Crossing the chasm: Leadership nudges to help transition from strategy formulation to strategy implementation

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Abstract
Top managers tend to focus on strategy formulation and planning but fail to embrace the problem-solving complexity of strategy implementation. This can lead to implementation failures that are reflected in misaligned organizations that seem to know where they want to go but cannot seem to get there. We posit that one reason for the ineffective transition from strategy formulation to strategy implementation is that planning is associated with a different set of thought processes and emotional experiences than is required for strategy implementation. We integrate research from management (strategy implementation and change management) with that from psychology (self-regulation and nudges) to identify the transition from strategic planning to implementation as a roadblock that prevents effective strategy implementation. We then present six leadership nudges that aid this transition. The first set of nudges are willpower-enhancing nudges that rely on increasing willpower to help transition from planning to implementation: Remove the distraction to plan, develop implementation intentions, and use verbal framing. The second set are desire-reducing nudges that work to decrease the desirability of planning and in so doing facilitate the transition to implementation: Highlight the end game, leverage a crisis, and celebrate small wins.

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1. Crossing the chasm from planning to implementation

Management guru Peter Drucker once said: “Plans are only good intentions unless they immediately degenerate into hard work.” A common refrain from CEOs is that even though they have the right strategy in place, firm performance suffers because of poor execution. Far too often, firms develop grand plans for strategic change but experience a shortfall in execution once teams walk out of the boardroom. In the personal sphere, people often feel good about making long to-do lists but end up procrastinating and not implementing them. Is the transition between the formulation of plans and the implementation of plans such a treacherous chasm that plans simply do not make it to the other side? If so, why does it happen and what can be done about it?

The issue of crossing the chasm from planning to implementation is particularly germane to top managers and other business leaders who bear primary responsibility for strategy formulation and must engage in the implementation process for it to be successful (Hrebiniak, 2006). Like the coaching staff of a football team, the work does not stop with the development of a draft strategy, playbook, or game plan. The hard work of communicating, teaching, motivating, and developing teamwork must accompany the strategy in order to actualize the plans and achieve strategic goals. Although there is significant research supporting the importance of involvement by managers at all levels in the implementation process (e.g., Greer, Lusch, & Hitt, 2017; Hrebiniak, 2006), we don’t know enough about why many plans never see the light of day.

Our research is based on insights gained from the intersection between the management (strategy implementation and change management) and psychology (self-regulation and nudges) literatures, coupled with interviews with CEOs frustrated with a lack of engagement by managers in the implementation process. Based on this integration of knowledge, we propose a hedonic rewards framework to suggest that strategy formulation and strategy implementation involve fundamentally different mindsets (thought processes and emotional experiences). Specifically, we argue that because strategic planning is hedonically more rewarding (emotionally and psychologically pleasurable) than strategy implementation (good to do, but not as enjoyable), managers display the tendency to continue in a planning mindset rather than transition into an implementation mindset that supports strategy execution. We identify the transition between planning and implementation as a key roadblock that poses a self-control dilemma: the battle between the desire to continue to plan and the willpower needed to transition to implementation.

To address this problem and aid the transition from planning to implementation, we propose six leadership ‘nudges’ that managers can leverage to facilitate their team’s transition from a planning mindset to an implementation mindset. The term nudge was popularized by recent Nobel laureate, Richard Thaler, who defined them as “any aspect of the choice architecture that alters people’s behavior in a predictable way” (Thaler, Sunstein, & Cass, 2008, p. 6). Nudges impact decision making at a subconscious level and can be used to improve goal-seeking behavior. The successful application of nudges can be found in diverse fields of study, including economics (e.g., to increase 401(k) participation), healthcare (e.g., increasing organ donation), and marketing (e.g., food selection from a menu). In this article, the nudges are designed to subconsciously transition a manager’s mindset from planning to implementation so that they more effectively focus on the ‘doing’ portion of strategy realization.

2. The problem: Poor strategy implementation

Effective strategy implementation can be a powerful source of competitive advantage. Companies like Southwest Airlines have leveraged the power of superior implementation to repeatedly outperform their competitors over long periods of time (Hallowell, 1996). Effective implementation is also a critical component of the process of experimentation that is the foundation for the development of new business models (Broekhuizen, Bakker, & Postma, 2018). Instead of focusing on long planning cycles, companies like Amazon leverage their capability to take quick action through the use of experiments to rapidly innovate and develop powerful new sources of competitive advantage (McGrath, 2010).

However, top executives report that they only achieve about 60% of expected returns on strategy (Sull, Homkes, & Sull, 2015). To deal with this issue, they often look outside the firm for help. The CEOs we interviewed noted that instead of rolling up their sleeves to engage in the implementation problem-solving process, they often find themselves and their management team investing large

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1 https://www.goodreads.com/quotes/65135-plans-are-only-good-intentions-unless-they-immediately-degenerate-into