Strategy Execution:
An Oxymoron or a Powerful Formula for Corporate Success?

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Executive Summary

Strategy execution is a dismal failure in most corporations. If military teams and professional athletic teams performed as well on strategy as corporations do, they would lose the war and end up on the bottom of the standings respectively. Yet, very little attention has been paid to strategy execution. Instead, most of the research focuses on strategy creation.

What is missing from research on the strategy execution problem and what the author proposes to address, is a *comprehensive* approach to strategy execution -- one that addresses not only the management science portion of strategy execution, but also, the people, cultural and organizational factors. This requires someone who is skilled both in the science of strategy and in organizational behavior. With over seventeen years as a strategy consultant and twenty years of experience in organizational behavior, the author is uniquely qualified to attempt to reconcile these previously separate viewpoints.

> "During the 1980s and 1990s, performance improvements (e.g., total quality management, kaizen, just-in-time, reengineering) succeeded the strategic era. It, too, has followed the S-curve trajectory. Now, as it trails off, an uneasiness is stirring, a feeling that 'something more' is required. In particular, disquiet has arisen over the rapidly rising fatality rates of major corporations. Organizations cannot win by cost reduction alone and cannot invent appropriate strategic responses fast enough to stay abreast of nimble rivals. Many are exhausted by the pace of change, and their harried attempts to execute new initiatives fall short of expectations.
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> The next point of inflection is about to unfold. To succeed, the next big idea must address the biggest challenge facing corporations today – namely, to dramatically improve the hit rate of strategic initiatives and attain the level of renewal necessary for successful execution." (Pascal, 1999)

Introduction

Imagine a military or professional athletic team that goes into combat or competition spending less than an hour a month on its strategy and with only 5% of its members understanding its strategy. Imagine further that 92% of these organizations do not track the key performance indicators that tell them how well they are doing in the war or in competition. And finally, imagine that only 10% of their strategic initiatives are successfully executed. How much chance of winning the war or the championship would we give these teams? I'm sure we would respond that we would give them very little chance of winning. Yet, the research suggests that these are not fictitious numbers, but rather, actual corporate strategy statistics.

During the past seventeen years, I have engaged in strategy efforts with literally hundreds of different companies. With most of these companies, the emphasis was on creating the best possible strategy. Casually, I would observe that the resulting strategies would not be executed as well as I thought they should be, or for that matter, as well as my clients thought they should be.

Two years ago, I undertook a major research effort to look at the strategy execution process. This research involved an extensive review of the literature, case studies from my seventeen years of strategy consulting and hands-on work with a client. The client work took place over a period of approximately nine months and involved developing, refining and validating the strategy execution model that I will propose later.

In reviewing the literature, my first surprise was that there was *not* a lot of material on the strategy execution process. Most of the material and most of the noted thinkers, such as Michael Porter and Gary Hamel, put their emphasis on strategy creation, rather than strategy execution.

The second surprise was the number of interesting statistics that point to the failure of strategy in general. In a Fortune magazine article, Walter Kiechel, cites research which shows that only 10 percent of formulated strategies actually get implemented. Research conducted by the Ashridge Strategic Management Centre in the UK indicates that "only 11 percent of companies employ a fully-fledged strategic control system."

Other alarming statistics, cited in a 1996 Renaissance Solutions survey, indicated that 85 percent of management teams spend less than one-hour a month on strategy issues and only 5% of employees understand their corporate strategy. They also went on to say that 92 percent of organizations do not report on lead performance indicators.

Because of the importance of strategy execution to companies, its poor "track record" and the surprisingly few authors and researchers that have addressed this problem, I decided to focus my efforts on ways to improve the strategy execution process. But as I will outline later, there is little hope to improve the hit rate on strategic initiatives until we bring the expertise of strategy practitioners together with the expertise of organizational development practitioners. Strategy execution fails from people, cultural and organizational causes, as well as, from pure strategy causes. With over seventeen years as a strategy consultant and twenty years of experience in organizational behavior, I feel uniquely qualified to attempt to reconcile these previously separate viewpoints.

Much more work needs to be done on this process. The model that I will propose represents new thinking, and as such, will need to be tested with many clients. Testing the model should involve tracking the hit rate of strategic initiatives over a multi-year period. This will not be an easy task. In the meantime, it seems to be intuitively obvious that we need to do something about the poor execution rate of strategic initiatives, and even small improvements resulting from the ideas suggested in this paper, will produce significant returns for companies.

The Reasons for the Failure of Strategy Execution

There are a number of theories to explain the general failure of strategy. One of those is that developed by Michael Beer and Russell Eisenstat, discussed in the Summer 2000 issue of the *Sloan Management Review*. In this article the authors describe what they call the "six strategy killers." They list these six strategy killers as: (1) ineffective senior management team; (2) top-down or laissez-faire senior management style; (3) unclear strategies and conflicting priorities; (4) poor vertical communication; (5) poor coordination across boundaries; and (6) inadequate down the line leadership skills. The authors describe the interactions of these six strategy killers and outline how they compromise the quality of direction, quality of learning and quality of implementation.

My own research outlined the following major reasons for the failure of strategy execution.

1. Lack of knowledge of strategy and of the strategy process. In hundreds of strategy consulting engagements, I have found few senior teams who really have a solid grasp of strategy and of the strategy process. The reason for this lack of knowledge is simple – few, if any, senior executives have come up through a strategy function. Not surprisingly, therefore, strategy oftentimes gets created, which is not strategy at all. No wonder the execution is also a failure.

2. No commitment to the plan. People were not involved in its creation. As a result, people don't "buy-in" to the plan and don’t feel committed to it. Equally serious, are the legitimate objections to the plan that are never voiced, because either the leaders don’t create an open environment in which people feel safe, or the culture doesn’t support it.

3. The plan was not communicated effectively. An article in the May/June 1999 *Strategy & Leadership* journal mentioned that the typical company gives access to the plan to only 42 percent of managers and 27 percent of employees. In those situations where it is communicated, it is oftentimes unclear what the strategy really is.

4. People are not measured or rewarded for executing the plan. In the same *Strategy & Leadership* article, the authors say that less than 60 percent of companies tie incentive compensation to achieving their strategic plans, while 97 percent tie compensation to their financial plan results. Later, we will discuss how to tie the strategic plan to the corporate performance management system.

5. The plan is too abstract; people can't relate it to their work. People do not see if or how the strategic plan changes what they do. Alternatively, the plan is not translated into the short-term actions that employees need to take.

6. People are not held accountable for execution. Accountability is very different from responsibility. With accountability, I hold people ultimately responsible for portions of the strategic plan and for predetermined results from that plan. Rewards and/or punishments are administered accordingly.

7. Senior management does not pay attention to the plan. We see this in cases where once the strategic plan has been created, senior management attention reverts to day-by-day business as usual. In change management dynamics, we find that "what management pays attention to," is one of the most powerful enablers of new initiatives.

