

# **Bridging the Gap:**

## **Effective transition from strategy development to strategy execution**

**Lucy Loh and Patrick Hoverstadt**

### **Overview**

There is fairly consistent survey evidence that current approaches to strategy development fail to deliver the planned strategic change in the majority of cases and we argue this shows they are intrinsically broken. There is a trend in the strategy literature and amongst strategists to blame this failure not on strategy itself, which could feel rather close to home, but instead to blame the failure on 'execution.' From this viewpoint, the strategy itself is clear and adequate and it was just the projects to implement change that failed and, by implication, so did their project managers.

In this article we take a different viewpoint. We argue that what destabilises strategy execution projects is often the flawed strategy that feeds into them. Specifically, the strategy can be flawed in that it fails to take into account changes in the strategic environment that renders the strategy defunct. Conventional strategy also fails to take into account the direction and momentum the organisation is already locked into. We highlight some of the reasons for that and then go on to present a radically new model for developing strategy, and for managing its execution: a key challenge for the project and programme managers who are charged with this. The *Patterns of Strategy* approach is different from existing approaches at both conceptual and practical levels. It gives a much richer way to explore strategic options at the strategy development stage, and it generates a very precise implementation plan to inform the execution stage, as well as metrics which can be used to measure the effectiveness of the deployed strategy. So the use of a very different paradigm of what strategy is, and how it is defined, drives and enables a different paradigm for managing its execution.

### **How *Patterns of Strategy* is different**

Most conventional strategy approaches fail to recognise other organisations as actors. When they are described in strategies – and that's not often – they are positioned as static and passive. They are seen as static in that their current position is a given, rather than simply being a point in time, and passive in that there is little or no consideration given to their potential to act, and to act with implications for us. In game theoretic terms, these approaches fail to recognise that other organisations have independent will, which they can and do exercise, and that in reality the interactions between organisations are complex and dynamic, unfolding like a drama or dance. Since these approaches don't recognise the agency of other organisations, they define strategy as what we want our organisation to

become, based on the assumptions that we can define what we want, and that we can get there without let or hindrance from others. This second assumption is wrong. Other organisations are actors; they have options in what they do and how they do it, and their choice and execution of option defines the strategic space in which we operate and affects what we can accomplish. Once it is written down in this way, it is of course apparent that it is critical to model and understand the possible decisions and actions of others in our environment, but conventional strategy approaches don't do this. The interventions and actions of those other actors can impact or totally derail the strategy execution itself. In these circumstances, strategy execution can get the blame for inadequate strategy definition, a real problem for programme or project managers. A range of studies and surveys suggest that, conservatively, more than 90% of strategic plans generated by conventional strategy approaches are not implemented. While there is considerable variation in the assumptions about what constitutes a strategy and what constitutes implementation failure, even the most sanguine indicate failure levels around 70%, and that makes the levels of failure very significant indeed.

*Patterns of Strategy* is a new approach to strategy development developed by Patrick Hoverstadt and Lucy Loh. In this approach, it is fundamental to treat actors as having independent will. In game theory, an actor is an individual or organisation with decision making capability, including the ability to create and execute a range of different options in any particular context or situation. Game theory examines what happens when my option A interacts with your option B, or my option A triggers a response from you of option C. It's the interaction between my actions and your actions which creates the game, a constant dynamic as each actor seeks advantage for themselves. *Patterns of Strategy* models how we interact with key actors around us, explores what options each actor has, and how the situation plays out, depending on which options are chosen by each actor. So instead of just analysing some factors (strengths, threats, resource, market position, etc.), it looks at the relationships between the organisations acting in the relevant strategic arena. It's the interaction between organisations which is the underpinning driver of strategy, as significant changes on the part of one actor will have an impact on the others. It looks at strategy as the orchestration of a dance: I move, you move, I move. And once the mechanism by which these interactions drive each actor are understood, then they can be managed in a purposeful way, and this is at the heart of this way of thinking.

Many traditional strategy approaches treat strategy as a mental construct, a document or some models or a plan, as a set of thoughts and decisions, and Mintzberg described: "*Strategy is a pattern in a stream of decisions.*" This is necessary but insufficient – strategy is what is realised, what actually happens with real people and real organisations: which actors take which decisions and act in which ways and with what impact. It's about the drama which actually unfolds. This is much closer to Mintzberg's revised definition: "*Strategy is a pattern in a stream of actions*" – and this is much closer to the clarity and specificity which is needed by the programme manager who is drawing together threads of strategy execution. This approach treats strategy as a sequence of manoeuvres which each actor executes, where a manoeuvre is about deployment of actual resource to different points of focus at different time points and speeds, not just a line in the plan but in reality. It has three core dimensions: fit, time and power, and strategic manoeuvres alter each of

these dimensions to create and sustain advantage. The manoeuvres chain together in a sequence to make a pattern – a pattern of strategy.

