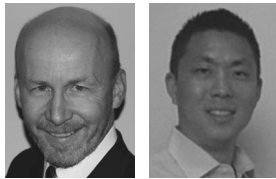


Why your strategy isn't working

Gary Getz and Joe Lee



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Setting the company or business unit's strategy has always been one of the most important jobs for organization leaders. Consequently, leaders devote substantial time, energy, and resources getting the strategy right; along the way, they incorporate the latest thinking from management gurus and seek guidance from top consultants. Following this heavy investment, the revealing and sharing of the new strategy is often conducted with great fanfare. Unfortunately, a few years later, many organizations discover that they have not "revolutionized the industry" or "become a global leader in xyz" as predicted by their strategies.

Why? A key cause for missing strategy goals is that leaders do not invest the same amount of time, energy, and resources in managing the implementation of the strategy as they do in setting the strategy. They also do not realize that managing strategy execution requires well orchestrated management processes – letting existing business processes run the course will not drive the transformation required. So, in order for companies and business units to reach the audacious ambitions stated in their strategies, they must thoughtfully manage the way the strategy is implemented.

Four reasons existing processes cannot get it done

Traditionally, organizations make sure the strategy setting process is well designed, and their leaders invest substantially to get the answer right. Some also think through the process for revealing and communicating the new strategy. After all that effort, they allow existing business processes and structures take charge of implementation. Unfortunately, this approach has many inherent limitations. Here are the most common four:

Very little leadership dialogue with each other and the rest of the organization

Good strategy is ambitious, and many are elegantly written and easy to communicate. However, the true power of the strategy is in guiding the organization to make different choices and therefore take different actions. So, in execution, leaders need to continue the dialogue with each other and the rest of the organization about what the organization would do differently under the new strategy. This dialogue clarifies the strategy and drives the organization to act in ways that are consistent with the strategy.

In some ways, leaders have to act like the Supreme Court in interpreting the Constitution. Through the ongoing dialogue, they set case law on what activities/investments/projects are and are not aligned with the strategy. Over time, the broader organization then begins to act consistently with the strategy. Often, when leadership teams begin to discuss specific decisions in the context of their new strategies, they find that individual interpretations of what the strategy means vary quite widely. It is only by applying the strategy through an ongoing dialogue that it begins to take on shared meaning.

No plan for managing the migration

A well developed strategy includes long-term ambition and a migration path to get there. However, the migration path is written from the leaders' perspective. While the path prescribes tactics for closing key strategic gaps, the reality is that initiatives for closing the gaps rarely go according to plans. So, in implementation, explicit process and structure are needed for managing the migration. For more information, consult the article "Migration management: an approach for improving strategy implementation," in *Strategy & Leadership*, November 2009.

Unclear link between organizational structure and strategic objectives

Change in strategic management approaches implies new processes, skills, metrics, systems, beliefs, and role changes over time. Strategic execution needs to be supported by a workflow that works with the strategic goals, rather than against it. Too often, we see companies define new targets and goals without implementing consistent support systems to reinforce and direct everyday activities. By aligning the organization and process in relation to strategic milestones and outputs, executives can create a system that enhances the implementation rather than hindering it.

Lack of employee engagement measures

No execution is complete without employee engagement. Without sustained effort and commitment by employees, firms are doomed to fail in any strategic initiative. Engagement helps to speed results, increase quality, and mobilize the organization. There are a number of effective ways to do this, but ultimately you have to decide what is right for you. Some of the ways we will talk about later include involving employees up front in the process, providing emotional rewards, and using experimentation and iteration.

The three pillars of effective strategy execution

Efficient execution of most major efforts requires three things:

1. direction – a roadmap for where to go;
2. structure – a holistic description for how work will be conducted; and
3. people – resources for doing the work.

Implementing a breakthrough strategy is no different. Organizations seeking to reach the ambitious goals stated in their strategies need these three things as well:

1. Direction – getting specific with strategy to the point where it is relevant for everyone and everything in the company.
2. Structure – creating an organizational architecture that shadows the strategic architecture.
3. People – engaging and mobilizing employees for sustained commitment.

