Alex Castro:

You don't have any metric today that says, "This is an amazing idea. Can they actually deliver the idea?" Regardless of whether once it gets to market, it's going to make any money or be successful, you have the right ideas. There is the potential. Don't let it slip away. Don't let this moment, this defining moment of your career, this defining moment of your brand slip away.

James Robert Lay:

Greetings and hello, I am James Robert Lay and welcome to episode 239 of the Banking on Digital Growth Podcast. Today's episode is part of the Exponential Insight series, and I'm excited to welcome Alex Castro to the show. Alex is the best selling author of Measure, Execute, Win, as well as the founder and creator of the ReM Score. And he believes that the gap between ideas i.e. strategy and execution is a persistent problem that is side lighting too many high potential digital transformation and innovation growth opportunities. When it comes to digital transformation through our research, we know that 60 to 85% of all digital transformation projects fail or fail to meet expectations, which is exactly why I'm looking forward to the conversation today with Alex so that together we can educate and empower you, the dear listener, so that you may maximize your future digital growth potential with confidence.

Welcome to the show, Alex. It is good to share time with you today, buddy.

Alex Castro:

I am very grateful for the opportunity to have this time with you. Thank you.

James Robert Lay:

Absolutely. Before we get into talking about your book, Measure, Execute, Win along with the ReM score, what is good for you right now? Personally, professionally, it is always your pick to get started on a positive note.

Alex Castro:

For me, I am excited at the amount of potential in the marketplace. Those innovation engines are running and it is really great to see the kind of transformative thinking that people are coming up with and I'm just excited to be able to help more of those ideas get to life, get to market rather than water shedding away.

James Robert Lay:

What would you attribute that to? Because I'm seeing the same thing. More innovation, more ideas, and I would say my mind is kind of just built for that, but an idea is only as good as it can be when it becomes a reality and it's actually applied. But why now? Why more ideas? Why more innovation?

Alex Castro:

I think the mantra of there's a better way is really embedded itself in most people's professional persona, and that has really taken hold in being able to gain that market share. Plus, especially in the finance and banking space, it's hairs of differentiation in many cases. And that differentiation is based on innovation or the ability to create a better customer experience in the process definitively.

One thing that I always share with folks is that your career and your business is not based on ideas. It is based on the successful execution of those ideas. I would think that most finance executives would agree with that considering how much money they pour out and how little they see comeback.

James Robert Lay:

I agree 100%. And like I said, knowing myself as a visionary entrepreneurial perspective, got a lot of ideas, I know that one out of 100 might actually see the life of day. I'm okay with that. I live in that space. But what good or the other 99? I think it's important to figure out, separate the wheat from the chaff. You wrote the book, Measure, Execute, Win as a fellow author. Why? Why write the book? Why now? Because I know how much of a heavy lift it is to distill your thinking, to distill your ideas and put them in a book to bring them to life, to inspire, to help, to educate, to empower others. Why?

Alex Castro:

Because it had been rattling around in my head for about a decade and a half and it needed to get synthesized into a digestible, cogent piece of information. I call it an airplane read. Somebody could sit on an airplane, get from cover to cover and really trigger or stimulate some good considerations, some good processing in the sense of, "How do I get more of the ideas to market?" Especially in the context that you were talking to, right? It's like one in a 100, that's a VC model. And in most industries, you can't afford to run your business on a VC model because the VC model is I'm looking for that big bang hit. And in most businesses you need that incremental. Launching a new product does not have to be the transformative core product. It's just either an enhancement or a new product to fill a gap. You can't count on everything that you do or relying on that one out of 100 and one out of 10 to be the big idea. In many established businesses, it's the one plus one plus one one equals that continuous evolution and development.

James Robert Lay:

I appreciate that idea of continuous optimization to take something that is good, improve upon it, make it even better, and then over time it becomes great. I like the distinction that you've made between what's going on in the VC space compared to what is going on, say maybe at the vast majority of financial brands who are more inherently risk adverse. You think and you write a tremendous amount about the relationship between strategy on one side of the coin and execution on the other. I want to break down each of these sides here, starting with strategy. Why? Why is it that strategic decisions either fall short of expectations or they just fail altogether?