8. Strategy is not clear, focused and consistent. As a result, people cannot understand the priorities of the business; anything seems to go. Also, they cannot "internalize" the strategy and act upon it.

9. Conditions change making the plan, as conceived, obsolete. No effort is made to update the strategy on a regular basis.

10. The proper control systems are not in place to measure and track the execution of the strategy. The organization also has no process in place to learn from the strategy and to update it as necessary. I will say more about this later.

11. Reinforcers, such as, culture, structure, processes, IT systems, management systems and human resource systems, are not considered, and/or act as inhibitors. This is one of the major reasons for the failure of strategy execution. In this regard, culture is especially critical. Each of these elements must align with the proposed strategy for the execution to be successful. Later, I will discuss a framework to accomplish this.

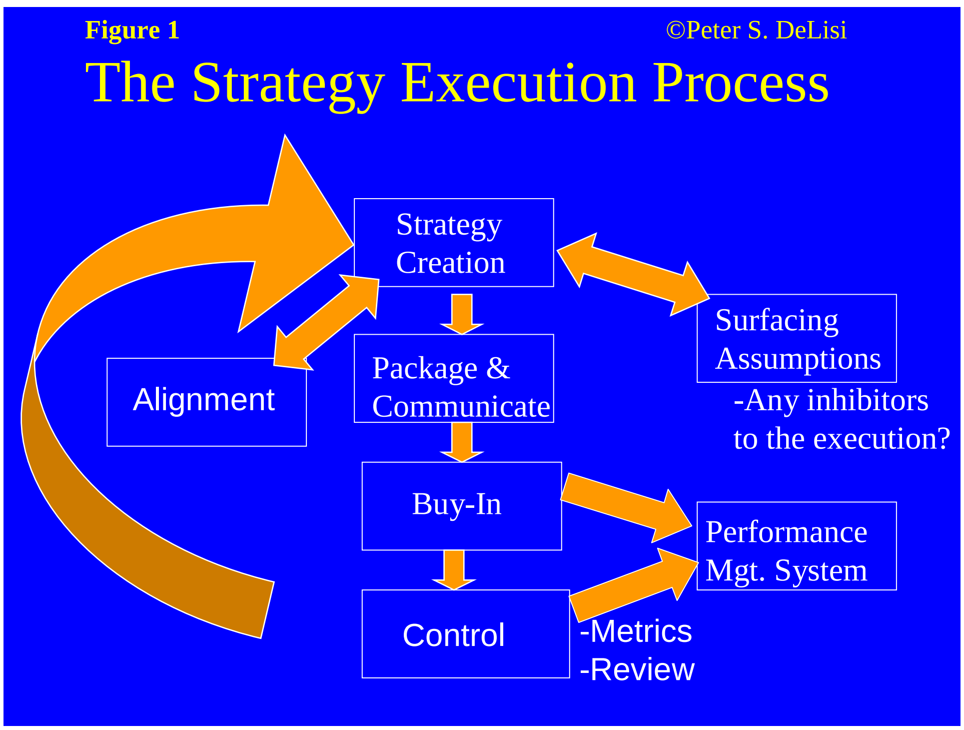
12. People are driven by short-term results. Short term metrics and the need to produce financial results for shareholders, drive people to focus on day-by-date tactics, rather than long-term strategy.

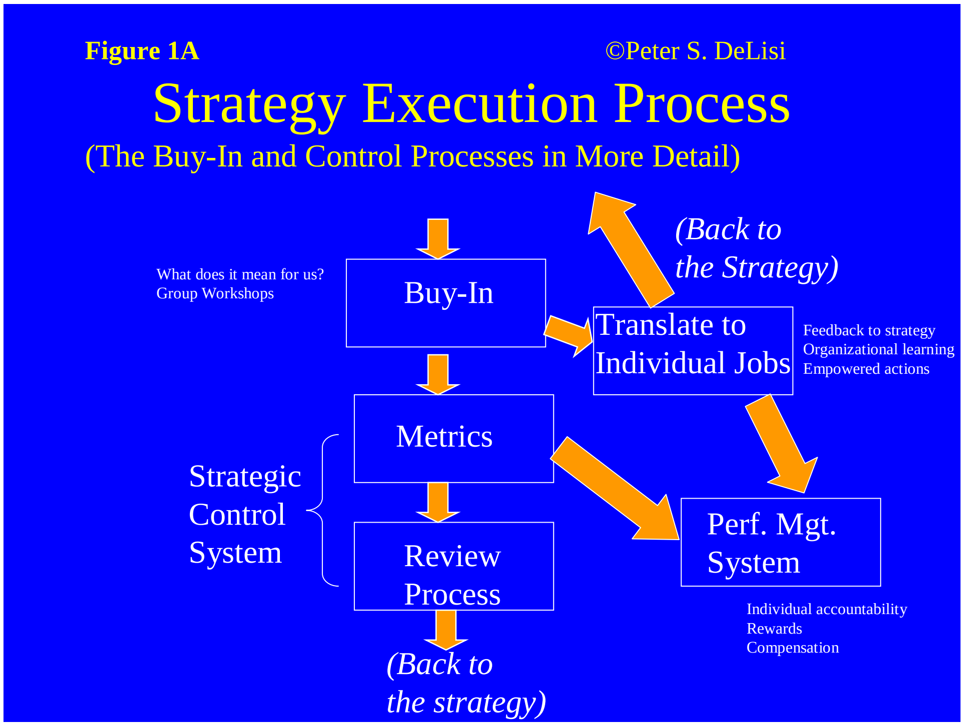
A Strategy Execution Model

In researching the few approaches to strategy execution that do exist, I found some interesting thinking. I have already mentioned the work by Beer and Eisenstat. Other esteemed writers who have tackled the subject are Kaplan and Norton, Robert Simons, and Goold and Campbell. Each of them treats a piece of the strategy execution process, and treats it very well. Indeed, later I will describe how I have incorporated some of their thinking into my model. What is lacking, and what I therefore propose to address, is a *comprehensive* approach to strategy execution -- one that addresses not only the management science portion of strategy execution, but also, the people, cultural and organizational factors.

The above authors do not address very well the major causes of strategy execution failure that I have enumerated. Indeed, if we analyze the latter list, we find that the overwhelming majority of items deal with people, cultural and organizational issues. As we will discuss in more detail later, the subject authors address these issues hardly at all.

Below is a model that I have developed to specifically address the causes of strategy execution failure. In the sections that follow, I will describe in detail each of the steps of this execution process.





While in this paper I will focus primarily on the strategy execution process, it is important, nonetheless, to emphasize that successful execution begins with an effective strategy creation process. My assumption is that a good, solid strategy is an obvious prerequisite for strategic success. I believe it to be a truism that a good, solid strategy, well executed, will always outperform a brilliant strategy that is poorly executed. The question then becomes, "How do we develop a good, solid strategy?" This strategy must also be one, as the model suggests, that subsequently can be easily communicated, gains the commitment of everyone in the organization and can be easily tracked.

