

What stops businesses from turning great strategy into action?

'The problem is that our age's fascination with strategy and vision feeds the mistaken belief that developing exactly the right strategy will enable a company to rocket past competitors.'

Ram Charan

Are strategy and execution enough to deliver market beating business performance? The evidence would suggest not. Look across any sector and you will find smart strategic individuals at the helm of successful and failing businesses alike. All companies, regardless of performance, would claim to have an excellent strategy and operational plan, but how many actually go on to win is another matter. Strategy and execution are essential but insufficient to guarantee business success. Organisations also need strong insightful leaders who know how to marry the internal dynamics of the business to its strategic aspirations and recognize this as a fundamental part of their role.

Over time strategy has become the 'holy grail' of business; 'Get your strategy right and organisational success will surely follow'. Strategy work is undoubtedly an essential discipline because it forces businesses to make significant strategic bets and answer the question, 'How are we going to win in our chosen market?' A robust strategy will succinctly capture an organisation's direction and choices. If the output from your strategy discussions is an even longer list of activities then you know you are falling at the first hurdle. Winning strategies identify new goals to shoot for, existing activities to axe and pinpoint strong internal complementarities. For example, the incredible success of Direct Line Insurance was partly fuelled by Peter Wood's insight that telephone selling was a superior channel for personal property and casualty insurance. This strategic bet meant that their traditional sales approach was discarded in favour of telesales. This drove down costs for the business, but also allowed the business to develop a rich customer database which in turn helped Direct Line price business more keenly.

Millions of pounds and man hours have been poured into the pursuit of great and mediocre strategy alike. Strategy consulting is a mature and growing industry that trades on the assumption that a hefty investment in strategy development delivers a higher performing organization. But the ROI for strategy development receives surprisingly little scrutiny. Many executives grapple with the frustration of having market beating ideas they can't turn into reality. Perhaps the most damning CEO obituary is that 'X got the company on the right strategic track but couldn't get enough internal traction to drive it through'. Consultants generally cite 'poor execution' as the explanation for strategies not delivering. And so, it's not surprising that 'Execution' has more recently been embraced by the business community as the next sure fire solution for double digit performance. If strategy isn't cutting it, let's hope execution will.

Larry Bossidy and Ram Charan's in their bestselling book 'Execution – The Discipline of Getting Things Done' argue that businesses suffer from not having more highly planned operational systems and that strategies flounder because of it. A whole industry has developed around strategy execution that encompasses balanced scorecards, MIS systems, TQM and Six Sigma. Doubtless, many businesses would

benefit from more operational rigor, but is it a simple lack of discipline that trips up one blue chip company after another? The hard truth is that having an excellent strategy and rigorous execution process will only take you part of the way to achieving a high performing business.

The big ticket performance issues are typically more complex and uncomfortably close to home. What makes strategy and execution falter has more to do with the leadership, culture and competing organizational dynamics that exist within every business. Failing to get these elements working together to support the strategy is the main issue senior leaders overlook or try to delegate time and time again.

'People deliver strategy' as the adage goes, but they can also undermine, obstruct and obscure what a company sets out to achieve. Failing to get your leaders, culture and organizational development activities aligned to your strategy is a sure fire recipe for serious business pain; without this alignment multiple agendas persist, your culture can quietly undermine your strategic goals and your reward system may encourage behaviours you no longer require. In short, smart, hardworking, well intentioned people can go round in circles.

So if your business has a sound strategy and reliable operational systems but still isn't riding the crest of the performance wave, then it may be time to acknowledge that there are other internal factors getting in the way. Whether reviewing progress against an existing strategy or embarking on a new one, consider the following issues if you want to ensure you have laid the groundwork for real internal traction.

1. New strategy, same old leadership?

The first question is whether your new strategy can be delivered with the leadership practices you have in place today? New strategies require different things from leaders and managers, but these differences are rarely spelled out. It's not the strategy consultant's job (nor skill set) to do this and the executive teams often declare victory when they have completed the strategic thinking. This is stumbling block number one. What has got you where you are, in terms of leadership, won't get you where you need to be.

So a strategy can falter before it has even left the boardroom because the executive team has side-stepped the issue of what they personally need to do in order for their new strategy to be credibly led from the top. The role of leaders is crucial in mobilizing and motivating employees; making sure the new strategic direction gets support across the business. This comes down to role modelling the key changes the organisation requires through their own words and behaviour. CEOs often assume that individual executives will figure out alone what they need to do differently. This rarely works and squanders the symbolic impact of employees and clients seeing your most senior leaders acting as one around the strategy. These leadership behaviours need to be defined and mandatory and leaders need immediate feedback on whether they are making the grade.

Strategy documents should come with warning on their front cover stating 'Your strategy is at risk if your leaders continue to do exactly what they do today'.

If you want to reduce the risk of your own leadership inadvertently undermining your strategy, then the following points are the first step in identifying issues you need to address before you can move forward.

- Are there any disagreements that need to be resolved before we can demonstrate the Executive team is 100% aligned behind this strategy? (Is your Executive team motivated to voice their reservations or are there powerful incentives to remain silent?)
- What ‘ways of working or thinking’ have served us well in the past but will get in the way of delivering the strategy?
- Are we clear about what activities, projects, and procedures we are going to stop as a result of the new strategy? How will our resource allocation change?
- Will our appraisal and reward systems reinforce what the strategy requires from employees?
- How will we maintain focus and disciplined attention on our strategic goals, when energy inevitably starts to wane?
- What issues do we need to raise the ‘heat’ and attention around in order to force the changes through?