Alex Castro:

So to be able to answer that question, I'd like to baseline one simple thing, is that oftentimes what gets muddled is a successful idea, successful strategy, a good idea, let's just simply put it that way, versus executing the idea. So there's a lot of proof in the sense that there are things that are executed very well, but the idea was just a bad idea. So Zune, Microsoft Zune was a better product than the iPod. It executed very well, but the idea of around it just didn't work, right? So we have to differentiate those two elements fundamentally.

Once you can make that separation and understand that just because you've gone through hyper analysis on the idea of whether to fund it or not, does not mean that now you just toss it over the wall to the team and say, "Go roll this thing out," right? That's where 99% of ideas die. That's where they watershed away. And the thing that I continuously bring up is the fact that for many years, especially in the banking finance industry, we have bond ratings, we have credit scores, we have things that balance the equation on how we assess and invest.

Alex Castro:

So as an example, if we go out and purchase something that needs credit, our credit score gets pulled and it gets an associative metric that helps a lender make a decision on whether or not they're going to fund that. Yet that same lender, and listener, I hope that this connects with you, that same lender goes back and makes a decision around funding an internal project with no credit score. What you do is you listen to somebody who is very persuasive or not, you look at the validity of the idea, whether it touches, it connects with you or not, and then you make a decision on that. You don't have any metric today that says, "This is an amazing idea. Can they actually deliver the idea?" Regardless of whether once it gets to market it's going to make any money or be successful, can they get through the delivery, the execution process of launching the new product or implementing AI machine learning or integrating an acquisition? There's no measurement of that.

And so the very people that guide our buying power and our ability to get lending and leverage capital, debt capital, themselves do not follow their own prac. That's the gap. And the majority of corporate decision making is about how excited are we around the good idea, how well sold is it internally. But then we have no metric to say, "Can I deliver that by stripping out the cognitive bias?" Which let's say a FICO score does or a bond rating does in saying, "Can you actually give me the return that you're committing to because you actually got it to fruition and now it's in the market and it's doing something?"

James Robert Lay:

The Microsoft Zune example, you really brought me back because my wife bought me a Zune back in the day. And I remember, and it was actually we were engaged. I remember going on our honeymoon with that Zune to St. Lucia sitting on the beach and listening to, I think it was like DJ Tso or something like that. So you just brought me back into my mind. That's a great analogy. But I think even better from an analogy standpoint is the idea of a credit score. We use that externally to assess risk objectively, but then internally we don't have that same benchmark to measure against. And you brought up the idea of bias. When it comes to strategic decision making, you wrote about the dangers of decisions and you note that over the past 20 years evidence indicates that decision making biases are killing business. And so let's dive deeper into this for the dear listener, because what are these decision making biases that we must be aware of and why are they a problem?

Alex Castro:

It is embedded in our daily thinking, right? Like, why do you buy a certain product at the market over another? And that's because of a cognitive bias you have, right? You either are looking for confirmation in what you believe, right? And so I'm only paying attention for that data. Or you're getting on a bandwagon, "Oh, the other kids in my space are doing this thing, so I got to keep up. It's FOMO, so I got to go and do that." There's about 100 cognitive biases. Some very, very talented behavioral economists have researched this for 30 plus years. Daniel Kahneman as an example. I am not that person. I'm the person who connects the dots and saying based on their research and all the different things that are going on and having been in a consulting space where we had been in banks, manufacturing, finance, different industries and seeing repetitive falling short of goal line, even if you're red zone, you can't get in the end zone, right?

James Robert Lay:

Yep.