Strategy Creation

For strategy execution to be successful, certain things must take place in the strategy creation process itself. My experience is that the senior team must be involved throughout the creation of the strategy. I find that this is best accomplished in working sessions with the senior team in which a shared mental model of the strategy can be developed. Innovation, team building and enhanced communication are also byproducts of this approach.

Key at this stage of the process is open, honest dialogue at all levels of the organization. Without this, the strategy that is created will not have withstood the scrutiny required for the best strategic thinking. In addition, valuable input from lower levels in the organization will not occur. Sensing that their input will not be valued, employees will either avoid providing input, or will feel lukewarm about the resulting strategy. Later, as the strategy transitions into the execution phase, the lack of input from the lower levels deprives organizations of an effective way to gauge if the strategy is working.

There are many reasons for the lack of open, honest communication. Many of these reasons are rooted in the culture of the organization. Others are rooted in the particular characteristics of the individual leaders. It is beyond the scope of this paper to address all the problems that can arise from poor, closed and ineffective communication. There are, however, certain capabilities that senior teams can develop that will mitigate many of the communication problems, as well as other problems associated with the strategy creation phase. According to Beer and Eisenstat, these are as follows.

A leadership style that embraces the paradox of top-down direction and upward influence. The general manager advocates direction but learns from the feedback of those down the line.

Clear strategy, clear priorities. The top team formulates the strategy as a group and spends significant amounts of time discussing it with lower levels.

An effective top team, whose members possess a general-management orientation. Through constructive conflict, the team arrives at a common voice and creates and maintains the organizational context needed to implement the strategy.

Open vertical communication. The top team and lower levels are engaged in an open dialogue about the organization's effectiveness.

Effective coordination. Effective teamwork integrates activities around customers, products or markets across diverse functions, localities and businesses.

Down-the-line leadership. Mid-level managers with the potential to develop leadership skills and a general-management perspective are given clear accountability and authority.

Surfacing Assumptions and Objections to the Strategy

Once the senior team has developed the strategy, the next step is to insure that no unexpressed barriers remain to the successful execution of the strategy. This can be accomplished in a number of ways. A simple way is for an objective facilitator to interview each of the senior team individually. This facilitator can come from an internal group, such as Human Resources & Development (HRD), or be an outside consultant. The purpose of these interviews would be to surface any assumptions and objections, conscious or unconscious, that were not voiced in the group sessions. It is common for certain reservations and concerns not to be voiced in group settings. Politics, fear of risk, fear of being perceived as negative, and a variety of other reasons, may keep participants from voicing their full honest objections to the strategy.

Sample questions to be asked in these interviews are as follows:

- How do you feel about the strategy that was developed?

- What will be needed to make it successful?

- What do you see as the barriers to its successful execution?
- What else would you like to have seen as part of the strategy?

Significant findings from this step should then be taken back to the senior team for resolution and the strategy updated with the results of the deliberations.

A less effective approach would be to anonymously solicit the same type of input in a written survey. This would not produce the same unsolicited comments, however, as the face-to-face interviews.

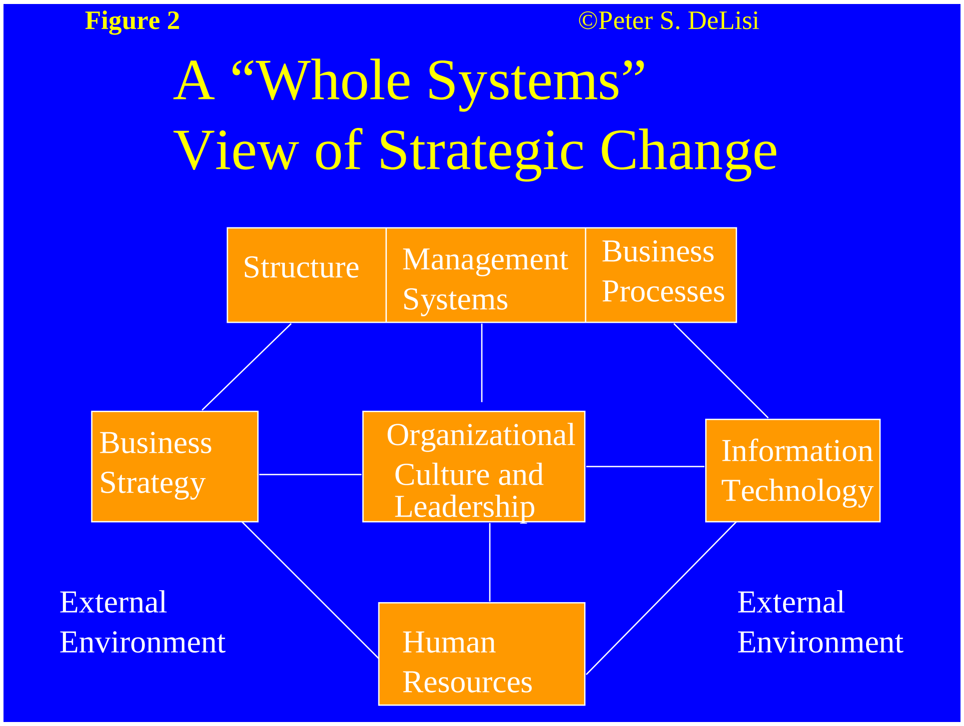
Alignment of the Strategy

Step number three deals with the alignment process. Once the corporate strategy has been created and the inhibitors to the strategy surfaced and dealt with, the business units and functions can develop their own strategic plans. Ideally, this latter process has already begun as bottoms-up input into the corporate strategy, and also, with the active participation of the functional and business heads in the corporate planning process. It is now time to define in detail how the business units and functions will contribute to the goals that have been established at the corporate level.

The business unit and functional planning processes should begin with the question, “What is our internal value proposition?” In other words, how do we *uniquely* contribute to the corporate goals that have been established? A related question is “What competencies and resources do we have at our disposal that could make a significant impact on the desired corporate results?” Once these questions have been satisfactorily addressed, the attention can turn to decomposing the corporate goals and the value proposition into individual goals and strategies for the business unit.

On the surface, the process I have described sounds very simple and straightforward. The problem is not that it is overly complex; rather, the problem is that many business units and functions have produced their own strategic plans without the alignment with the corporate strategy that I have just described. When business units define their success independent of corporate success, the results for the company overall can only be suboptimal.

