



What is the uncertainty profile of your strategy? – Sources of uncertainty in strategy implementation

Willumsen, Pelle Lundquist; Kadir, Bzhwen A; Oehmen, Josef

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What is the uncertainty profile of your strategy?

Sources of uncertainty in strategy implementation



Problem statement

Different strategies face different uncertainties. Strategy implementation experience a landscape of heterogeneous risk factors both internal and external to the company. In the following we present empirical findings from 25 interviews with strategy professionals about major sources of uncertainty that affect strategy implementation, structured in a sense-making framework. A strategy will be affected by a combination of uncertainties and have an 'uncertainty profile'.



External factors

Multiple external sources influence the strategy work

- "what will our customers and competitors do?" - Executive
- "For some, a single parameter such as changing price of a primary good, can have an overriding impact on all aspects of the business." - Director
- "Other aspect include when there are changes in ownership, regulations or when new large customers are acquired and "it can make current strategy initiatives obsolete" - Consultant

Market predictability
Customers and competitors
Laws and regulations

How is the world affecting our strategy?



Feasibility

Uncertainties regarding feasibility include choosing the "right" technologies and estimating the effects on the products and solutions for customers.

- "What is out there, what can it do and how much is it going to cost?" - Executive
- "How will new technology affect the solutions we provide our customers in the future and what kind of new technologies should we include in our solutions?" (Executive)

Identifying new technology
Effect of technology
Cost of technology

Can it be done?



Objectives / Market needs

Strategy objectives is one of the sources of uncertainty.

- "We don't know where our customers be 2-3 years from now or what they will need and want" - Executive
- "We may not know if we have the right objectives or if they are measurable in the way we think" - Strategy consultant

Setting objectives
Quality
Timeliness
Quantification
Monitoring

Do we have the right objectives?



Execution

The execution of strategy pose several aspects of uncertainties.

- "If the employees are not on board, and don't wish to make the change happen, it will not happen" - Senior strategy executive
- "Changes introduced by new strategy requires alignment of culture with structure in order to adopt new ways of working." - Senior manager

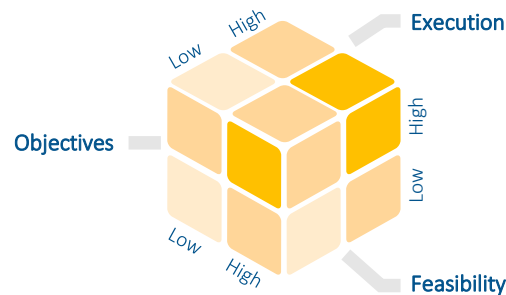
Organizational buy-in
Culture
Processes
Capabilities

Can we do it?

The uncertainty cube

Identifying the level of uncertainty

Where is your strategy?



Uncertainty profiles of strategy initiatives

Through the empirical work we identified that each strategy has its own 'uncertainty profile' in relation to the sense-making model described. A fuzzy innovation strategy faces particular uncertainties, cost cutting others.

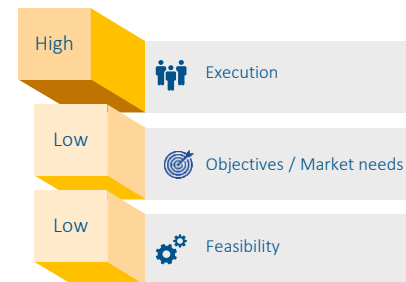
By assigning a property of either low or high to each of the three sources of uncertainty defined in the sense-making framework, we identified eight strategy uncertainty profiles. Three profiles of strategies emerged in the empirical work.



Example: Cost reduction

The first profile represents known quantifiable strategic objectives i.e. reducing costs. It has a low uncertainty in all sources.

- "We will never get it right with digitalization. But we shouldn't stay where we are." So, I'm a strong believer in that we shouldn't wait too long before we start doing thing. I think we need to get something and learn on the way we go." - CEO



Example: Transformation

In the second profile, the objective is clear but the execution is uncertain. Hence, high uncertainty in execution and low in the other two.

- "This journey's not risky because you have the systems in place that can do this, you know that. It can be big [changes], but you know that you have the capabilities.", "- this end goal is not hard to understand.", "[but] we really, really need to talk about and get this sort of, embedded into all of us", "What does that require? What does it look like? What does management look like over here? What do our key processes look like over here?" -CEO, management consultancy



Example: Digitalization

The third profile scores high on all three uncertainty sources. This profile is common to uncertain strategies related to e.g. Industry 4.0 and new product development.

- "We will never get it right with digitalization. But we shouldn't stay where we are." So, I'm a strong believer in that we shouldn't wait too long before we start doing thing. I think we need to get something and learn on the way we go." - CEO

Implication for practitioners

- The approach for dealing with uncertainty profiles is highly dependent on the type of strategy
- While strategies with quantifiable objectives have low uncertainty in all sources, fuzzy strategies with blurry objectives e.g. product development and digitalization will have high degrees of uncertainty in all categories.
- The less we know about future customer needs, market trends, and our capabilities, the more challenging it becomes to define a strategy objective, leading to increased uncertainty in its execution.