Very importantly, companies must manage their progress on the three pillars in a coordinated way, ensuring that no one element gets too far ahead of the others. Many companies have failed by letting re-organization get out in front of cascading the content of the strategy, for instance. Balance is a great virtue in implementing the three-pillar model.

Pillar one: get specific with strategy by making it relevant for everyone

There is a huge disconnection between corporate strategy definition and the daily activities of employees. According to a study conducted by Robert Kaplan and David Norton, the founders of the balanced scorecard, only 5 percent of employees really understand their company's strategy. In addition to formulating a high level strategy, executives need to translate the high level strategy into something that is meaningful for everyone. By doing this, they can ensure that the strategy is effectively propagated until it can be executed in a decentralized and consistent manner.

Cascading by creating nested strategies is a means of accomplishing this decentralization. It works by applying high level strategic definition to specific cases as it pertains to different divisions and functions, including human resources, operations, manufacturing, R&D, etc. The truth is that the company is just getting started once the strategy has been formulated and it needs to build up a case log of decisions and reasons on how it achieves strategy. Studies noted in the *Harvard Business Review* have found that individual understanding of decisions and actions for which he or she is responsible is by far the most important trait for companies that have been found to be successful implementers. Cascading is an effective means of making the strategy specific and relevant for individuals throughout the firm.

Earlier, we talked about the idea of establishing the corporate equivalent of “case law” through an ongoing executive dialogue. Executives should provide this interpretive information – what choices they made, why they made them and what it taught them about the strategy – for their companies so that managers and employees can grasp the manifestation of the strategic goal in terms of responsibilities that are immediately relevant to them.

In this pillar, companies should use tools, such as a migration map, to clearly define step-by-step objectives. The migration map is an excellent tool for executives to bridge the gap between the current and future state of the company, which is likely several years down the road. At companies who apply both cascades and migration maps, employees can see what the strategy means to them both at their levels and at the current point in time.

Three things to remember:

1. Make it clear: continue the executive team’s dialogue on the strategy and migration path.
2. Make it real: translate the strategy into real actions and directions, both large and small, that are then executed.
3. Make it stick: ensure that the executive team uses a migration management process to keep its strategy alive.

Pillar two: create an organizational structure that shadows and evolves with the strategy

Every strategy needs to have a clearly defined organization architecture (the way organization needs to be structured to deliver the different set of outputs and outcomes) implied by its new ambition. The goal here is to align the organizational structure to fit the requirements of the strategy. Too often, leadership teams assume that existing structures, processes, metrics, behaviors, skills, and tools will deliver a new strategic destination; to their regret, they later learn that the existing organization was optimized to deliver the past vision, not the future one.

Building a winning organizational architecture begins with a set of organizational imperatives that describes what the organization is and is not to be across multiple dimensions. Table I lists an example of the operational imperatives of a market data analytics and advisory firm.

The basic question to ask: what must our organizational construct be able to achieve and deliver, repeatedly, for us to succeed in our desired future state?

Having a set of operational imperatives, then it is possible for the leaders to design out the organization to best achieve the desired results, making decisions along the lines of: reporting hierarchy, individual/functional/business performance metrics, job descriptions/desired candidate profiles, elements centralize/decentralize, and others.

A critical element that some leaders forget is the transformational nature of an ambitious strategy – it takes some time for the organization to reach the desired end-state. Along the transformation, the organization makes different decisions, take on new actions, and gain new capabilities; so, the organization structure itself should shadow the transition and evolve over time. In other words, the organization structure that perfectly fits the desire end-state may not be the best structure for supporting the transition.

