the same rigor and scrutiny it may apply for understanding the causes of failures.

Experimentation cannot proceed without mistakes. In fact, the whole point of experimentation is to learn your way to success through failure. Remember that successful organizations seldom do things right the first time when they translate strategy into action. Trial and error is a common term for experimentation, but it is a misnomer, since error implies that there was a right outcome in the first place. Progress is about exploration and the faster we fail, the faster we will succeed. Only leaders can create and reinforce a culture that makes people feel both comfortable with failing fast and learning fast from failures. If the leadership team wants people to spot existing and pending failures and learn from them, they must make it safe to speak up when things are about to go wrong. The goal must be to positively surface failures before they negatively impact the expected results. Otherwise, people quickly learn to avoid learning from experimentation since they believe punishment is the likely response.

Experimentation is essential for action learning. Action learning is an experiential learning process that contributes to enhancing strategy execution by providing an opportunity to generate questions that lead to insights and new ideas for getting the job done. The essence involves working through on-the-job real-time problems, reviewing both the results achieved and then analyzing the process by which these results were achieved. Action learning engages people in team-oriented experiences that directly address the immediate strategic needs. Learning from experimentation in the context of implementing strategy is about realizing that strategy without experimentation is a slow route to success where you never know what will happen until you try doing things in reality. To avoid the success-breeds-failure trap as well as benefiting from the failure-breeds-success equation, you need to acknowledge that experimentation shapes speed and learning.

Three levels of learning from strategy execution

Learning in the context of executing strategy is the process of updating the view on what do work and what do not work. Learning is about understanding why things happen and why strategic decisions lead to specific outcomes. The important questions are: *What did we set out to do? What actually happened? Why did it happen? What are we going to do next time?*

A systems-based approach to leadership enables organizational learning. Learning from experience helps combine failed execution attempts to form new ways of making execution work. The recognition that learning is central to successful adaptation has given rise to a body of thinking which is called the learning organization. It facilitates the learning and continuously transforms itself as a result of the pressure facing the organization. Thus, it enables the organization to continuously remain competitive in its business environment. Some leaders may think that getting their organization to learn is only a matter of articulating a clear vision, giving employees the right incentives, and providing lots of training. This assumption is not only flawed; it is risky business in the face of intensifying competition, advances in technology, and shifts in customers' preferences and behaviors. We all know about pushing the strategy from the top team

out to the front-end people, where the strategy must fit with reality and where business opportunities can be seized quickly.

Strategic learning is a key ingredient of a learning organization and aims at generating learning in support of current and new strategic initiatives, which in turn foster knowledge that leads to improvements in business performance. Strategic learning is a systems approach to strategy creation and implementation, and embraces, develops, disseminates knowledge, and adapts to changes in the world for the benefit of customers, employees and shareholders³. Organizational research over the past two decades has revealed three broad factors that are essential for organizational learning and adaptability:

1. A supportive learning environment.
2. Concrete learning processes and practices.
3. Leadership behavior that provides reinforcement.

Leadership, which recognizes alternative outlooks, will increase energy and motivation, spark fresh thinking, and prevent myopia. Learning is not only about correcting mistakes and solving problems, it is also about crafting novel approaches.

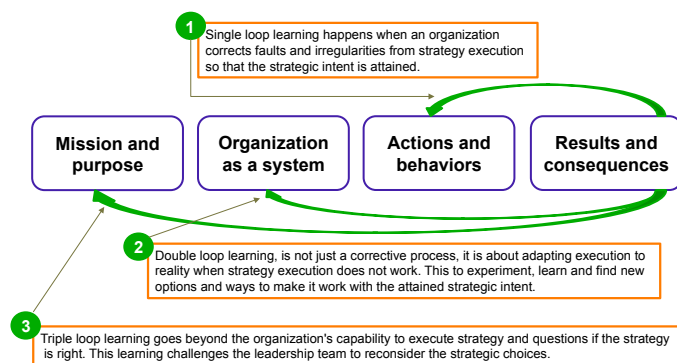


Figure 1. Three levels of learning from strategy execution in the context of organizational learning

Organizational learning⁴ in the context of strategy execution can be described as a triple loop experience. See fig 1. The first loop of learning happens when an organization corrects faults and irregularities from strategy execution in a way that the strategic intent is attained. The second loop of learning occurs when the outcome of the corrective process in the first loop does not work. The second loop is then about adapting execution more to reality for learning and finding options, new

ideas and new ways of doing things in order to make execution work with the attained strategic intent. The third loop of learning goes beyond the organization's capability to execute strategy, and questions if the strategy is right when execution does not work or the results are absent. This learning experience challenges the leadership team to reconsider, since reality sometimes obscure the strategic choices. When this happens, good questions and gathering of evidence usually guide to better answers: *Why does not our strategy win in the market? What sources of competitive advantage do we miss tapping into? Does our strategy embrace uncertainty? Does our strategy balance commitment and flexibility? Is there a true strong belief in the leadership team to really act on the strategy?*

A supportive learning environment allows time for hands-on work to thoughtfully review the organization as a system. Organizational learning is strongly influenced by

³ Inspired by the thinking of Pieterseon.

