Leading Strategic Initiatives in an Era of Uncertainty: When to Commit to Action

How can companies manage strategic initiatives in a time of rapid, frequent and unpredictable change across the globe? Actually, things may be more certain than they first appear. It is imperative to start by getting a grip on what you know – and what you don’t know. Depending on the degree of uncertainty, there are different strategies to improve your chances of successfully executing strategic initiatives in your organization.

But first, what is a strategic initiative, as distinct from a project or program? Strategic initiatives are usually cross-functional, while projects are not. Programs usually refer to a collection of multiple strategic initiatives. What is the best way to move from a company strategy to programs and ultimately to a stream of initiatives that will deliver it?

Seeing the big picture

A number of global trends are radically changing the way we operate, in seemingly unpredictable ways: the growing pressure on natural resources; the challenge of demographic shifts (aging in the West and youth bulges in many emerging economies) and their impact on talent acquisition and retention; social media... Add to this, organizational uncertainty over resources, sponsorship and culture. It is no surprise that many find the task of managing multiple strategic initiatives somewhat hit-or-miss. Indeed, strategic initiatives have a rather unimpressive success rate of around 30%. This is particularly true of growth initiatives, which are critical in the current environment, as well as of business transformation initiatives, which help build internal capabilities.

What can you do to improve your company’s success rate? Well, quite a lot actually. First, you need to understand what kind of uncertainty you’re dealing with and then think about what level of commitment to action is appropriate, given the uncertainty levels. Second, you need to think about how you will implement.

Accounting for uncertainty

Not all uncertainty affecting strategic initiatives is the same: the type and degree differ. The two primary types of uncertainty are:

- **External strategic uncertainty**: How will the regulatory environment change? Will the product match customers’ expectations? Will the technology be available in time? Will the suppliers be able to deliver?

- **Internal execution uncertainty**: How many initiatives can you undertake at one time? Does the culture support implementation? Will the processes and structure allow for roll-out? How many internal and external stakeholders will need to be involved? How will they react? To what extent will they feel the urgency for change versus satisfaction with the status quo?

In order to be able to frame and categorize the uncertainty, here are a few steps to follow:

- List five key external uncertainties affecting your business: e.g., in terms of technology, regulation, customers or suppliers.
- List five key internal uncertainties: e.g., capabilities, culture, stakeholder readiness, etc.
- For each initiative, list what you know and what you don’t know.
• Get data for the things you don’t know.
• List the factors that are truly unknowable.
• For the factors for which some data is available, categorize the level of external strategic uncertainty and internal execution uncertainty.
• Map your initiative according to these levels of uncertainty – see Table 1.

Table 1: Mapping initiatives according to uncertainty

<table>
<thead>
<tr>
<th>Strategic Uncertainty</th>
<th>External strategic uncertainty</th>
<th>Internal execution uncertainty</th>
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<tbody>
<tr>
<td>Levels 1 and 2</td>
<td>Initiatives with low strategic uncertainty are the low-hanging fruit that need to be picked. These are obvious opportunities that need to be exploited in order to extend and defend the current business. There may be some technical uncertainties, which need to be considered as risks and contingencies. Common drivers of uncertainty include cost, market demand, technical performance and competition. But the company is likely to already have some capabilities that can be built upon. Typical examples of strategic initiatives in this space would be supply chain enhancements to reduce costs or improvements in customer relationship management.</td>
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<td>Fix Levels 1/2</td>
<td>Build/Leverage Levels 2/3</td>
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<td>All Hands Must Win: Conduct multiple social proof pilots</td>
<td>Build up Confidence: Assess strategic uncertainty to determine degree and focus of investment</td>
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<tr>
<td>Low Hanging Fruit: Just do it!</td>
<td>Conduct Fast Feedback Pilots: Assess strategic uncertainty to determine degree and focus of investment</td>
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<td>Build under the Radar: Conduct feedback pilots, while protecting country/business</td>
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<td>Levels 3 and 4: Initiatives with a high level of strategic uncertainty have the biggest risk associated with them, as well as the biggest potential reward. These initiatives are the potential sources of innovation. Building scenarios and testing through fast feedback pilots in different market segments allows the identification of viable options for future businesses. Remaining flexible has the advantage of maximizing the number of opportunities that could be captured. However, at a certain point, commitment to one course of action is required in order to gain competitive advantage.</td>
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In addition to the tools that can help evaluate strategy under levels 1, 2 and 3, latent demand analysis, qualitative-based scenarios with representative outcomes, and sensitivity analysis can help to figure out which action to commit to. For situations with significant unknowables and multiple uncertainties (e.g. major shifts in politics, social environments, technology and economics, as well as interaction effects), it may be helpful to conduct a backward induction analysis or pattern recognition exercise, or to examine similar industries or situations.

