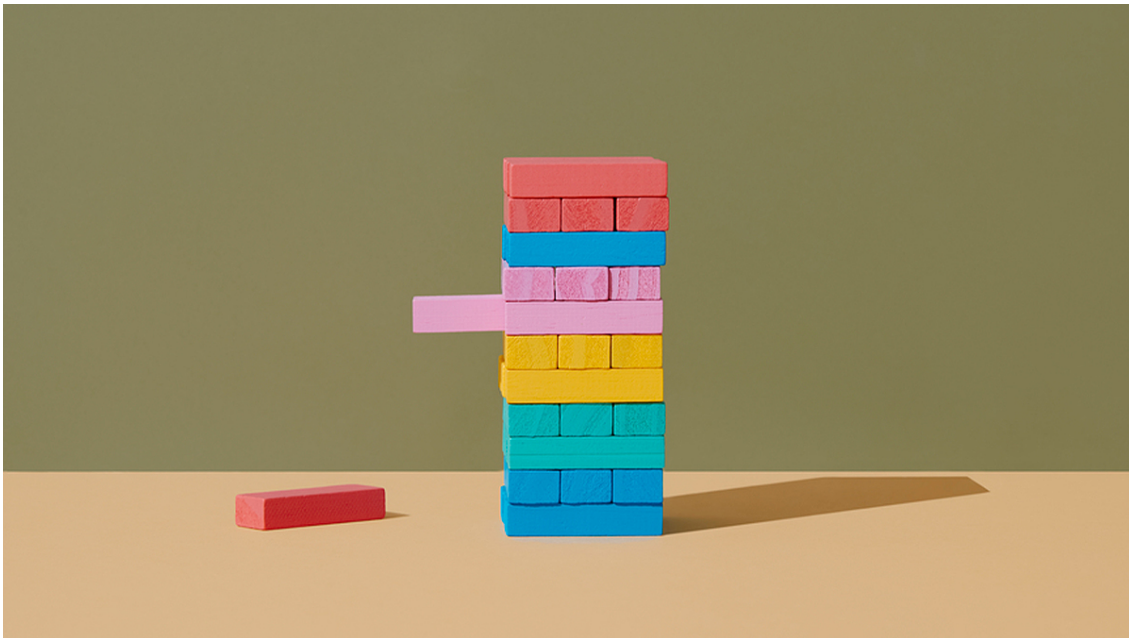


# What You Lose with Your New Strategy

by Natalia Weisz and Roberto Vassolo

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**Summary.** Company strategies often fail and this is frequently ascribed to unpredictable changes in the context. But most failures are the result of fairly predictable challenges, including one factor that is constantly overlooked: the role and impact of loss. New strategic... [more](#)

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Why do organizational strategies so frequently fall short? This question has perennially stumped executives and managers, and one thing seems certain: it's not for lack of planning.

Countless hours are spent by company leaders thinking about, discussing, and planning their strategies. However, several recent studies find that about two-thirds of business executives report that their planning process does not deliver a robust strategy. In exploring the reasons why, we often hear executives say the failure of strategic initiatives is due to unpredictable changes in the competitive context — big, unforeseen events and trends. But from our research and work with companies large and small all over the world, we have come to a straightforward conclusion: unpredictability is overrated. On the contrary, we have found that organizations more typically fail at anticipating and then navigating changes that are fairly predictable, having to do with enduring, repeated challenges. Furthermore, there is one key factor that strategic decision-makers often neglect in formulating and implementing their strategies: the crucial role and impact of *loss*.

### **Hidden Priorities and Losses**

We have seen a strong correlation between the failure of strategic initiatives and what we call the “hidden P&L,” for priorities and losses. Moving ahead on big new priorities inevitably generates losses: some parts of the organization, some people, functions, values, and traditions will be downgraded or even abandoned in the name of progress. Corporations trying to implement strategic initiatives typically trumpet the benefits and ignore these losses, treating implementation as a straightforward technical challenge. Doing so is a comfortable default. It gives strategic change the illusion of a win-win: no one gets hurt, and nothing gets left behind.

It’s a risky, even dangerous illusion. At its best, strategic planning involves informed conversations about the organization’s future, resulting in a plan reflecting new priorities or reordering of old

ones. For any strategy to be successful, executives need to identify, understand, and allocate time, attention, energy, and money for the losses the organization will face in pursuit of its new priorities. In this way, strategic planning can be seen as what Ron Heifetz, Marty Linsky, and Alexander Grashow have called an adaptive challenge, helping the organization come to terms with new realities and to appropriately grieve what is lost.

This “adaptive” challenge can be contrasted with mere “technical” work, in which the factors are known, and people continue in the same basic system and circumstances. This means bringing into the strategy planning process all the tools and frameworks that help teams and organizations deal with the losses that are part and parcel of doing adaptive work, and actively engaging those people for whom solutions will need to be internalized in minds, commitments, and behaviors.

### **Dealing with Direct and Indirect Loss**

New strategic priorities require organizational changes. We all embrace change when we think it is going to be good for us. What we resist is loss. The latent and often unarticulated fear of loss is usually behind organizational inertia and resistance. Therefore, in any strategic planning process, it is essential to understand the relationship between the new priorities the context demands and the losses different groups within the organization will face when addressing these priorities.