2. Are you clear about what your strategy asks of employees?

I have yet to meet a CEO who wasn’t frustrated that their people didn’t ‘get it’. The vision, clarity and urgency that exist at the top of the organisation often fail to permeate down. How do you connect your workforce to those strategic insights you have so carefully honed and create a ‘distributed understanding’ of your strategy? Furthermore, are you crystal clear about who needs to understand what and to what level of detail? Don’t assume that one size fits all. When it comes to bringing people on board with a strategy you need to make it relevant to their day to day work.

For example, if your strategy’s differentiation point is the quality of your customer experience, then the daily behaviours and decisions of your call centres and sales teams will primarily determine your success (more than anyone in head office). Employees need to build for themselves the practical ‘competitive edge’ that emerges from translating a strategy into their daily practices. This doesn’t happen without rigorous local strategy engagement activities. Every organization needs a plan for creating and maintaining this shift in understanding and behaviour.

At this point many organisations slip into a holding pattern of just talking about their strategy. A global communication cascade and some local town hall meetings are rarely enough to flip a switch that ensures employees have the new strategic grounding you want them to bring to their work. It’s easy to blame internal communicators or reach for the latest employee engagement gizmo. But let’s be clear, this particular stumbling block is created by the Executive team itself. Unless they invest time in articulating their strategy in

a way that is understandable, actionable and memorable to a colleague five levels removed, the organisation will keep going round in circles. ‘Be faster, cheaper and more efficient’ won’t galvanize the troops or help them understand what they need to do differently.

Gadiesh and Gilbert argue in the Harvard Business Review 2001, that strategy development isn’t complete until the thinking is distilled into some practical, memorable principles that can be applied by employees to test the soundness of day-to-day ordinary decisions. US internet giant, Google’s edict to ‘Focus on the user and all else will follow’ provides a pithy distillation of their strategy and an unequivocal guidance about how employees should act when faced with a dilemma.

It's easy to argue that your business is too complex or fast moving to be able to provide shining nuggets of strategic clarity, but simplicity is the ultimate sophistication in strategy communication. Articulating what you actually want employees to understand and do differently is a non-negotiable, but another common stumbling block. If you're not sure how your business is doing on this front, then ask a junior member of staff to take a handheld camcorder and record how ten random employees respond to the following simple questions. Generally, these 'home movies' don't make easy viewing for senior executives.

- What do you understand about the strategic direction of the company?
- What are the immediate priorities for the business?
- What do these priorities mean in practice for you?
- What do you and your team do to keep your work aligned with the strategy?
- What do you wish senior leaders would be clearer about?

3. Are you pitting strategy against culture?

Just as your leaders and internal communication must adapt to support a new strategy, so aspects of your organisation must develop and change if you are serious about removing the obstacles to strategy realisation. Before starting down the path of a new strategy, ask yourself whether you have the right organisational architecture in place to support your strategy. That doesn't just mean having the right project teams and reporting lines, although these obviously help. It means taking a systems view of the organisation and understanding how the structure, procedures, accountabilities, decision making norms, incentives, expectations and values will work for or against the new strategy.

Culture is always stronger than strategy. If you want to adopt a new strategy, be clear about those aspects of your culture or values that will need to evolve. Remember, your organization is perfectly set up to deliver the results it is getting today. Lasting change requires social and cultural reinforcement mechanisms that keep bringing people back in line with the strategic direction. In short, to bring about any form of strategic redirection you need to disrupt the status quo.

Last year a well known financial services firm received a damning regulatory rebuke for their pressure selling tactics. The CEO's response was swift and decisive; not only were all sales staff put through a compulsory training programme but the company's new strategy proudly fan-fared the importance of long-term, trust based client relationships. It sounded like they were really grasping the issue through both their strategy and frontline practices. Eight months later they were fined for the exact same bad sales practice and received the worst media coverage they had had in their 30 years of business. Strategy and training had proved ineffective in the face of a long-established, testosterone rich culture that championed 'making the sale at any cost'.

So unless you work to create organisational and strategy alignment, you may be pitting parts of your culture in direct competition with your strategic goals. It's like having sand rather than oil as the lubricant in your car. Organisations, like people, can be their own worst enemies. Your most significant threat often

isn't the competition; but your company's inability to name, face up to and follow through on the internal changes needed to deliver your strategy. Some questions to help you assess your existing culture are:

- What do we truly value round here? i.e. our unspoken rather than stated values
- Who are the local heroes around here and why?
- What have people / different groups got to lose from adopting this strategy?
- What behaviours does the strategy depend on that aren't common today?

Think of your culture as being like the sea. It will slowly but surely smooth off those parts of your new strategy that are at odds with the existing cultural norms. Smart companies recognize that when they evolve their strategy, they also need to evolve their culture. Organisational change and development go hand in hand with strategy development.

In summary, no Executive team should rest on its laurels just because it has a sharp strategy and a robust execution plan. If you want to see your strategy drive a whole new level of performance, then you have to have the courage to review and adapt your leadership, culture and engagement activities to ensure they help rather than hinder your business.

KLI Consulting helps clients to deliver lasting change. With 15 years in organisational behaviour, the author Kate Lye, is an expert in tackling leadership and organisational development issues in financial services, pharmaceutical, and professional services businesses. For further information see www.katelye.com or email kate@katelye.com