There are other aspects to the alignment step. In addition to aligning the business unit strategies with the corporate strategy, the “operations” of the business must also be aligned with the corporate strategy. Many strategies fail because this is not done, or not done well. Below is a framework that takes these dependencies into consideration. It is a framework that was originally developed by the MIT Sloan School, and was subsequently embellished through my consulting work. (DeLisi, 1990)

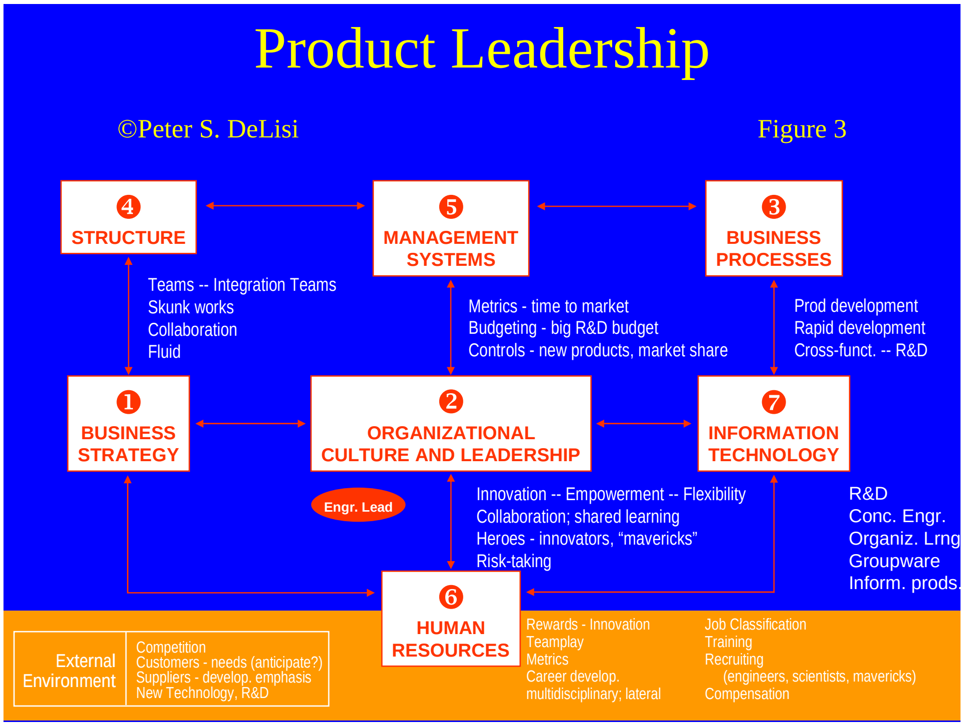


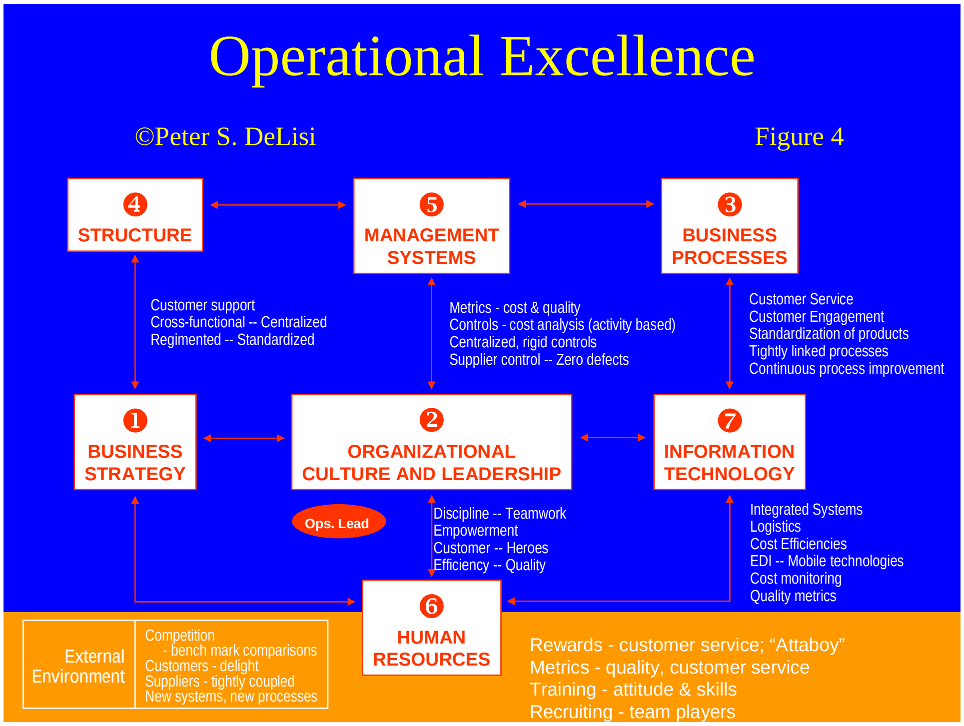
From the model, we see that strategic success is vitally dependent upon a number of reinforcing elements. These elements are culture and leadership, business processes, organizational structure, IT systems, human resources and management systems (controls, metrics and accountability). The elements serve as either enablers or inhibitors to the strategy. Discussing each of the elements in depth is the subject for another paper, but an example of its use may sufficiently illustrate its power as a strategic alignment tool.

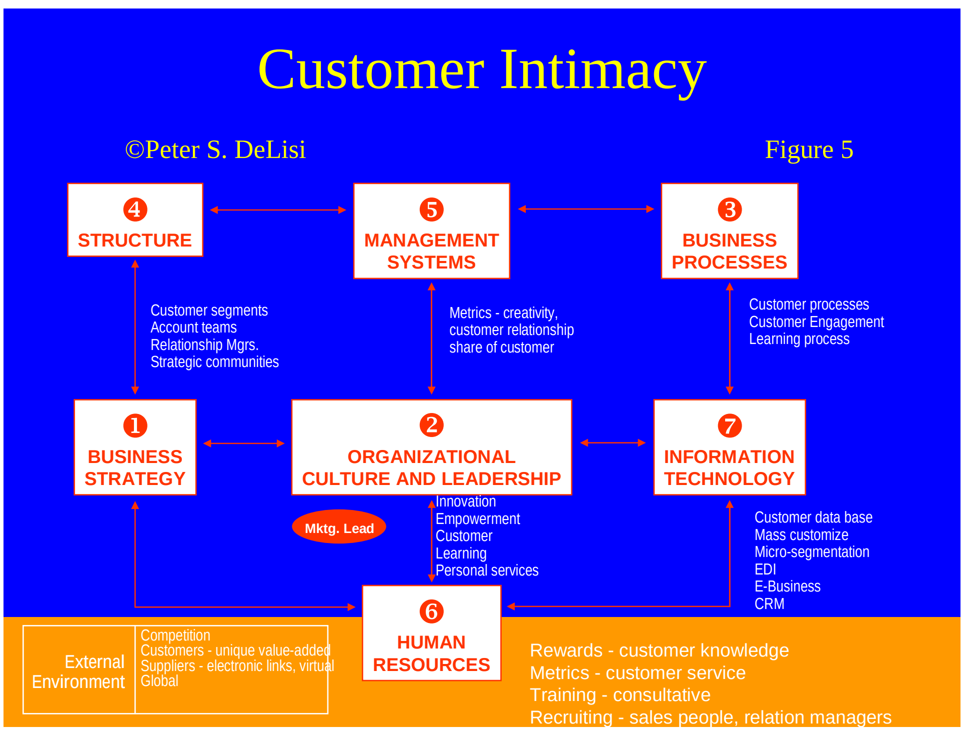
In my consulting work, I have used the framework developed by Michael Treacy and Fred Wiersema (M. Treacy and F. Wiersema, 1995) to deal with the strategic alignment problem. Their value discipline model argues that excellent companies excel at one, *and only one*, value discipline. They enumerate the value disciplines as product leadership, operational excellence and customer intimacy. They go on to argue that the company must be good or achieve industry parity in the other two.