Some types of losses are clear to detect and eventually address. For example, direct losses relating to power, money, prestige, career prospects, and autonomy come up quickly in planning conversations. More hidden are the competency losses. The fear of having to deal with new organizational demands can trigger significant anxiety. The pain associated with this real or perceived loss of competence can equal or even exceed that of direct losses. We still recall a manager at a major bank saying: “I’m 50 years old and I don’t know whether I can develop the necessary skills for the changes to come.” No one wishes to feel incompetent. However, adaptive challenges demand both experimentation and learning new competencies. They require endurance through

painful periods of uncertainty generated by lack of knowledge and relevant skills. Digital transformation in the banking industry creates losses that are a big hurdle for those who have been in the industry for many years.

Loss of loyalty is another serious consideration. No person is an island. We have loyalties to those who share our values, interests, or history. If you're someone who serves as a voice for coworkers or friends, that means they expect you to defend certain values and perspectives. Upsetting those expectations can carry a high cost, mainly in terms of identity and a sense of belonging. A fear of eroding trust inhibits open conversations about the real work to be done. It undermines progress in strategic priorities.

Such losses are not evenly distributed and they affect groups differently, varying in type and magnitude. That explains the different levels of commitment and resistance to priorities. The good news is that, just as you can anticipate new priorities in the face of a changing context, you can also anticipate the losses that these priorities will generate.

### **Building an Adaptive Strategic Planning Process**

Understanding the relationship between priorities and losses can help senior management teams to make strategic planning processes more effective in mobilizing learning and change. Here are three steps you can take to help facilitate this:

**Strengthen the holding environment.** A holding environment is a safe space where executives can talk openly about what they don't know and what they need to learn and where the deeper values that will be brought into play during this process can be made explicit. Without a minimum holding environment, the chances at true learning decrease and it becomes more difficult to form an adequate strategy with a coherent set of priorities.

You may never achieve the perfect holding environment, but you can nurture it until it is good enough. Do this by, first, showing genuine conviction in addressing the real challenges, and the demands they imply in a caring way. Next, create some spatial

and time boundaries. Knowing that certain issues must be resolved within a certain time and space helps focus and contain. Finally, foster emotional connection. For example, people who may have been working on the management team for years know less about their peers' histories, hopes, and fears than you might think. This emotional disconnection makes it challenging to show vulnerability and, in turn, to progress in collective learning. One of our favorite ways to strengthen the holding environment is to establish an initial moment for sharing personal stories. Before getting into the corporate needs, we invite managers to learn more from each other by sharing some intimate aspects of their past and present.

**Establish a formal moment to discuss losses.** Remember that systems, including organizations, can develop the capacity to handle all kinds of challenges — but only those they can name. What we do not recognize and name will later emerge in numerous forms of resistance. So, leaders need to make this naming a formal step or goal. While priorities are discussed and agreed upon, the conversation must move from the purely analytic elements of strategy to putting real names and faces to those who would have to implement, manage, and bear the consequences of the decisions that emerge from a deep planning process. Some of those names and faces are also, inevitably, in the senior management team and their direct reports. In this sense, beginning to treat strategy as adaptive work humanizes it, enabling the teams to consider the needs and fears of those who need to be involved in realizing strategic change. This might be an uncomfortable moment, but it can also be relieving or even freeing if you foster curious questions and deep listening.

**Map the affected groups and losses for each strategic priority.** As part of the implementation phase, develop a different picture or chart with each strategic priority in the center and the most critical groups affected by it. For each group, analyze the extent to which it is necessary for the adaptive challenge to advance, how they contribute, what is essential for them to preserve, and finally, what they will need to leave behind because it is constraining their forward motion. You might not have a

complete grasp of what all of these aspects imply.

For example, if one of your strategic priorities is to “accelerate the digital transformation,” then write this initiative in the center of the map and recognize five or six fundamental groups or units that will be most affected by the transformation. List for each group the perspective they hold regarding the initiative and the values that underlie that perspective. Then evaluate their commitment and the direct, capability, and loyalty losses they may need to cope with. If you are the senior authority of the organization, don’t forget to include yourself on that map. What are the losses you need to acknowledge? What is the learning you need to achieve?

Finally, through the entire process, remain close to people and provide interpersonal support. This does not mean solving people’s problems, though you may want to. As a leader, you may be able to solve some of the technical issues that strategic change requires, but the real work is more adaptive. Strategic priorities demand deep systemic and individual learning. Fears must be faced; deep-rooted values will have to be redefined, and behaviors and attitudes will have to change. The basic truth: the people facing the challenge must be part of the solution.

By treating strategic planning as a leadership intervention, you can help people through this process. Adopting an adaptive perspective may not be easy, but ultimately it is more caring and effective.

## NW

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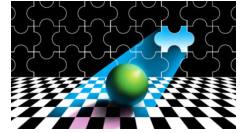
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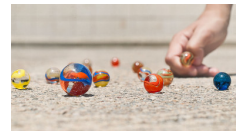
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