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

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

Publication date:
2018

Document Version
Publisher's PDF, also known as Version of record

Link back to DTU Orbit

Citation (APA):
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’.

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.

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 that we shouldn’t wait too long before we start doing things. 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 that we shouldn’t wait too long before we start doing things. 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.