Table I

<i>Category</i>	<i>Imperative element</i>	<i>Is</i>	<i>Is not</i>
Foundation	Focus/value proposition	Quality people innovating to develop and deliver high value-add products relevant to generic client needs	Inventive people improvising via consultation to varying client requirements
	Differentiation	Fact-based issue and industry expertise	The functionality/technical performance of the product or application
	Standardization	We present to clients common look and feel, a wide range of capabilities but a set of preferred solutions for targeted client problems	An entrepreneurial approach enables each person, office, practice area to focus on its priorities and react rapidly to market changes
Structure/value-web	Marketing	Our business requires substantive marketing and communication (to create accepted industry standards)	Our business requires very little marketing (our results speak for themselves)
	Sales	Our offerings require deep, issue and product expertise to close the sale and to maintain client relationships (but for some a generalist may identify the initial lead)	Our offerings can be sold end to end through many partners or distributors
	Delivery	We focus on developing and delivering value-added content (strategic, advisory-centric) products with a view to syndicating elsewhere	We focus on developing and delivering syndicated (more commodity-like) content
	Data/content partner	Our intimate relationships with a few data providers improves our delivery capability and quality of our offering	We are data vendor-neutral, or Our brand is tightly linked with our data providers' brands
Results	Key measures	Success is defined by the length/richness of client relationships delivering healthy returns to the business	Our success is driven by our ability to maximize profits on all transactions

In creating the organizational structure, executives need to remember to:

- Understand the imperatives: develop a clear understanding of end-state goals and the outputs that the organization must deliver to win in the future state.
- Identify the gaps: detail out all the shifts required.
- Mind the transition: manage the organization evolution over time.

Pillar three: engage and mobilize employees for sustained commitment

The previous two pillars addressed rational and structural gears for making the implementation work; the third one is about generating emotional commitment, the fuel, so to speak, for the implementation to be successful. To engage and mobilize employees, the solution is to pull in key stakeholders, gain their commitment to action, and launch their active involvement.

A potential process for how this might work highlights four key steps. While the timing and phases may differ for each company, the principles and activities will remain constant.

1. *Spread the word.* Clearly communicate the end state, why the company is headed there, and how it will get there. And then listen; the act of listening not only activates people, it empowers them to become involved.
2. *Pilot employee engagement.* Set targets and boundaries, then conduct first pilots.
3. *Build the system.* Apply lessons from pilots making sure to balance innovation and discipline.
4. *Roll it out.* Deploy skill-building, tools, and supporting processes in waves.

It is important to note that strategy execution typically involves years, and sometimes longer, of effort. Without clear and present pressure from management, these efforts can easily be led astray and diminish into failure. A study by MIT highlights the effects of positive

reinforcement, diffusion, and pressure on implementation efforts finding that companies often underestimate reinforcement to their detriment. Both positive and negative reinforcement have tremendous effects on early implementation efforts, with positive reinforcement and management pressure over time leading to drastically better execution. It is natural for negative reinforcement over time to allow managers to lessen their commitment, but this is a sure path to disaster. Sustained commitment and pressure from managers is critical, and positive reinforcement will make this task easier.

It is possible to get engagement wrong. Many companies mistake open-ended electronic suggestion boxes or flashy slogans for the new strategy for true engagement. In our experience, successful engagement has several critical characteristics. Companies who succeed:

- Provide clearly targeted, time-boxed topics for employee participation that are linked to the migration path.
- Equip employees with the skills and tools that they need to contribute effectively to the engagement program.
- Build mechanisms that allow employees to build on each others' inputs and learn from each other.
- Encourage the formation of communities of interest around topics that support the strategy.
- Set clear expectations for how employees' contributions will be used, and deliver on them in a transparent way.
- Establish and manage a simple and direct pipeline for employee ideas to be converted to action.

Conclusion

The three pillar approach addresses the direction, structure, and people required to be effective in strategy implementation over the planning horizon. It keeps companies from falling into the trap of emphasizing only one pillar or sub-element (e.g. structural re-organization, detailed interpretation of the strategy content, or employee communications) while neglecting others, and allows for ongoing adaptation and re-balancing of the three pillars as they learn.

Ultimately, each organization's situation and the challenges of its strategy implementation are unique. So, the emphasis across the three pillars should reflect the organization specific needs. However, paying attention and addressing the issues in the three pillars is the surest way for a successful implementation of the organization's ambitious strategy.

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