Strategy at the Pace of Change

We are living in a new paradigm, where Moore’s Law—the observation that the processing power of computers doubles every two years—now regularly disrupts entire industries and changes the way companies differentiate. The traditional forms of creating and developing a sustainable competitive advantage are and will continue to be quickly rendered obsolete by rapidly changing technology.

Instead of seeking the unicorn of ultimate differentiation, organizations need to be agile and nimble to continually evolve new competitive advantages. One of the examples that continue to strike us is Netflix, who evolved from a mail-order movie service, to a digital streaming service, to a content creator. Achieving this incredible capacity to not only adapt to change, but create entire new industries while doing so, requires a consumer-centric strategy and integrated approach to people, process, and technology across an enterprise.

We’d like to provide a few considerations on how to organize this type of strategy based on our experience and research.
START FROM A PLACE OF CONSUMER NEED
From productivity and efficiency to value discovery and capture

In the manufacturing era we worked mostly with simple and complex problems focusing on productivity and efficiency to gain competitive advantage. However, we believe the new paradigm will define differentiation by an organization’s ability to discover and realize new value.

We have found that leading with a consumer experience (CX) strategy is an effective way to help refocus your organization on value discovery and capture. By using a CX strategy the main focal point is on the pains and needs of a consumer, providing your organization a north star that encourages value exploration. In 2016, 89% of companies planned to compete primarily by CX differentiation (Gartner). The benefits are backed up by numbers: When companies invest in CX, they experience a 60% higher satisfaction score (Strativity, 2009). In addition, companies with very good CX ratings have an average Net Promoter Score that is 22 points higher than the scores of companies with poor CX (Temkin Experience Ratings, 2016).

CREATE HEALTHY TENSIONS
Utilizing multiple perspectives to better understand tradeoffs

In many companies today, we see a disconnect between ‘the business,’ ‘IT’ and ‘the consumer.’ IT is often brought into projects too late in the process, and is seen as an order taker, not a thought partner who has great insight into what technology can make possible. Business owners are confused by detailed technical conversations, and IT gets frustrated that business owners don’t understand scale and system limitations, and the consumer isn’t even at the table. Depending on the challenge, this might mean involving end customers, employees, or B2B partners in your strategy development or projects.
And don’t forget to involve IT from the beginning to get better efficiency, better scale, and less translation loss as you look to develop new business models.

ACKNOWLEDGE THE WICKED PROBLEMS
The complexity of problems requires nimbleness

Whether you believe we are on the cusp of a 4th Industrial Revolution like Klaus Schwab or not, you might agree that the velocity of change has rendered both organizations, and the problems they face, increasingly complex. This additional complexity might mean that the challenges your organization faces have some of the following qualities:

• Ambiguous and chaotic
• Involve multiple stakeholders with conflicting perspectives
• Are fed by unknown inputs and outputs
• Require changes in belief/behavior/identity
• Lack a ‘right’ solution
• Can’t be quantified
• Lack precedent
If some of these feel familiar to your challenges, you may be dealing with one or more ‘wicked’ problems. This term was coined by Design Theorist Horst Rittel and Systems Scientist C.W. Churchman in the 1960’s and is more applicable today than ever before.

When developing organizational strategies, we have found that problems generally fall into one of three categories: Wicked Problems as defined above, Complex Problems with hidden causes but understandable processes for navigating the elements, and Simple Problems. Each requires different treatment strategies when defining your strategic choices. 

These three types of problems can’t be solved in the same ways and thus shouldn’t be treated in the same ways during your strategy development process. Wicked problems, and some complex problems, resist even being defined, which makes it nearly impossible to prescribe solutions from the boardroom. We believe that wicked problems are so dynamic and confused that the only way we can solve them is to begin trying.

