



Execution risk: Stepping over 12 common hurdles

Whether you are an incoming CFO charged with improving performance or a sitting one trying to transform your organization, execution risk looms large.

Consider, for example, the risks involved in expanding globally or in changing your business model or even in getting projects that are off the rails back on track. Solutions may entail everything from reorganizing your own group to upgrading talent, structure, systems, and processes—possibly all at once. Little wonder that in our quarterly *CFO Signals*[™] report, execution risk is routinely named a top internal risk.¹

Solving for execution risk begins by understanding its root causes. And based on our numerous CFO Transition Lab[™] sessions, we have identified several factors—so-called “Wheel of Woe” issues—that leaders should be able to address to deliver successful change initiatives. In this issue of *CFO Insights*, we’ll outline the 12 main ones and make the case for why thoughtful consideration of these factors can help improve the odds of success.

The Wheel of Woe

Generally the issues on the Wheel of Woe deal with three drivers of execution risk: availability of critical resources, stakeholder commitment and alignment, and emotional/social resistance. Risks in these categories can be broken down as follows:

Resources

1. Budgets

A key challenge for many change initiatives is inadequate budget. This can lead to stress, reduction in change elements delivered, and the project falling short of expectations. It’s critical for budgets and expectations to be aligned at the outset to avoid initiatives that fail by definition. ➤

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2. Workloads

Change requires work and effort. All too often, though, these efforts are additive to existing demands. Those driving or executing change often have little or no excess capacity and time to undertake yet another project to execute the change. This is especially true when the company is going through a difficult time and where staff cuts have already increased workloads. Thus, it is important to ask what work can be stopped to free up time to successfully execute change.

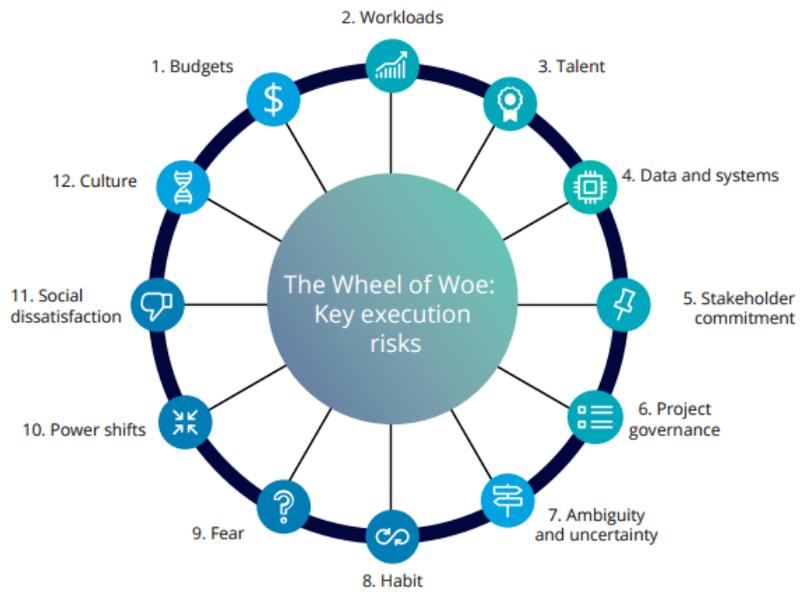
Another workload issue that invites resistance is one where the outcome creates more work without payoffs. For example, imagine your company operates high-end restaurants. As a CFO seeking greater procurement discipline, you implement a new system where the chefs now type their orders into the online system instead of writing ingredients down and faxing them to a procurement organization. This initiative is unlikely to win the support of the chefs, since there is virtually no payoff for them in this process change, and it is likely to demand new effort.

Avoiding these forms of resistance requires consideration of the extra effort required. Change leaders need to undertake a process/stakeholder analysis, where they diagnose how the change effort or new processes impact the work requirements of different stakeholders. Then, to get buy-in, leaders need to ensure there are payoffs that offset new demands.

3. Talent

A critical element for successful change is having people with the skills and experience to execute the initiative. Imagine that you want to implement a data mining and analytics capability, but your existing staff has limited analytic skills. Hiring individuals with the right skills can remedy this situation, but such hiring can take time and require a budget. Often, recruiting and onboarding specialized talent can take nearly a year. In addition, you may have to let people go to make headcount available for new hires, which can add to delays.