There's another important aspect of the approach. Your overall strategy is likely to affect multiple actors because you have multiple strategic relationships, with customers, partners, competitors, regulators, markets, and so on. All organisations depend on cooperation and collaboration in some part of their activity. No organisation is purely competing, no organisation is purely collaborating. So it's vital to have a strategy approach which can deal effectively and equivalently with the challenges and opportunities of both collaboration and competition. In many strategic situations, the actors have to collaborate in some way and you need ways to think about these situations in strategic terms. The approach looks at strategy through a frame of strategic relationships, which can be competitive, collaborative or a combination of the two, and is equally applicable to all of these.

### ***Patterns of Strategy: informing strategy execution***

Once we see strategy as being a set of manoeuvres being played out between real actors with real resources, then identifying what is required in the implementation plan becomes very concrete and straightforward. So too does monitoring strategy execution and measuring its performance, because you define metrics against each of the manoeuvres: have you changed yourself as you intended, has that had an impact on the other actor or actors, and has that in turn brought you the advantage you wanted? We define strategy as changing your fit with the environment to your advantage by differential use of power and time. The critical focus of strategy is to improve your fit, either by changing yourselves to better fit our environment or by changing your environment to be a better fit for you. You assess the interactions between you and the other actors, and also the interactions between other actors which don't involve you, and in this way get rapid and direct feedback through the defined metrics on whether the strategy is working as intended and improving your degree of fit.

To change your fit, you develop a sequence of strategic manoeuvres, and each strategic manoeuvre requires a change in capability to deliver it. Defining these manoeuvres makes it clear on what exactly in your organisation you need to change and by how much. The approach is systemic, and assesses the differentials between the actors against six different elements, within the core dimensions of fit, time and power. As it uses differentials between the actors, it requires you to define exactly what needs to change, to change your fit with the environment to your advantage. So the development of manoeuvres comes with a high degree of precision: not just a vague “be

***Patterns of Strategy*** has three dimensions of fit, power and time.

**Fit**

*The nature and attractiveness of our couplings with other actors in our environment*

**Power**

*Differentials in our resource and capability, and their deployment, relative to others*

**Time**

*Differentials in our speed and rate of change relative to others*

These dimensions break down into 6 elements, which we use to define manoeuvres.

*more agile*” type of statement, but instead: “*be this fast, in that business operation*” and have “*x amount of resource deployed to Operation A which could also deliver Operation B and be moved there with y days’ notice.*” In addition, the manoeuvres have an inherent sequence, which informs the strategy execution plan.

If you need a faster cycle time, for example, the precision of what change and in what cycle, and by how much and by when is detailed enough to define the key features of an implementation plan. If we see organisations as a set of capabilities, then the strategic plan is to develop and improve the performance of one or more capabilities. Some manoeuvres can simply be executed without any organisational change, but many will need some sort of change in the organisation – a redirection of existing capabilities, increasing or decreasing some existing capabilities or the building of new capabilities, and here we are in the heart of programme or project management, defining a strategic implementation plan to bring these capability shifts about.

The articulation of strategy is two-fold, both its definition and also the order in which things are chained together. The strategy directly and easily generates the strategy execution plan as a sequence of changes in capability, with clear metrics on which capabilities need to change, by how much, and when. This gives early validation of the strategic option which has been chosen, testing whether we are capable of delivering the strategy, given the degree and rate of change it requires.

### ***Patterns of Strategy: defining how strategy performance will be assessed***

It’s important to be able to monitor progress of the capability shifts. So, are you now “*this fast, in that business operation*”? Are you now able to shift “*x amount of resource deployed to Operation A which could also deliver Operation B with y days’ notice*”? These are the output indicators, of course, and are directly in the control of your organisation. But our definition of strategy is changing your fit with the environment to your advantage by differential use of power and time, these output indicators give you some leading measures but don’t provide a full measurement picture. To understand if you have been successful in changing your fit, you also need outcome indicators, which assess the external impact of your internal capability shifts, the impact on your fit and your advantage.

As well as defining output metrics, the approach also generates outcome metrics, indicators about you and the other actor. In our experience, this focus on the other actor as well as you is unusual but, given all we have said about the dynamic interactions between you and the other actor, it is critical. We generally look at two types of outcome indicator about other actors. One is monitoring for evidence of the other actor being forced into reacting to delivery of your strategy. The other recognises that even as you are planning and changing, so are they. So the other type of outcome indicator is to look for early signs that they are changing their manoeuvres in any way which could have an impact on you.