⁴ Inspired by the thinking of Argyris and Schön.

the behavior of the leaders. When leaders actively question and listen to employees, and thereby prompt dialogue and debate around them, people feel encouraged to learn. If leaders signal the importance of spending time on experimentation to make execution work, people will get their hands and heads around why some things do not work and find new ways to make it work. Hence, experimenting to find workable solutions are then likely to flourish. When leaders, through own behaviors, demonstrate a willingness to consider alternative viewpoints, employees feel emboldened to offer new ideas and options. Regardless of venue, cause and effect are the feedstock for experimentation and must be tapped into to close the strategy-to-execution gap. Leaders, who are willing to systematically benefit from the wisdom of the crowd, are often rewarded with strategic opportunities, identified by forward-thinking employees, experimenting with new ideas at the fringes of the organization.

Leadership evolution

Strategy implementation is a notorious and perennial challenge. Strategy execution is the result of all the decisions made every day by employees acting according to the information they have and their own self-interest. Leading organizations look beyond lines and boxes to the mechanics of how strategy execution gets done to make sure that everyone has a good idea of the decisions and actions for which he or she is responsible. They allow information to flow freely across organizational boundaries to oppose silo formations and ensure that people have the information they need to understand the bottom-line impact of their day-to-day choices. Leadership teams in leading organization are occupied with the question: *How will we mobilize our organization to implement things faster and better than our competitors?*

These executives have clarified the actual meaning of the strategy and the key priorities by having spent significant amount of time on discussions with lower levels in their organization. They have also addressed poor vertical communication by engaging in open and fact based dialogues around issues like organizational purpose, behaviors and effectiveness. They have constructively dissolved conflicts of interest and conflicts of resources by turning poor coordination into teamwork by realigning roles, responsibilities and accountabilities with strategy.

How can we help?

It is impossible to eliminate risks from strategic thinking, but we argue that it is possible for organizations to significantly improve their chances of success when it comes to strategy execution if they increase the level of experimentation when things do not work. Identifying options, new ideas and new ways of doing things to make execution work with the attained strategic intent is crucial. The secret to successful strategy implementation and execution is actually quite simple. Leadership teams, executives and managers need to focus on a few things to differentiate themselves from their competition. They then need to translate those few things into organizational behaviors and front-line routines. Strategy gets stuck in execution mainly because of insufficient coordination across the organization when business units and functions have different views on the meaning of the decided strategy.

Jomer & Co has long experience and knowledge of helping leadership teams and executives in creating and implementing strategy. Our support is always bespoke and there are several possible entry points to a successful collaboration, for example:

- Running a Strategy Execution Workshop with the leadership team is a proven process to identify strengths and weaknesses, when closing the strategy-to-execution gap, and to build a higher ambition leadership.
- Engaging in Strategic Coaching of senior managers' strategic challenges supports and assists them individually in their ongoing strategy development and implementation work.
- Conducting a Strategy Audit provides insights to the strategic thinking, the effectiveness of the company's current or planned strategy, as well as guidelines for effective strategy execution.
- Conducting a Review of the Strategic Direction, to analyze and balance the organization's alignment behind the strategy and thus making the strategy operational, provides insights to the effectiveness of the company's business plan as well as guidelines for increasing strategic and operational effectiveness.

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We help clients close the strategy-to-execution gap by creating and implementing winning strategies.

Jomer & Co is a boutique advisory firm, focusing on strategy creation and implementation. Our focus on employing professionals with extensive experience provides us with the executive resources of a larger organization while still being flexible and responsive in the relation to our clients' challenges.

We are devoted to knowledge and situational insight and are aligned to the shift in demand for management consulting services by its way of leveraging knowledge, experience and giving advice. Our experienced Consulting Associates work closely with clients throughout the stages of strategy creation and implementation.

For contact and more information, please email info@jomer.se.