Summarizing their work briefly, the "product leader" is the innovator, the first to market with the latest and greatest technology or service. Time is their ultimate imperative. The "operationally excellent" company concentrates on the lowest overall cost of ownership for its customers. Here the emphasis is on quality customer service and includes solid reliable products. Examples used by the authors are Wal-Mart, Southwest Airlines and Federal Express. The "customer intimate" company takes knowledge of the customer to the next level and is able to discern the needs of their customers so well that it can customize products and services into narrow customer segments. Amazon.com is a good example of this type of company.

In their book, **The Discipline of Market Leaders**, the authors state that the operational models to translate these respective value discipline choices into execution are different. A shortcoming of their book is that they never show an operational model. The above framework that I have indicated in figure 2, is the operational model that I have used in my consulting work. If we take this model and apply it to the respective value disciplines, we end up with three dramatically different exhibits, shown as follows.







Viewing these exhibits, we begin to see the profound differences between the operational models of the three value disciplines. We also begin to appreciate how important choice is in the strategic process. Failure to decide in the strategy creation phase how we will position ourselves, results in a mixture of inconsistent operational elements by the time we get down to executing the strategy.

If we examine each of the operational models closely, we observe that each major element of the model is different across the three value disciplines. For example, the culture that enables product leadership is different from the culture that enables operational excellence, and somewhat different from the culture that enables customer intimacy.

The product leadership culture is one that is empowered, risk-taking, entrepreneurial and can sometimes border on being maverick. One of my clients has just such a culture. I characterize their culture as irreverent, disrespectful and "off the wall." On the other hand, this company is the leader in its industry, having more revenue than all its competitors combined. So, a maverick culture can enable product leadership and the subsequent success of the company.

Examining the operationally excellent culture, we see that it varies greatly from the product leadership culture. This culture tends to be disciplined, less risk-taking, centralized and top-down. Since the operationally excellent company is driven by cost imperatives, efficiency and cost controls are very important.

It is extremely difficult to move a product leader culture to an operationally excellent culture. We could argue that Digital Equipment Corporation's failure was the result of the inability to move the culture from an innovative, empowered, product leader culture to a more disciplined, efficient, operationally excellent culture. It was necessary to do so when Digital hired 26,800 people in two years to go head-to-head with IBM and the anticipated growth did not occur. (DeLisi, 1998)

The exhibits shown highlight the importance of the alignment step in the strategy execution process. We begin to see that not only is it necessary to conduct this step, but also, we begin to see, as we have said, how the choices in the strategy creation step have profound implications for the subsequent steps. If the strategic choices are not made in the strategy creation step, much confusion throughout the company and on the part of customers is the result. In addition, employees throughout the company are forced to make the choices day-by-day, without any guidance as to which choice will have the greatest impact on the company. As William Giles says, “The front line of the organization, when left to the ambiguities of interpreting weak strategy on their own, often find little to implement at all…and the organization may actually move in the wrong direction as opposed to no direction at all.”

Packaging and Communicating the Strategy

Once the strategy has been created, assumptions and objections checked with the participants, and the strategy aligned with the operational models, we can begin to package and communicate the strategy to *all* the people in the organization. Earlier, I referenced a statistic from the May/June 1999 issue of *Strategy & Leadership* indicating that the typical company gives plan access to only 42 percent of managers and 27 percent of employees. Again, how can we expect employees to be strategic, when they do not even have access to the strategy?

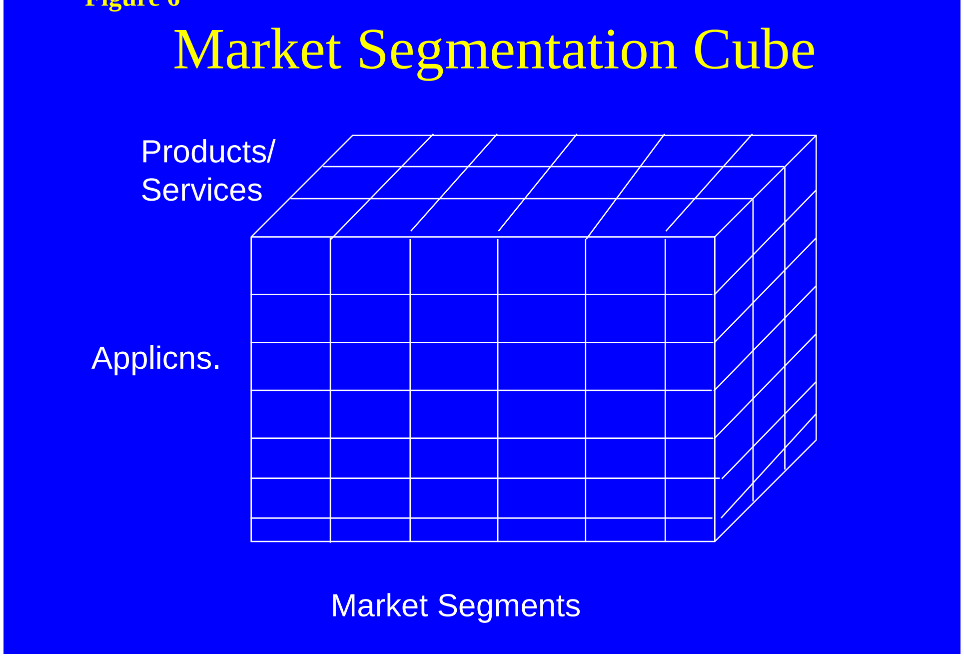
To effectively mobilize everyone in the organization, the strategy must be clear. Theodore Levitt, the esteemed marketing guru from the Harvard Business School, says it quite well.

> "To be successful a strategy must also be simple, clear and expressible in only a few written lines. If it is elaborate and complex, and takes a lot of space or time to communicate, few people will understand it or march to its tune."