When fit is built and sustained, there is a multi-way value exchange, with each actor giving and receiving value from the strategic relationships they have. The manoeuvres change your fit, and so alter the amounts and types of value which you give and receive. Usually,

the types of value exchanged are rich and varied, in both directions. The value received and the value given could include a wide range of resources, reputation, learning, access, reliability, resilience and intangibles as well. In this approach, you make explicit what value you want to get, which types of value and how much of each, and what value you are willing to give in order to get what you want. Assessing shifts in the value exchanged, both outputs and outcomes, is part of assessing the performance of the strategy.

Overall, then, you measure outputs for you, and outcomes for both you and other actors – has your strategy made a difference? – and using both quantitative and qualitative metrics. This focus on metrics supports another area of the programme or project manager’s role, that of monitoring and control.

### **Patterns of Strategy: communicating the strategy to the organisation.**

A real constraint on strategy execution is the quality by which the strategy is actually defined and then communicated to the organisation at large and, in particular, to the programme or project manager who will oversee its execution. After the strategy discussion, it’s important to be able to describe it to others, in an easily communicable form. The organisation can only execute strategy when they understand it, and understand it in detail and with precision. If we go back to a previous example, then “*being more agile*” doesn’t help. But being “*this fast, in that business operation*” sets a clear expectation to both programme manager and staff.

The elements of **Patterns of Strategy** themselves make this very straightforward.

There are five main steps to the strategy statement:

1. Define the desired state of each strategic relationship(s), as it/they will be after the manoeuvres have been completed.
2. Define the changes in the Patterns of Strategy elements.
3. Define the capability shifts required to alter the Patterns of Strategy dimensions.
4. Define the metrics you will use, for both Black and White.
5. And finally we turn it into ‘plain English’.

Here’s an example from one of our clients. We’ve redacted it a bit and made it rather more high level, (it is their strategy, after all), but you can clearly see the four steps.

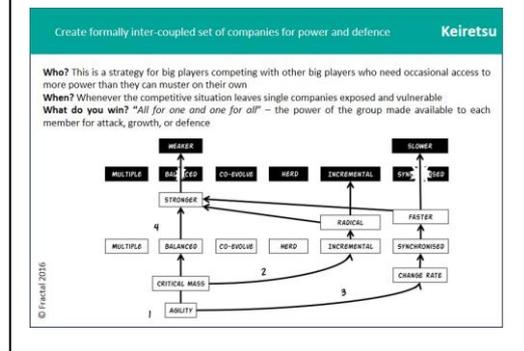
*Our Strategy is:*

1. *To secure our relationship as a preferred first tier supplier to ANO Automotive, so that we can maintain and grow revenue in the long term*
2. *and we’re going to do this by:*
  - *synchronising our operations with theirs (so they get what they need when they need it), and*
  - *being more innovative than we have been – at least matching the innovation rate of our peers and what ANO are expecting from us.*
3. *To do those two things we’re going to have to restructure <these operations> to improve their innovation and agility so we can respond to changes in demand more easily. And to do all that we’re going to invest in people and change, including <these new techniques and skills> and structural change.*
4. *And we’ll know this has worked if we get the new contract confirming us a preferred supplier, ANO’s trust in us increases and they start chasing other suppliers to bring them up to speed. And while we’re doing all that, we will need to keep our other customers on board.*

## Using the Patterns

The book includes a catalogue of more than 80 strategies which we have seen used repeatedly by organisations, either consciously or unconsciously. Each strategy is documented with a description, typical use, and an example. Importantly, we also include the sequenced set of manoeuvres which are needed to execute the strategy, and the indicators for monitoring its progress. The strategy patterns are grouped to make it easy to narrow down your search: some are clustered by purpose (defence, growth, collaboration, competition, managing the herd), one for size (small organisations), one by its defining characteristic (cunning plans) and some by what the principal actor is coupled to (supplier or market).

Example of manoeuvres in a **Pattern**. Keiretsu is a collaborative strategy.



This is a totally different way to work, and while it's unlikely that your strategic situation will exactly match one of the examples, it is likely to be strongly similar to one of the examples, or a hybrid of two of the examples. An alternative way to use the catalogue is to define your strategic context carefully and then work through all the strategies and ask yourself: how could this apply here? It is possible to do this in about an hour and generate a couple of dozen viable potential options to broaden the thinking and repertoire; many organisations unconsciously reuse a pattern they are familiar with, without reconsidering if it is the most suitable for the current context and situation.