3M’s corporate entrepreneurship system results in a large number of initiatives with a high level of strategic uncertainty. Its incentives and culture favor the proliferation of ideas. These are then funneled through successive stages of a
selection process, in order to concentrate investments of time and resources on high potential businesses.

**Internal execution uncertainty**

The above levels of uncertainty assume that the internal environment is certain and supportive. But the uncertainties around organizational factors and processes also need to be considered. Execution uncertainty refers to the degree of security a strategic initiative faces in terms of both availability of resources, capabilities and skills and of culture, including expertise in change management. Determining the level of execution uncertainty can help gauge the best way to implement the strategic initiative internally:

- **Level 1** initiatives have a low degree of execution uncertainty. Sponsorship, communication, validation (through social proof pilots, i.e. low risk yet representative proof-of-concept pilots which can demonstrate the benefit of the initiative to the organization) and involvement of the best people can help lead to a smooth roll-out.

- **Level 2** initiatives have some degree of execution uncertainty. It is key to convince internal stakeholders of the benefit of the initiative. Depending on the context, validation can be gained through social proof pilots, external benchmarking, clearly articulating the business case, or seeking external help.

- **Level 3** initiatives face a high degree of execution uncertainty. Growth initiatives often fall into this category. It is best to keep them off the radar screen until they reap a demonstrable success, since if the company is not ready for failure they will be cut. Nestlé launched GLOBE in 2001 (a multi-country, multi-business unit ERP rollout). The objective of this worldwide initiative was to streamline Nestlé’s supply chains, eliminate wasteful purchasing practices, and take the best administrative practices and spread them throughout the company’s operations. Nestlé had 14 different enterprise planning systems from SAP in place in different countries. GLOBE replaced them all with a new one, based on new internet-based software known as mySAP.com. It faced a great deal of internal resistance initially, but by creating early successes and demonstrable wins, it was able to successfully implement the program.

### Initiatives with high strategic and execution uncertainty: The case of Denise Donovan

Denise Donovan was offered the job of country manager for CBG Australia – one of the largest global companies in the information services sector. She was the first non-expat as well as the first woman to head up the Australian operation, but she quickly proved to be an outstanding choice.

Denise first established credibility by turning around the chronically underperforming subsidiary. She then sought to expand the subsidiary’s prospects and leverage untapped or emerging opportunities with potentially high returns. After a year, she presented a major request for corporate funds to her regional bosses at the annual strategic forum. However, it was turned down. This decision impacted Denise personally and she was concerned about keeping the team motivated. Unwilling to let this unique opportunity slip by, Denise found a creative option which allowed her to gain attention.

The case illustrates the personal characteristics that can help executives increase their chances of successfully moving their initiatives up the priority list. Denise’s energy, willingness to take risks and resilience were instrumental in getting her ideas off the ground.

### The importance of execution in creating impact

To maximize the chances of a strategic initiative’s success, a number of steps need to be taken before and during execution to prepare the ground:

**Before execution**

- Select strategic initiatives that have high business impact and avoid those that are low priority.
- Ensure you have the right team and that performance criteria are aligned.
- Make sure that there are short stages to deliver value.
- Prioritize steps for learning and frame tangible deliverables.