**Simple, Complex, Wicked**

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<tr>
<th>Simple</th>
<th>Complex</th>
<th>Wicked</th>
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<tbody>
<tr>
<td>Easily defined with well known boundaries, processes, and solutions.</td>
<td>Difficult to define, known desired end-state, some precedent, many variables, and unknown consequences.</td>
<td>Ambiguous and chaotic, involve multiple stakeholders with conflicting perspectives, unknown inputs and outputs, require changes in belief/behavior/identity, no ideal solution, can’t be quantified, lacks precedent.</td>
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**Next Steps**

<table>
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<tr>
<th>Team Structure</th>
<th>Funding</th>
<th>Measures</th>
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<td>Staff complex problems with cross-functional teams to accomplish the work. Allow for some additional resources as needed.</td>
<td>Provide unrestricted funding. These teams will need to make quick decisions on where to spend funding. Bureaucratic processes will cripple the team’s ability to be agile and adapt to ever-changing issues. Provide funding based on strategic tests that prove/disprove assumptions and provide learning.</td>
<td>Measure effectiveness on assumptions tested, opportunities discovered, new learnings, and the clarity these tests bring to the business. Eventually wicked problems will become only complex.</td>
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<td>Because they are easily defined, the skills and capacity needed should be easily identifiable. Staff these teams only with those individuals needed to get the work done.</td>
<td>Allow for flexible funding models that give teams spending discretion. Avoid rigid spending guidelines and lengthy processes. Instead, define stage-gates for unrestricted funds.</td>
<td>Define a theory of change for how you believe each scenario will impact the business. Outline directional strategic measures aligned to each theory of change.</td>
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<td>These are “Go-Do” projects. They require a little time for scoping and sizing, then action should be taken.</td>
<td>After scoping the project, identify the funding needed to do the work. Simple projects should be kept to strict budgets and go through rigorous ROI and prioritization.</td>
<td>Project outcomes + on time + on scope + on budget.</td>
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**Strategies at the Pace of Change**
We suggest companies explore the creation of small cross-functional teams that own different parts or stages of the consumer experience, and work together to stitch it into a cohesive experience.

These teams develop a deep and personal understanding of the consumer at their part of the experience, and advocate for their needs. As ‘full-stack’ teams, ranging from content creators and developers to UX designers and product managers, they have most of the skills required to create and maintain the experiences. It might make sense for some people or teams (like architects) to be shared across teams. Once these shared services become a bottleneck (they will) and hit a point of scale, they should be divided and integrated into the individual teams.

Consumer-focused teams must maintain a view of the entire experience, and communicate with one another (and other key stakeholders) to translate consumer needs, as well as maintain focus and consistency. It’s also important that SME’s from different agile teams have opportunities or forums to connect with one another to grow skills, and share function-specific experiences and knowledge.

As they have been involved in every part of creating and maintaining the experience, these teams should be held accountable to measures representing customer satisfaction at their part of the consumer journey. This will eventually shift the mindset to be less about the team and more about the task (Read: consumer need to be solved).
EXPLORE FREELY AND NIMBLY
Tricks to avoid bureaucracy and remain agile

Too often teams are hamstrung by rigid hierarchy and structures that impact their ability to quickly make decisions or pivot.

As they explore and improve the consumer experience, teams should be governed by values or guidelines, not hard rules. This means that they should be empowered to make decisions on their own including tool selection, approaches to work, and funding allocation.

While ultimately teams should be held accountable to results, it’s imperative to honor and account for the ambiguity that surrounds them at the outset of an effort. This means providing the freedom (if not the expectation) that failure will be part of the discovery process.

Netflix allows teams to use the tools and code of their choice, even when it goes against the company recommendations for languages. However, the teams then take on the responsibility of maintaining these tools.

EXPEDITE FUNDING
Fostering speed through autonomy

Nothing kills nimbleness faster than waiting for funding. Whether paying a vendor, setting up an emergency feedback session with users, buying new technology, or bringing on contract support, you don’t want to leave your teams waiting on a funding approval to make progress. These teams know better than anyone how to best use their spend, so a meaningful amount of unrestricted funds that comes with little to no approval processes is an important part of remaining nimble.

Take for example Google’s move to Alphabet. Each group now has responsibility for their own budget, as well as accountability to deliver great experiences and services for the broader brand.

Moore’s Law is characterized by changes in technology, and this swift evolution leads to ever-increasing consumer expectations. By starting from the consumer experience, focusing on value discovery and capture, developing teams and processes to react to changing context, you may realize small slivers of differentiation potential before the rest of the market.