The challenge then becomes, how does one successfully package a strategy? From my previous marketing experience at Digital Equipment Corporation, I know that symbolic representation can be a powerful way to communicate strategy. We know how much more powerful images are in communication. For example, the right hemisphere of the brain, used in processing images, can reproduce the image of a face long after the person has left one's presence. Imagine trying to describe that same face with detailed text. By the time we would finish our description of the many prominent features of one's face, we would have lost the essence of the visual image.

A simple image that I have used in my marketing days is shown below. It was used to communicate to everyone in the company the markets that we were pursuing, the applications that we were selling into those market segments and the corresponding product or service that addressed the application and that market segment. The message was simple, "This is our strategy. If it isn't on this cube, don't waste your time pursuing it." In a similar way, companies could use this or other symbolic representations to depict their strategy.

Figure 6



There are other ways to depict strategy. One of the better examples of the text representation of strategy is that developed by the strategy consultant, Michel Robert (Robert, 1993). Michel uses the principal of "driving force" to capture a fundamental aspect of each company's business. Following are two of his examples from a product-driven business, and secondly, from a technology or know-how driven company. From these you see the tremendous power of being able to express the strategy in only a few written lines.

> Our strategy is to provide and support industry standard, real-time *computer systems* for *time critical* applications that require high I/0 throughput and fast, predictable interrupt responses. We will do this in high potential industry segments that we can dominate with added-value, differentiated, reliable products, services, and tools that are easily configurable and can be tailored to meet the specific needs of these applications. We would do this in geographic areas where we can achieve enough critical mass to justify adequate support.
>
> Our strategy will be to seek and exploit applications for *digital signal acquisition*, processing, and presentation technologies and provide data analysis solutions that enhance the productivity of users. We will respond with high-quality, differentiated products, services, and/or systems that bring added value and provide a substantial competitive advantage. We will do this primarily in selected worldwide nonconsumer market segments that can be serviced and supported.

Achieving Buy-In

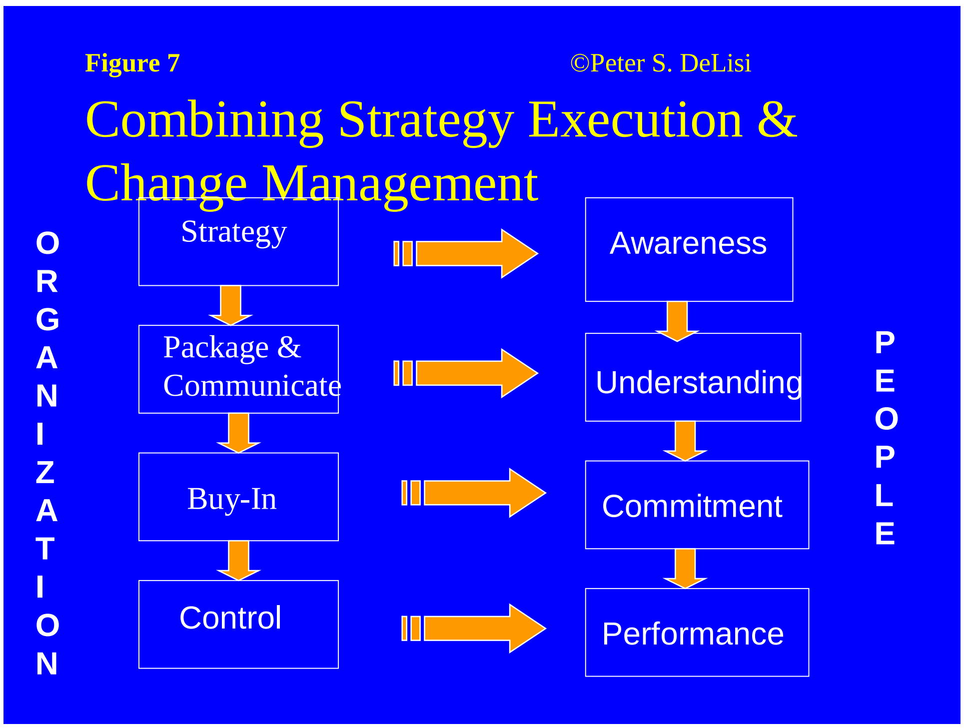
We indicated earlier that some of the causes of strategy failure arise from a lack of understanding of the strategy, the inability of employees to translate the strategy into their day-by-day job, and from the feeling that they were not involved in the creation of the plan. This results in a lack of employee “buy-in” or commitment. There are a number of ways to address these concerns. The solution I recommend with my clients is that each level meets with his/her direct reports in a half day working format. In this meeting the primary questions to be discussed are:

- How does the corporate strategy and our own business unit strategy affect the work that you do?
- What will change in your area as a result of the strategies?
- What reservations do you have about the strategies? How would you propose to rectify these shortcomings?

- How will you plan to support the subject strategies? What specific actions will you take?

For effective buy-in to be accomplished, there also must be a feedback loop from these sessions back up to senior management. People must feel they have a say in influencing the strategy. Indeed, their ideas oftentimes represent unique points of view and are, therefore, quite valuable.

Another way to view the strategy execution process is by analyzing what happens to people during the process. Figure 7 shows this quite dramatically.



I have just described the commitment or "buy-in" necessary for successful strategy execution. The figure shows three additional stages that people go through. Each stage corresponds to an activity that is simultaneously going on in the strategy execution process. For example, as the strategy is being created, it is not unusual for other people in the organization to be *aware* that this activity is going on. It is not until the strategy is successfully packaged and communicated to everyone, however, that some level of *understanding* occurs.

The next stage, as I have described, is the *commitment* stage. People not only understand the strategy, they understand their role in it and feel committed to do their part in its successful implementation.

The last stage, and perhaps the most important, is the *performance* stage. In the final analysis, success in the three preceding stages without performance, must still be considered a failure overall. Performance is where we achieve the intended results for the organization. In this stage, control systems insure that people are measured, tracked and rewarded for the desired results. In the following section, I will discuss how to accomplish this.

We see from figure 7, the source of many strategy failures. While some strategy practitioners have focused on the strategy execution process, in general, they have not had the organizational development (OD) and Human Resources (HR) knowledge to adequately address the related people issues. On the other hand, the OD consultants and HR practitioners have, in general, not had the strategy knowledge to adequately address issues with the strategy process. One without the other is a sure recipe for failure.

Strategic Control

Once the strategy has been created, validated, aligned, communicated, and buy-in achieved, the next step is to “control” the strategy. This control step includes measuring, reviewing and updating the strategy.

Earlier, I commented that my research showed that only 11 percent of companies employed a "fully-fledged" strategic control system. One of the best strategic control systems I discovered in my research is that developed by Robert Simons at the Harvard Business School. There is much practical value in his thinking for anyone wishing to understand how to balance the search for opportunities with the discipline necessary to “stay the course” on previously articulated goals.

In his book, **Levers of Control**, Robert Simons lists four levers.