Alex Castro:

So what's preventing that from happening is fundamentally that we introduce these biases in a decision making process that says, "That's a great idea. I like that idea. I want to run with that idea. That thing looks really great, I can't wait to do it." But then the execution component is quite literally left to a strategy of hope. Last year, $280 billion was spent on technology transformation efforts that produced zero value. Hope is not a strategy. That money is pouring out the door. Now, if you reduced, listener, you reduced your own personal falling short rate because failure, it's a harsh word, like falling short of your delivering your ideas, if you reduce that by 10% a year, 20% per year over year, the amount of value creation you would see in your business would strip out a lot of that potential market erosion, brand erosion, all those kinds of things. And as a result, you're going to start to see more energy coming out of what you're doing because you're bringing more to market, you're bringing more success forward.

You have the right ideas, there is the potential. Don't let it slip away. Don't let this moment, this defining moment of your career, this defining moment of your brand slip away. You've got it. But there is one little piece that you're missing in making better decisions and that's understanding how aligned is your execution capabilities against the idea, what's missing in there because it's all correctable.

James Robert Lay:

And let's go to the other side of this. We've talked a little bit about strategy and some of the challenges there, some of the dangers. You know what? Let's roll this back just a sec.

Alex Castro:

Sure. Sure.

James Robert Lay:

Because you touched on the falling short and I like the perspective, I like the reframe there because like you said, failure is a bit of a harsh term, although one of the things that I coach is if you think about failure, failure is the fertile seeds from which new growth springs are new. It's a classroom. It doesn't mean that it's a negative as long as we learn from that going forward. But you talk about the falloff rate. What is the falloff rate when it comes to ideas and how does the falloff rate eat ideas?

Alex Castro:

Well, it eats it in a lot of different ways. One, your board is not going to be happy with you, right? Two is it's your ratios in terms of return on invested capital that's going to take a massive hit. More importantly though, I think that your brand is going to take a hit in terms of reputational risk and reputational impact to the brand when the promise of an idea is not delivered yet the expense is still there.

But it also lives in one very deep fundamental area that is continuously coming up, which is employee engagement and retention. People are taught to win from birth. From the moment that we begin our developmental path as newborns, we are taught to be successful, to walk, to eat properly, to speak properly, to accomplish things. Those things are continuously celebrated all the way through the time we get through high school or college or whatever it may be. And then suddenly you're in the workforce and you're constantly being handed efforts that you yourself know won't be successful to the degree that they're anticipated to be successful, yet you're asked to carry that water forward and you're doing it over and over again until the point that you just don't want to lose anymore. And more importantly, you get in the tar kicked out of you because you didn't get it to work, you had no say as to whether you got to do it or not. It was simply handed to you.

And then it creates this gap and this epic disconnect between leadership that are making decisions on which initiatives to fund versus the execution group, which is pretty much everybody else who fundamentally is having to then take that idea and bring it to market. It's hard enough getting the market to accept your new idea, right?

James Robert Lay:

Yes.

Alex Castro:

That's one challenge in and of itself. The fact that you're trying to do that and get the product to work, get the idea to work, the service to work, getting the back office to run better, getting that acquisition to integrate. So let's look at the acquisition data, right? One in five acquisitions actually create value for the acquirer. 30% are neutral, 50% detract value from the acquirer. Not my data. Well published, well studied. Go Google it right now.

James Robert Lay:

Right.

Alex Castro:

It's everywhere, right? This is not new. But what's happening is that we're losing the potential of that acquisition. We're losing the potential of the product launch. We're losing the potential of that back office optimization. Those are the little incremental plus and plus and plus and pluses that if we can begin to change the ratio of something being seen through rather than falling short, that's where the value creation will really begin to skyrocket. Because if you follow any economists and you follow any kind of overall productivity ratios since pretty much 2000, 2004, productivity is at the lowest rate since the 1970s. So the tech is not helping us gain productivity right now. And that's because we are not getting through the execution process of delivering the ideas.

James Robert Lay:

We're less productive now than what we were before. And it's like the tools that were supposed to free us up have... I don't-

Alex Castro:

Bogged us down.

James Robert Lay:

Bogged us down, enslaved us. Why? Why is this?