Figure 1. The Wheel of Woe: Key execution risks



Source: Deloitte University Press

An especially important type of talent is leadership for the change initiative. Are your leaders able to energize those involved and get buy-in from critical stakeholders? Are they able to break the project down into parts and bring it together again? Are they able to create the right level of urgency to move the project forward without going too fast or making errors? Do they have the right authority to make key decisions? The wrong leader for a change initiative is likely to fail.

4. Data and systems

Today, many change initiatives require supporting information and data. Yet, this can be a critical constraint. Core legacy systems may not be able to provide timely and accurate information and analysis for decision-making. In other cases where organizations have grown inorganically through acquisitions, critical systems and data sets may not be seamlessly integrated to give real-time insights. Thus, core data and IT infrastructures often have to be improved before process and operational changes can be delivered.

As noted above, inadequate budgets, time, talent, and information system resources often limit the realization of value from change initiatives. Leaders need to ensure sufficient resources to mitigate execution risk.

Alignment

5. Stakeholder commitment

Change efforts require commitment, alignment, and sponsorship. Without the right level of commitment, they can be delayed or fail, and become harder to execute. Misalignments do not always occur due to major disagreements among stakeholders. Instead, they could occur because different stakeholders prioritize work differently.

For example, you may be tasked with a critical change project, and it is the primary determinant of your performance review. However, other stakeholders may have other goals driving their performance reviews, and your project may be lower on their priority list. Thus, aligning stakeholders often requires a senior project sponsor who can make the initiative a high priority and ensure commitment of the right resources. For each of your projects, it is imperative to have a sponsor with the authority to align incentives across critical stakeholders.

6. Governance

One way to sustain stakeholder commitment and continuously realign it to a change initiative is to have effective governance. A governance structure and process will bring together the different stakeholders on a regular cadence to keep them committed, to seek their

counsel, and to gain their support for future directions. Governance may be multilayered. For example, in major IT projects, there may be a business technology governance group of senior sponsors who set business direction, decide on major IT investments, allocate funds, and ensure aligned incentives. For specific projects, there may be operational governance where key stakeholders work together to deliver projects. Similarly, there may be technology governance groups that ensure technology choices are consistent with the company's technology roadmap and architecture. All too often ineffective governance structures and processes undermine success.

7. Ambiguity and uncertainty

Change efforts can also fail due to lack of clarity about the purpose of change, new process and system specifications, desired outcomes, and the definition of success. For example, when companies are unclear about their strategic choices, their strategies may not translate into value-creating execution.

Ambiguity can be especially costly in projects that require information systems. When there is ambiguity of purpose, the project and system requirements may not be precisely specified. The programmers and developers then give their best interpretation of user requirements, but specific needs may be lost in interpretation. This can lead to systems that do not meet user needs. Thus, projects need the right level of specification and mutual commitment to those specifications across stakeholders.

Consider the case of creating an app to connect your company to clients. Is its purpose to create added convenience for clients to order in a secure manner? To inform them about new products? To provide them with the ability to track their own accounts? All of the above? Clarity of purpose is a good starting point from which to drive the design of systems that deliver objectives.

Ambiguity can also arise from the unknown—for instance, in the example

above, we may not really know how customers will react to the new app. Even if focus groups are utilized initially to frame user requirements, it may be necessary to build a preliminary app, test it, and iteratively change features with ongoing user inputs across multiple releases to arrive at a product that meets objectives. An iterative execution process can resolve the uncertainties of fully specifying all needs precisely at the outset. But this requires managing stakeholder expectations for a process that includes trial and error.

Change leaders need to mitigate the risks of stakeholder misalignment by having sponsors to align incentives and priorities, governance systems to align stakeholders to objectives, and agreements on how to resolve ambiguities in objectives, requirements, and approaches. An effective governance process helps the change initiative adapt to unfolding events and new information.