**During execution**

- Build a change plan to help get organizational commitment.
- Monitor progress regularly to help keep initiatives on track and to provide important feedback and re-energize continuing implementation.

Piloting plays an important role in validation and social proof, as well as in understanding and overcoming potential obstacles. Pilots should be selected based on the following criteria:
• Credibility refers to the location where the pilot is started and involves dimensions such as the location’s capabilities, level of support and resources.

• Replicability refers to the pilot location’s representativeness of others and its ability to allow a methodology for replication to emerge.

• Feasibility refers to the ability to demonstrate that the strategic initiative will deliver the expected overall benefits.

Once these criteria are fulfilled, the likelihood of gathering commitment increases as ultimately it is about convincing sufficient internal people. Also, successful pilots can create the energy needed to gain momentum with the execution of the initiative.

Companies face a number of dilemmas when implementing strategic initiatives:

• Trade-off between flexibility and commitment: How to remain open enough to capture the right opportunities without losing competitive advantage by failing to commit? The timing of when to commit and focus is critical. As strategic uncertainty increases, focus on committing to those assets that take a long time to build up, and remain flexible on the others. As execution uncertainty increases, focus on social proof pilots for initiatives that need to be done to protect and extend the existing business, while keeping growth options under the radar.

• Endorsement: How do initiatives obtain institutional support? How do top-down initiatives stick? And how can bottom-up initiatives gain sufficient attention?

Conclusion

A structured approach to governing strategic initiatives – such as that implemented by Tetra Pak – can be helpful in executing level 1 and 2 strategic initiatives. However, level 3 initiatives – the high risk, potentially high reward ones – require greater freedom and less visibility in order to be able to evolve organically and reach the point where they can demonstrate a benefit.

Further Reading


Governance of strategic initiative implementation: The case of Tetra Pak

In 2007 Tetra Pak’s high number of strategic initiatives – 40 to 60 – led to overlap and conflicting roles and time schedules. Country organizations were bombarded with initiatives from headquarters that they were realistically unable to implement. On top of this, several initiatives had no clear business case. The number was cut to 25, and a clear governance system put in place: five different councils (strategy, transformation, product & technology, capability and corporate governance) reported to the executive team. To ensure accountability and transparency, 75% of the executive committee members also sat on one of the councils. Headed by the CEO, the strategy council had to sign off on a given direction and review each program (i.e. each set of initiatives within each of the five areas) twice a year to ensure continued alignment with strategic objectives and the market reality.

Transformation was managed as a process, with seven core processes. The seven global process owners met eight times a year, bringing with them initiatives of up to €1 million. Each reported to the executive committee and also had a line function, which accounted for 80% of their role. Before anyone could begin a new initiative, the business transformation council checked that there was a clear link to the strategy, a business case and resources, and clear accountability. Senior managers were responsible for presenting the closure chart when the initiative was finished.

In April 2009, Tetra Pak brought in a business transformation project dashboard. The purpose was to ensure that projects realized their benefits, in addition to achieving compliance and quality improvements. The dashboard would enable better understanding, planning, realization and ensure there was a benefit case. This became a central part of portfolio management, as well as improving transparency, thereby allowing market clusters to coordinate their total yearly roll-out agenda of strategic initiatives. Each project team was asked to assess its own readiness to implement initiatives. Initiatives were assessed using the criteria of strategic fit, benefit and readiness for implementation.

Tetra Pak now has the governance in place to successfully manage its portfolio of initiatives, cascading corporate projects down to regions, and prioritizing projects to ensure appropriate resourcing. Transparency can help to validate the assumptions of financial models, to ensure the business case, as well as to assign clear accountability according to explicit criteria. Checking the link between strategic objectives and initiatives is also critical to ensuring strategic fit. Finally, clear project methodology and KPIs ensure the quality of delivery.