Alex Castro:

Because we are behaving in 1994 models of operating and we are thinking in 2020s strategy. And so there is a total misalignment because in the '90s we had that highest point of productivity between '94 and 2004 where we had a very high ratio of productivity because of tech. Then it literally fell off a cliff. We have not seen those same productivity increases because we have not changed the model for how we approach and deliver the idea. We are still doing it under a model that is living in the '90s. And the reality is that we haven't made those adaptations yet. And that is fundamentally the root cause reason why the idea that you are thinking about right now is not going to get there because you're living in a 1990s delivery structure.

And why? Because change is hard. Doing things differently is scary. And now you have to go and convince people, "I know that this been our process for doing these things, these transformations, we're not going to do that. We're going to do this instead." And people are like, "Whoa, whoa, whoa, that's different. That's high risk." And it's like, "No, you are living in a high risk model because one out of 10, one of 100 things work. You're living in a VC decision model. So because you're in that, to somehow that's comfortable" and that's where the shift will [inaudible 00:20:50].

James Robert Lay:

I love the perspective that you just shared of we're living and operating like it's the 1990s, but we flash forwarded to the 2020s and there's this conflict that is inside of us. Let's go to the other side. Let's go to the execution side here because you share and you believe organizations must focus more on execution and less on strategy. Why is that? And how can it help us get some of these incremental wins that we're hitting a way point? I think about as a kid playing the video games with a car, you hit a way point, you get more time, right?

Alex Castro:

Mm-hmm.

James Robert Lay:

The same thing here? Yes or no?

Alex Castro:

There's a lot of different things that have come out over the years, right? So culture eats strategy for breakfast, right? We've all heard that. So what had happened, a lot more leaning into culture, a lot more values and culture driven purpose, statement driven management, empathy driven management, right? That's emerged, that's been evolving, right? So that shift has happened.

And really in the context of the execution side, what has to really get reexamined, and I'm going to say this and it's probably going to agitate some people, but fundamentally where a lot of the struggle is today is that the tech industry is not in alignment with business need. Because the tech industry is there to sell projects, buy software, contract services, "Bring me in, we'll chat." Businesses need results. They need output, they need the data from the systems, they need the information being produced. They need to push that into their analytics and their AI to understand the behavioral models of what's happening with their customers and the market and things like that. The tech industry is not interested in any of those things. They're interested in selling you a project. And if the project doesn't work, "Oh well, we'll give it another try" or, "Well, let's do a change order. Let's reduce the scope. Let's go do X, Y, and Z," right?

That couples into the fact that we're still using a 1995 execution model against the fact that the market has changed into real time. People want product-led growth type interaction, self service. "I don't want to talk to sales people. I want to go and I want to explore and do what I want to do." And then all of these promises come up in terms of, "Oh, if you buy our CRM, you're going to do all of these things. That's right. That's great." What do I want out of a CRM? I want a lead and I want to know where that lead is in the process.

So here's a little bit my argument to the industry is that if you think what I'm saying is out of sync or agitates you, what I would do is challenge you that the next time you have a conversation with your vendor and they give you such a great idea, you look at the vendor and say, "That is a fantastic idea. I love that. It sounds like an amazing thing that's going to happen for our business. We're not going to pay for anything until it's fully functioning. And I'll pay you on the data stream it's producing." And if your vendor backs, the software company backs, if your integrator backs, if somebody's like, "Whoa, whoa, whoa" how really good is their capability?

James Robert Lay:

This reminds me of a conversation that I was having with Jeffery Kendall, who is the CEO of Nymbus. And we are talking about the need for technology firms, whether they're FinTech, MarTech, sales tech, doesn't matter, put some skin in the game, right?

Alex Castro:

Yep. 100%.

James Robert Lay:

Co-create, co-collaborate. The entire paradigm is shifting here. It's one of the reasons that as an organization, we stay tech agnostic. We're more interested in, "What's the problem that you're looking to solve? Let's start there" because it's almost like a hammer or a nail. It's like you can go find something to hit for sure, but are you even hitting in the right place? Or do you just need to turn a couple knobs? So I think it all comes down to the problem. Figure that out first and dive deeper there. And you mentioned data. I think the point of data, because I wrote about data in Banking on Digital Growth being like oil in today's digital economy.

