

Strategy Execution

Key Points

- Despite strategy execution's prominence as an area of management research and practice, ambiguity still exists regarding what strategy execution is and how it can best be accomplished in practice.
- At a high level, strategy execution can be thought of as an organizational capability that comprises three connected elements: a strategy execution process (process), strategy project management (project) and organizational alignment (people).
- Within each of the elements a series of activities can be identified that when employed correctly increase the likelihood of successful execution.

Main Thoughts

Despite receiving recent focus, strategy execution is not a new concept. "Strategy implementation"—as strategy execution was originally termed—can be found in literature dating back to the 1960's. One of the most influential strategy books of all time, *Business Policy Text and Cases* authored by members of Harvard Business School's Business Policy Group in 1965 contains two books one of which is dedicated to execution. *Book Two: Implementing Corporate Strategy* discusses organizational structure and its relationship to strategy, establishment of standards and measures of performance, as well as leadership toward achievement of purpose. By the 1980's much of the strategy execution thinking centered on identifying and managing key programs or initiatives prescribed by the strategic planning process. What these separate ideas lack however is an integrated way of thinking about them. This integrated systems thinking comprises much of the strategy execution literature today.

With history and practice in mind, strategy execution can be reduced to three elements: a strategy execution process, strategy project management and organizational alignment. Each of these is discussed in turn below. (NOTE: this brief assumes that a strategy has already been formulated and that it is sufficient for execution).

Strategy Execution "As Process"

A major element of strategy execution is the strategy execution process itself. Consider the simple differences between making and executing strategy. It only takes a short time and a few people to develop a strategy—a top team can formulate a strategy in a few days or weeks. But it requires the whole organization the entire business cycle or longer to execute that strategy. There is often a 'plan to plan' or an underlying process supporting strategic planning. This is typically not the case for strategy execution; there is rarely a process explaining how to do it. The reason for this absence is simple—strategy execution is considered by many to be an outcome not a process. That said, here are the most important elements of the strategy execution system to be considered.

Visualizing the Strategy. One of the most pressing challenges in all of strategy is simply understanding what a strategy is. A recent study by *Forbes Insight* asked 163 CEOs, senior strategists and communications professionals what strategy is. Their key finding was, "senior management does not have a common definition of what strategy is."¹ One way to improve the understanding of any strategy is to visualize it. Visualizing or graphically depicting a strategy helps isolate the important elements and show how they relate to one another. Frameworks such as the *Strategy Map* by Kaplan and Norton, the *Activity Map* by Porter or the *Success Map* by Neely et al were designed specifically to aid in visualizing strategy.

Measuring the Strategy. Once the strategy has been visualized it should be measured. Different elements of the visualized strategy should be assigned an easily understandable measure. The full set of strategic measures can be organized into a dashboard, a Balanced Scorecard or some other framework that will enable the reader to determine progress is being made toward completion of the key elements of the strategy.

Reporting Progress. Ongoing progress should be evaluated through an active reporting process. Much like the budget is reviewed monthly to ensure performance commitments are kept, the strategy should be reviewed similarly but with more of a view toward learning if the strategy is capturing results versus controlling performance. Senior leaders in an organization should maintain responsibility for the strategy reporting process.

Making Decisions. All of the visualizing, measuring and reporting will be of little value if decisions are not made regarding the strategy itself. Strategy execution is much like sailing a boat toward a planned destination. A defined course and a full complement of navigational charts will never eliminate the need to vigilantly assess the environment and make corrections as conditions change. As part of the reporting process leaders must make strategic decisions.

Strategy Execution “As Projects”

Many modern day views of strategy execution are centered on management of key projects. This is understandable since according to research, projects consume billions in resources in organizations today yet fewer than half of them are linked to strategy.² It is difficult to execute strategy without a clear understanding of how key projects contribute to improved performance. There are three important aspects of strategy execution as projects that should be built into a strategy execution system.