1. Beliefs systems

2. Diagnostic control systems

3. Boundary systems

4. Interactive control systems

He argues that these levers “inspire commitment to the organization's purpose, stake out the territory for experimentation and competition, coordinate and monitor the execution of today's strategies and stimulate and guide the search for strategies of the future.”

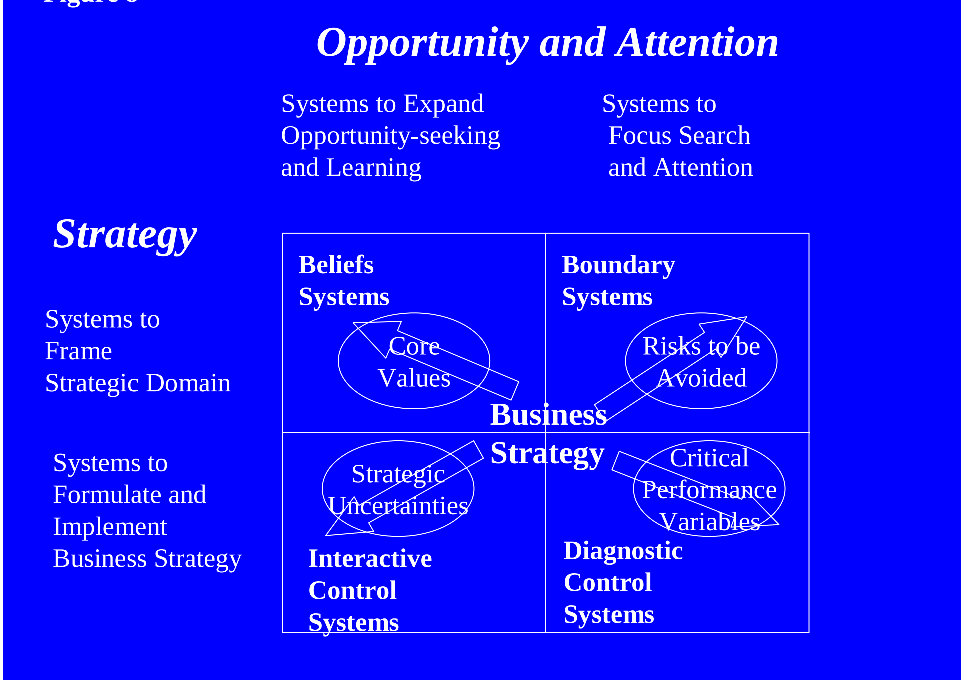
Beliefs systems are the values, mission and credos of the organization. They provide momentum and guidance to opportunity-seeking behaviors. Boundary systems are the formal roles, limits and proscriptions that are tied to defined sanctions and credible threat of punishment. These allow creativity within defined limits of freedom. Seldom do we find organizations that detail for their managers and employees not only what is strategic, but also, what is off-limits.

Diagnostic control systems are the feedback systems that monitor organizational outcomes, such as, profit plans and budgets, goals and objectives, etc.. These allow effective resource allocation, provide motivation and free up management time.

Interactive control systems are the systems that focus organizational attention on strategic uncertainties and provoke the emergence of new initiatives and strategies. Again, this is an area that little attention has been paid to in the past. We could call this the organizational learning portion of the strategic control system.

The following exhibit shows how Robert Simons puts all of these levers together into a meaningful framework.

Figure 8



From figure number 8, we see that a strategic control system is used to both expand opportunity seeking and learning, while at the same time focusing the search and attention. In other words, as Robert Simons so appropriately states, "Managing the tension between creative innovation and predictable goal achievement is the key to profitable growth."

Simons's work is not a comprehensive approach to strategy execution. As previously mentioned, he does not deal with the major causes of failure, such as, the people, cultural and organizational issues. There is merit, however, in his notion of establishing boundaries for strategy, and in his notion of "interactive control systems." The latter for me, as I indicated earlier, is the organizational learning mechanism that allows us to adapt and revise our strategy, as necessary.

Let us look now at the metrics and review process, which Robert Simons refers to as the "diagnostic control system," and that for me, form the core of the strategic control system in my model.

Measuring the Strategy

In the past, we have not done a good job of measuring strategy. For many years, financial metrics have been the primary way to assess organizational performance. Unfortunately, financial metrics only tell us how well we have done -- *not* how well we are doing or likely to do.

Robert Kaplan and David Norton (R. Kaplan and D. Norton, 1992) have revolutionized the study of metrics with their introduction of the "balanced scorecard." The balanced scorecard still includes financial metrics, but in addition, includes a customer perspective, internal business perspective and innovation and learning perspective. The customer perspective addresses how customers see you, while the internal business perspective addresses what we must excel at. The innovation and learning perspective exhorts us to continue to improve and create value.

More recently, Kaplan and Norton have attempted to map their balanced scorecard to organizational strategy. In the process, they have done a masterful job of tying together items, such as, goals, customer value propositions and performance metrics. In terms of a comprehensive strategy execution model, however, what is again missing is any attempt to specifically deal with the major causes of strategy execution failure – namely, the people, cultural and organizational issues.

If we look at the causes of strategy execution failure again, Kaplan and Norton do a good job of addressing item #11, particularly the alignment of the strategy with the business processes and the metrics. Noticeably absent, however, is any recognition that despite our best efforts to align performance metrics with strategy, the culture, as in the example of Digital Equipment Corporation that I have mentioned, may unseat our best efforts.

If we continue with our discussion of metrics, there are a number of things we can do in this area. Borrowing from Kaplan and Norton, the first thing is as follows.

1. Metrics need to be balanced and include more than financial metrics.

Following are other recommendations that have emerged from my research.

2. Metrics should capture both operational and strategic measures.

Once again, too much emphasis in the past has been on operational metrics, as opposed to the strategic metrics. The following exhibit (Abell, 1999) shows us quite well how these metrics need to be balanced.

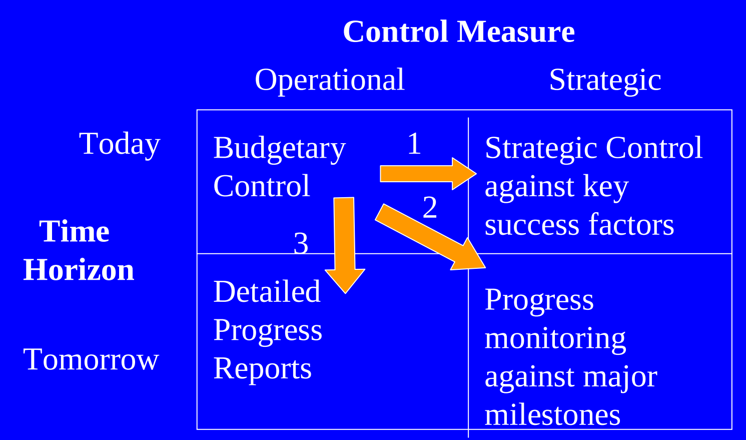


Figure 9
Measuring Performance and Monitoring Progress (Source: Abell)

3. Metrics need to be biased.

Metrics should be tailored to what's important to the company, should be dictated by strategic objectives, and should focus on the main challenges and the key differentiators for the products and services. For example, using once again the Michael Treacy/Fred Wiersema value discipline model, if one has decided to be a product leader, then metrics should include items such as market share, cycle time and number of new products introduced during a given time.