Alex Castro:

Oh yeah. Yeah.

James Robert Lay:

Why is data so crucial to execution?

Alex Castro:

It's as crucial to execution as, again, I'll go back to a credit score, a bond rating to being able to return on that investment. I mean, look, we live in a world of data collection. What I would challenge the listener to consider is that Instagram, TikTok, Twitter, Facebook, name your platform, the entire purpose of that is to capture your behavior and then feed you content that will drive more sales or more engagement with that content, right? So on the surface of it, it's, "I'm providing you entertainment through my platform," Instagram, TikTok, YouTube, whatever it may be. On the back end, "I'm trying to figure out which bucket of people you belong into." And all of those folks, and especially younger folks out there are like, "I am unique." No, you're not.

James Robert Lay:

Because they're identifying common patterns of people at scale.

Alex Castro:

Yep, and you're getting sold.

James Robert Lay:

Right.

Alex Castro:

Every day. Every day you're getting tuned in for what is your behavior pattern, what are you watching, what are your interests, what's your likes, all of those things, and you're getting sold. You're just getting sold in a very soft handed data-driven way. Now for executing strategic initiatives, it is no different. We are looking for the underlying data that helps us understand what is going on, right? Do we have alignment in the enterprise to do the thing we want to do? And in where we don't, we need to correct that before we begin to do the work. Because otherwise, I'm doing the core work and I'm trying to figure out... So if I'm sitting in a wood shop, I'm trying to build a table and I'm focused on building the table, and "Oh by the way, oh, I've got to go and figure out how to fix the drill press" or, "I've got to go figure out how to get that table saw to fit something wider, or "Now I've got three projects or four projects to do one thing." Whereas that if I've gotten my ducks in a row, it would've worked better.

So now I'll give you a sports analogy that works in the same context. So people come to me and say, "Well look, we've built this model for execution and we just simply repeat that model. And because that's a winning model, we're going to use that model." So if you're a sports fan and your team or any team that won the Super Bowl last year, World Series, World Cup and soccer, NBA championships, Stanley Cup, on and on and on, by that nature of thinking that team from last year should automatically win the next year because they have the formula.

Do they? No. Why? Conditions change. Every single game they change. Every single game, strategy needs to, your point, needs to be adapted, needs to be rethought, right? But execution is the variable as to whether you are going to win or lose. And having that insight, that data in terms of where is the misalignment in your own business, because the model is not statically replicable. Meaning that if you use this model to do this effort well, it doesn't mean that the next one is going to work the same because the conditions are different, the field is different, the players are different, everything is different. And so we need to start to adapt into that. We need to understand that everything is situational in real time.

James Robert Lay:

That idea of real time ongoing optimization, I think it's a microcosm of a macro opportunity here, but it's CRO, it's conversion rate optimization on a landing page. Your analogy is wonderful of social media and the use of those data streams. Same thing with sports. So practically speaking, where's an opportunity for financial brands to adapt and really gain an understanding of the role of data analytics in regards to execution of strategy? Because I think there's a lot of talk, there's a lot of hype, but then it's about practically applying this at the end of the day.

Alex Castro:

Yes, the data that you need in order to understand your execution alignment in association to any initiative that you're looking to fund and move forward on, that data exists in your business today, right? It is something that simply needs to be harvested in the correct way and then compiled so that you can produce actionable insight from it, right? It exists. The gap that most entities have is that they go back and then they apply a 1995 model to collecting the data and trying to synthesize it into something that's usable. For us, we saw this and the fact that many entities use a consultative engagement to come in and assess readiness. But the problem is that it's all manual, it's all opinion based. And all the cognitive biases start to play in. And I can tell you having been a consultant, at that table, in that room, at those conversations, is that you are trying to appease many different primary stakeholders in the process.