Emotional, cognitive, and social risks

8. Habit

Prior habits can be a powerful constraint. They impede change because staff who stick with a prior way of doing things may not adopt a new way. Consider moving from Excel spreadsheets to a new online application for planning budgets. If employees in part of the organization continue using their old spreadsheets, suddenly you are maintaining two systems instead of one and not realizing the full benefits of the new system. Changing habits can be hard, but removing enablers of old habits may be critical to executing change.

9. Fear

A powerful emotion that can inhibit change is the fear of loss or the unknown. Consider cloud computing. Some management teams were initially reluctant to consider the cloud out of fear of cyber-security risks and loss of private data. Over time, as users gained more confidence, more applications and data began moving to the cloud. Another fear of change includes future job loss, especially with certain types of initiatives. Unfortunately, fear can be paralyzing or lead to active resistance to a change initiative.

10. Diminished autonomy and power

Some change efforts may impact power relationships and individual autonomy. For example, when the group-level CFO seeks greater transparency into business units and their work-in-process inventories, it may reveal information that alters the power between the center and those units. The information the group CFO gathers may reveal the shortcomings of the business unit CEO and undermine his or her power. Thus, provision of information to the center that undermines local autonomy and power is likely to be resisted. To overcome such resistance, it is likely the CFO will have to accumulate his or her own power or have the power of the group CEO as a sponsor behind the changes.

11. Social dissatisfaction

Resistance can also be triggered when work roles are transformed. Consider a shared services solution. These solutions can promise better specialization and definition of career paths. But while moving key staff from multiple locations to a centralized center may appear to reduce costs, the real outcome could be reduced client satisfaction and increased turnover. Sometimes, when jobs and the location of jobs are redefined through shared services, the satisfaction of existing workers is diminished. They may have less connection with their local clients and feel less valued by these clients. These shifts may engender resistance to change or reductions in productivity, undermining change efforts. To effectively manage change, CFOs should have change-leaders anticipate social satisfaction impacts of work redefinition and plan to mitigate them.

12. Culture

Another category of emotional and social risks arises from the prevailing organizational culture. One refrain we often hear is that some specific group is unwilling to change, due to the belief that they are “special.” In these cases, the prevailing beliefs may have to be disaffirmed before the culture is modified to be able to accept a change, such as a common ERP system or common operating protocols.² 

Addressing emotional and social risks requires some level of anticipating likely habits, fears, power, social satisfaction, and cultural beliefs. Once these have been anticipated, they can be addressed through thoughtful communications, the redesign of work, and actions to assuage fears. Where these strategies do not work, new staff supportive of the changes may have to be recruited.

As many CFOs know, change initiatives often encounter resistance. A starting point to improve success is to anticipate and prioritize the outlined Wheel of Woe³

execution risks. The first four can be mitigated by acquiring adequate resources. The next three can be mitigated through careful communications and by winning critical stakeholders, effective governance, and adaptive execution processes. And the emotional, cognitive, and social risks can be partially mitigated through thoughtful communications addressing individual and group concerns or by changing staff. Thus, the odds of success can be improved by ensuring enough resources, aligning governance to execution, and helping individuals overcome resistance to change. ◀



Contact

Ajit Kambil

Global Research Director, CFO Program
Deloitte LLP

akambil@deloitte.com

Deloitte CFO Insights are developed with the guidance of Dr. Ajit Kambil, Global Research Director, CFO Program, Deloitte LLP; and Lori Calabro, Senior Manager, CFO Education & Events, Deloitte LLP.

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End notes:

- ¹ *CFO Signals*, US CFO Program, Deloitte LLP.
- ² Ajit Kambil, *Catalyzing organizational culture change: Executive transitions*, Deloitte University Press, June 3, 2016, <https://dupress.deloitte.com/dup-us-en/focus/executive-transitions/organizational-culture-change.html>.
- ³ Some of these "Wheel of Woe" risks were especially influenced by many authors. Two articles of note that shaped thinking on stakeholders, power, social dissatisfaction, and workloads are: Peter G.W. Keen, *Information systems and organizational change*, Center for Information Systems Research, Alfred P. Sloan School of Management, no.55, Sloan work paper no. 1118-80 (1980); M. Lynne Markus "Power, politics and MIS implementation," *Communications of the ACM*, vol. 26, issue 6 (1983) pp. 430-444.

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