Identifying Projects. Organizations know that they have scores if not hundreds of projects ongoing at any point. They rarely have a firm grasp however on the type and range of these projects. One of the critical steps in effectively executing projects is understanding what projects are in process to begin with. The first step in improving project oriented strategy execution is to capture and organize all projects—strategy projects in particular—that are underway in an organization.

Aligning Projects. Once projects are captured they must then be aligned to the strategies or goals for the organization. This step entails comparing each project, either proposed or ongoing, to strategic goals to determine if alignment exists. As this activity is unfolding managers must decide if there is enough of a linkage to warrant continuing the project. Only those projects that directly impact the strategy should be resourced and continued.

Managing Projects. Organizations must develop a capability in project management if they are to effectively execute strategy. In some settings projects are subject to very little management. In others, projects persist well beyond their scheduled completion. In other cases projects that won't produce the intended benefit are never terminated. The full complement of projects in any organization should be coordinated and controlled by a central project office or officer with the responsibility for monitoring progress and performance.

Strategy Execution “As People”

The last but arguably most important component of a strategy execution system is the people element. Simply put, employees in an organization execute strategy not senior leaders. Jack Welch, the renowned CEO who changed the complexion of GE during his years of stewardship, noted that he spent upward of 60% of his time communicating with employees. Any organization serious about executing strategy must ensure the people element of their

execution system is given proper attention. There are the three most important aspects of the people dimension of the strategy execution process.

Communicating Strategy & Expectations. It is difficult to execute strategy when the strategy itself isn't well understood or performance relative to it is never communicated. Ample evidence exists indicating that communication is a vital success precondition in organizations (see the Forbes Report cited below). Leaders must communicate their visualized strategy to the workforce in a way that will help them understand what needs to be done and why. Further, performance relative to that strategy must be communicated frequently as well.

Aligning Individual Roles. Employees want to know they are making a meaningful contribution to their organization's performance. The onus is on senior leaders to show how employees can accomplish this. Leaders must ensure that employees at all levels can articulate and evaluate their personal roles toward achievement of specific strategic goals. This is perhaps one of the most critical aspects of the execution process.

Rewarding & Compensating Performance. In strategy execution, as in any other area of management, what gets measured gets done. Taking this one step further, what get measured *and rewarded* gets done *faster*. After explaining the strategy and aligning the workforce to it, senior managers must put in place the necessary incentives drive behaviors consistent with the strategy. It simply isn't sufficient to tell employees strategy is important. Guidance must be backed with a reward system that incents achievement.

A Strategy Execution System

The model below presents the main components of a strategy execution system.

Figure 1: Elements of a Strategy Execution System



Editorial

Strategy execution is difficult in practice for two main reasons. First, executing strategy requires a sustained amount of energy and focus beyond the abilities of many management teams. Second, many leaders don't know what they should be doing to execute strategy. Home grown strategy execution approaches are often incomplete and fail to incorporate many of the basic activities highlighted above. While remedying the first difficulty is beyond the scope of this brief, the second is in no way a bridge too far. The 10 elements of a successful strategy

execution system discussed above can be adopted by any organization willing to make a modest commitment. While there are no guarantees of success, the execution process outlined above should improve the odds of it.

For More Information

Web

www.mckinsey.com

www.harvardbusiness.org

Magazines & Journals

Long Range Planning

Harvard Business Review

Balanced Scorecard Report

Books

The Execution Premium: Linking Strategy to Operations for Competitive Advantage, by Robert S. Kaplan and David P. Norton

Execution: The Discipline of Getting Things Done by Larry Bossidy & Ram Charan

References

¹Forbes Insight and FD, *The Powerful Convergence of Strategy, Leadership and Communications*, June 2008, sponsored by the Association for Strategic Planning and the Council of Public Relations Firms.

²G. Moore presentation at Palladium Balanced Scorecard Summit, November 2005; SAP; McKinsey Quarterly and Palladium research.