So are you going to be critical? No, because you're going to upset a bunch of people, right? So you want things to move in a very smooth way. As a result, most of the feedback that comes from a manual assessment, A, takes anywhere from one to three months to accomplish, B, costs you from $100,000 to $6 million to do in an assessment, right? Our position is you need to collect that data and have that synthesized response and actionable insight in two to five days. And then you need to apply that.

James Robert Lay:

Let's talk about that because you have developed the ReM Score, the readiness score that helps organizations avoid... I think this is the key point. We're avoiding the strategic debacles and the obstacles that trip so many up. And it's like, in my mind, this is where stoic wisdom comes back into play because the obstacle can be the way when we understand what those obstacles are. So what is this score? How does it work? What does it measure? Because I know there are 14 domains of measurement here to get some clarity around.

Alex Castro:

Right. So what we did is we looked at data and studies from behavioral economists, from industry leaders like the McKinseys, the Bains and others and other academic institutions that have of analyzed, A, why are decisions being done poorly, and B, what is driving failure in that context. We simply connected those dots and we created 14 domains that are representative of all of the different areas that need to be considered in any strategic initiative, regardless of whether it's an integration of an acquisition, AI, machine learning launch, moving to the cloud, back office optimization, new product or new market penetration.

We did two things. We created those domains to work within the core construct of the model that works off of a swarm intelligence methodology, right? So in essence, it adapts to how the data is being collected and where the patterns are and begins to drive more data collection in particular direction. Then it categorizes them in these 14 domains, two of which are technology driven. Others are like vision, business capability management capability, the ability for the organization to adapt to the concept, and so on and so on. And it really gives that 360 perspective and says, "Ah, this is where the two or three peccadillos are. The things are going to trip us up."

If we focus and correct those prior to doing our work, A, it's cheaper, B, it's faster to resolve, C, you're not exposing yourself to a whole bunch of scrutiny from different people. And so as a result, it has a lower friction rate of resolution. And then when you get into the point of execution, now everybody isn't well aligned. Plus they've probably worked together to resolve some of those blind spots, those what we call vulnerabilities. And now the team is moving as a holistic unit through that execution process.

James Robert Lay:

All objectively removing the emotional biases out of it so that we can see things more clearly for what they are in the present moment. I want to get real practical as we start to wrap up. Alex, I appreciate the thinking that you've shared. All transformation, it leads to future growth. Small simple steps. What's one small simple step that the dear listener can take to begin to bridge the strategy and execution gap at their financial brand? Something simple.

Alex Castro:

I would say very simply, past performance does not indicate future success. So in the sense that do not assume that because you either failed or succeeded in the past, that that is going to be the next motion moving forward. Release that old thinking. And if you can begin there, begin with the release of that thinking, now you have room for more what I like to call modern consideration in how you're going to do your transformation.

James Robert Lay:

I like that idea of release. It compliments a mental model that we have. What's going well times L, It's W-E-L-L. It's an acronym for... And a lot of it is just a continuously focus on the positive. Where have you been winning? What are you excited about? What have you learned? What are you looking forward to that's future focus. But then the times L, the multiplier, let go. Let go. What do you need to let go to grow?

Alex Castro:

That's right.

James Robert Lay:

Because I think we attach so much to what we've done before, both positively and negatively, that that becomes the impediment, that becomes the roadblock to achieve that next level of... Alex has been a fantastic conversation. What is the best way for someone to reach out, connect, say hello, but also get a copy of your book as well?

Alex Castro:

Hit me up on LinkedIn, happy to respond in a conversation. You can always reach me through the M Corp website, www.the, T-H-E, dash, M-C-O-R-P.com. I'm happy to share, love to have a good chat. I'm always up for learning and sharing and providing people copies of the book as they need it, so pretty easy to find me, yeah.

James Robert Lay:

Good stuff. Connect with Alex. Learn with Alex. Grow with Alex. Get the book as well. Alex, thanks for joining me for another episode of Banking on Digital Growth.

Alex Castro:

It's been completely my pleasure. And thank you for the opportunity to speak with your audience.

James Robert Lay:

As always. And until next time, be well, do good and make your bed.