Using the documented strategies provides an accelerant to your strategy development work, which is already quick and easy. And the description of the strategies helps you to diagnose the patterns at play in your sector, and which strategies your competitors or partners might be using, and what that could mean for you.

The approach is fast, and you can readily take the generic components of a pattern and translate and apply it to the realities of your context and strategic situation. This speed matters; the best strategy comes from exploring multiple options and ideas and testing them for their impact – and their doability. The discussion moves between what you might do strategically, and whether and how fast you could do it, and this is the interaction between strategy and organisation. Typically, you are considering what organisation and capabilities you might need for a particular strategy, and simultaneously considering what strategy options are possible or easy, given the organisation and capabilities you currently have, and iterating between these two perspectives. The approach provides rich information to the strategy end of that interplay, and a good model of your organisation is invaluable at the organisation end. Iterating in this way ensures that the programme or project manager can feel confident that the defined strategy is realistically deliverable by the organisation. In terms of planning implementation, this fast iteration is important, because so often conventional strategy is conceived in complete isolation from the harsh

realities of the organisation (quite literally because strategy teams go off to a remote location to do it), so the divorce between strategy conception and strategy execution is built into the conventional process.

There is a toolkit for using **Patterns of Strategy**, and leaders and strategists can use it interactively to explore their strategic relationships, whether competitive or collaborative, internal to the organisation or external, or all of these. It includes boards to map out potential scenarios, and the manoeuvre set which each actor could deploy in those scenarios, as well as a set of cards to explore the actual and potential value exchanges between the actors. In addition, each of the 80 strategies is described, along with the manoeuvres required to bring it about. Using the toolkit helps you get the terminology and – more importantly – its systemic thinking style into your organisation, and provides a frame and a focus for strategy development work. Using the toolkit, leaders can iterate through scenarios and options really quickly, and reducing the cycle time for each iteration of the strategy makes it possible to repeat, review and refine it at a higher cadence or when there is – or may be – a substantive change in the environment.

### **Bridging the execution gap**

Overall, using this approach prompts a number of key questions around the execution gap, including:

- How will you have to change your organisation, to effect a manoeuvre?
- What new capabilities will you need to carry out that manoeuvre?
- What enablers will you need to build that capability?
- What will you measure, both outcome and output?
- What can you observe of the other actor's strategy?
- If you carry out a manoeuvre, what effect will that have on them?
- How might they react?

Or, starting more from the 'organisation' end:

- Which strategies are you capable of?
- Which strategies could you execute without needing to change the organisation?
- How fast can we change?

Having chosen a strategy from the different options you have explored, you are then able to chart its path as it unfolds. You can assess whether the planned capability shifts are taking place to the degree and at the speed required. You can evaluate which actors and which organisations are actually affecting the situation and how effective each is being. Perhaps most critically, this approach provides early evidence of the effect of the strategy; it isn't necessary to wait until the end to be able to see the results, thus providing better control and the ability to change the strategy to meet changes in the unfolding situation.

Because conventional strategy fails to take into account what other actors might do that could destabilise us, it rarely works as planned, but the blame for that failure is laid at the door of execution. What we are arguing here is that the responsibility for dealing with that

uncertainty in the strategic environment lies with strategy not execution, but none of the conventional strategic approaches have been designed to deal with it. *Patterns of Strategy* does.

---

Patrick Hoverstadt and Lucy Loh, September 2016

***Patterns of Strategy***: Developing strategy for collaboration & competition in business ecosystems

[www.fractal-consulting.com](http://www.fractal-consulting.com)

## About the Authors



**Lucy Loh**

United Kingdom



**Patrick Hoverstadt**

United Kingdom



**Lucy Loh** and **Patrick Hoverstadt** have over 50 years' combined experience in working with private and public sector clients internationally, and in organisations of all sizes from small to global. Both have designed and delivered postgraduate courses at several European business schools.

They are directors at Fractal ([www.fractal-consulting.com](http://www.fractal-consulting.com)), a consultancy which specialises in using systems thinking and management science approaches to tackle complex, intractable management issues where traditional approaches consistently fail. This includes the development of Patterns of Strategy to provide a fresh and systemic approach to this key organisational challenge.

They are currently engaged in developing a systemic methodology for managing complex projects, recognising that these are different in kind from ordinary projects and so require a fundamentally different approach.

More at [www.fractal-consulting.com](http://www.fractal-consulting.com)

Information about their forthcoming book can be found at  
<https://www.routledge.com/Patterns-of-Strategy/Hoverstadt-Loh/p/book/9781138242678>