4. Metrics should be tailored to the stage of the business.

Organizations go through various stages, and depending on these stages, different things are important. For example, during the early stages of growth, items such as revenue growth, market share, and new customer acquisition are very important. As the business matures, costs and efficiency measures become increasingly more important. The dot com experience has taught us that profit is important at *every* stage of the business.

5. Individual metrics should be included and aligned with corporate metrics.

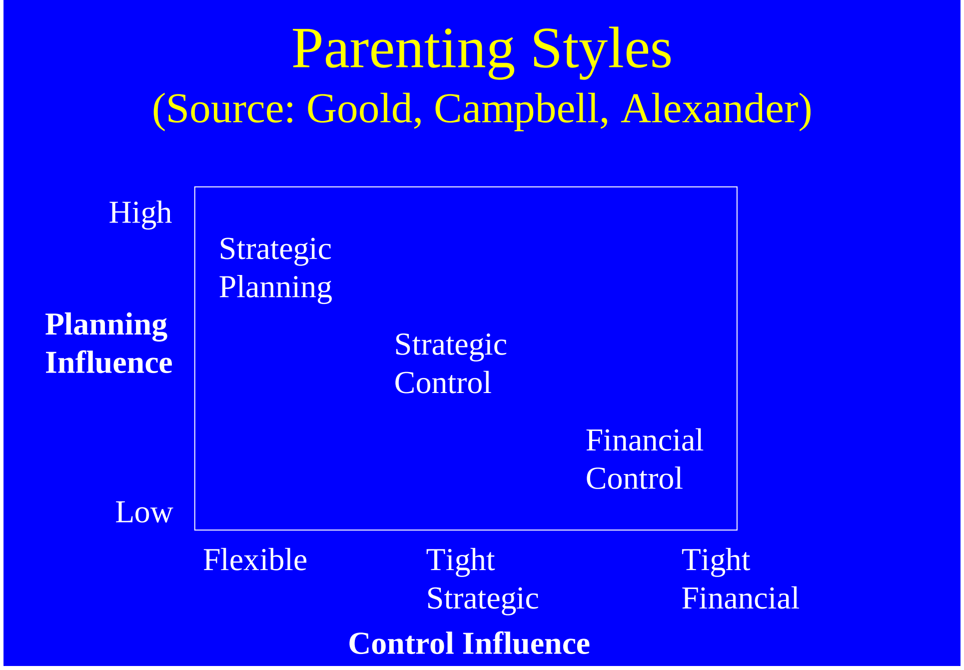
An ideal way to translate corporate strategy into individual performance is through the system of metrics. Once the linkage is established between the corporate strategy and the work of departments and individuals, the next step is to assign metrics to the results of this work. A simple example that currently works quite well in most companies is sales. Once a corporation decides upon a revenue growth number, sales quotas are typically passed down through various geographic groupings to the individual salespeople. These salespeople are then measured against the established quotas. In a similar way, the ideal is to have *every* employee in the company have an equally direct alignment with the corporate goals. Individual performance metrics can provide this vehicle.

Reviewing the Strategy

Poor review of the strategy is another reason for its failure. Organizations start out with the best intentions, but sooner or later, operational priorities interfere with the attention that strategy requires.

How we go about reviewing strategy is vitally dependent upon the culture and philosophy of the company. Goold, Campbell and Alexander, describe the concept of "parenting style" in their book **Corporate-Level Strategy**. Using the metaphor of parent, they describe the relationship of the corporate staff to its business units. Following is an exhibit from that book.

Figure 10



We see from figure 10, that various degrees of planning influence and control influence are possible. These influences vary from very high involvement of the corporation in the planning activities of its business units, to a minimum involvement in planning with tight financial control. It would appear that no one approach is suitable for everyone. A company with a highly empowered, high trust culture, might adopt a more hands-off approach, leaving the planning and control aspects largely to its business units and departments. On the other hand, a top-down, control-oriented culture, would likely be heavily involved in the strategic planning and exercise tight controls as well.

For our times, I favor a balance of planning influence and control influence depicted in figure 10 by the "strategic control" style. The authors point out that the "strategic control" style is one in which:

- Planning is decentralized, but with an active parent role.
- Strategies, plans and proposals are bottom-up.
- The parent checks and assesses what is proposed by the business unit
- Strategic planning, capital expenditures and budgeting are designed to validate quality of plans and proposals
- Both financial results and strategic objectives are monitored
- Results are regularly monitored
- Identification is with the business unit.

Whichever style is adopted, I believe the review of strategy must be ongoing. One might, for sample, conduct a *formal* review of strategy quarterly. This review could include members of the executive team and take place face-to-face. Planning units would review their departments prior to the corporate review.

Monthly, a less formal review might take place -- either in writing or at the monthly staff meeting. The focus would continue to be on progress against performance metrics and exceptions to progress. Using the metrics described in the previous section, emphasis would be both on financial metrics and strategic metrics.

In the final analysis, we find no substitute, either in the change management literature, or in the area of strategy, for "what management pays attention to." There is no substitute for senior management asking almost on a daily basis, "How are we doing on the strategy? Why, or why isn't it, working? What issues stand in our way? What have we learned so far about the strategy? Does the strategy need to be changed?"

The review process also forms the basis for organizational learning. Part and parcel of the review process is learning what is working and what is not working and taking the necessary actions to correct the deficiencies. In reality, organizational learning should be part of every single step of the strategy process. As we create, communicate, validate and review the strategy, there should be a process in place that captures the learning and feeds the required actions back to update and revitalize the strategy.

Conclusion

In this article, I have argued a number of major points:

1. We need to shift our emphasis from strategy *creation* to strategy *execution*. My research and supporting statistics suggest it is in this latter area that we are failing. We still need to have a good solid strategy, but competitive advantage will reside in flawlessly executing the strategy better than the competition.

2. Borrowing from the popular expression, we can say, "Strategy execution isn't rocket science." I do believe, however, that a rigorous model, such as I have introduced in this article, is necessary for successful strategy execution. The required actions in each step of the model should be carefully thought out, tailored to the organization and made part of an overall *execution plan*.

It’s hard to imagine a major athletic team going into serious competition without a “game plan.” Worse yet, it’s almost inconceivable that this team would win if it executed its “game plan” poorly. Sadly, in many instances, the latter team has superior talent and is expected to win, but the competition executes better than they do. In a similar manner, the winners on the field of business will be those corporations, who not only have a good, solid strategy, but more importantly, execute it well.

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