

Execution or Extinction

by Rich Horwath

"Unless commitment is made, there are only promises and hopes...but no plans."

Peter Drucker

Around 500 BC in China, a king named Ho-Lu read *The Art of War* by Chinese General Sun Tzu. He called Sun Tzu to his palace to try out his ideas. Sun Tzu agreed and asked to use the king's concubines for an exercise with one condition – the king *must* follow Sun Tzu's decisions...and the king agreed.

Sun Tzu divided the women into two groups and selected the king's two favorite concubines to be the officers. He explained to them the main points of the military exercises. When he finished his explanation, he asked if they understood the rules. They said 'yes.' However, when he gave the orders, all the women started laughing. Sun Tzu said: "If the strategies are not clear and orders not thoroughly understood, it is the commander's fault."

He repeated the instructions. When he gave orders for the second time, the women again started laughing. Sun Tzu said: "If the strategies have been sufficiently explained but are not carried out, it is the fault of the officers." Then he ordered the two concubines in the officer roles to be executed.

The king told Sun Tzu that he understood the point of the exercise so it wasn't necessary. But Sun Tzu didn't accept the king's request and the concubines *were* executed. Then Sun Tzu appointed two other women as the officers and continued the exercises.

This time when he gave orders, the strategies were followed... exactly. At this point the king

was so depressed by the loss of his two beloved concubines that he didn't want to watch the rest of the exercises. Sun Tzu told the king: "Your majesty likes words but has no courage to carry them out."

Now that's strategy *execution*.

A survey by *The Economist* found that 57% of companies were unsuccessful at executing strategic initiatives during the past three years. In my experience conducting strategy skill building programs with executives from the U.S., Europe and Asia-Pacific, the issue of successful strategy execution is universally a high priority. To that end, I have identified the five most common execution errors and their remedies. The five strategy execution errors are as follows:

1. Faulty strategy
2. Unclear resource requirements
3. Poor communication
4. Weak accountability
5. Lack of calibration

Error #1: Faulty Strategy

Garbage in...garbage out. Before we can successfully execute strategy, we must make sure we actually have a strategy to begin with. Some executives scoff at this notion and say, "Developing the strategy is the easy part. Executing is the hard part."

Wrong...at least until I stop seeing examples such as the following one from a multi-billion dollar, multinational company. Here is what the company lists as three of their strategies:

- Innovate
- Expand Internationally
- Attract & Retain Talent

After you stop laughing, please realize that this is more common than not.

Remedy: Educate your management team on strategy and develop common terminology. Begin by downloading free copies of the articles “Good to Great...Strategy,” “The Strategy Formula,” and “What Strategy Is Not” at www.strategyskills.com.

Error #2: Unclear resource requirements

There is a step between strategy development and strategy execution that can be easily overlooked and fatal to even the best strategies. That step is a clear and objective assessment of the resources (capital, talent and time) required to carry the strategy through to completion. How often do you sit down and thoughtfully examine exactly what will be required to move the strategic initiative forward? Many managers carefully examine what will be required of their group but fail to take into account the larger strategy ecosystem. Mapping the resource requirements for the entire strategy ecosystem, from suppliers to distributors to other functional teams within the organization, can paint a much clearer picture of what it will take to succeed.

Remedy: Use tools such as the Resource Allocation Calculator and Strategy Ecosystem Map to methodically think through the resource requirements for your strategic initiatives.

Error #3: Poor communication

Research out of Harvard has shown that on average, 95% of a company’s employees are unaware of or do not understand its strategy. This would be the same as 10 of 11 offensive players on a football team not knowing which play they are going to run after breaking the huddle. Football teams at nearly all levels have playbooks that specifically describe the exact execution (blocking scheme, receiver route’s, etc.) that is required for each play.

In business, most organization’s reside on the ends of the execution spectrum, meaning they

have no execution plans or they are inundated with plans and metrics for everything in sight. Choosing a few key metrics to monitor strategy’s performance is appropriate. Requiring managers to monitor an overwhelming number of metrics creates the same result as a tennis player who only watches the scoreboard and fails to concentrate on simply hitting the shots.

Perhaps the biggest communication issue is the failure of an organization’s leaders at all levels to translate the strategy for each group of workers. Letting each group of workers know how the strategy specifically relates to what they do on a daily basis is crucial for strategy execution. If the overarching corporate or business unit strategy isn’t linked to employee’s daily activities, the organization will never realize its full potential. At that point, it’s simply wasting the momentum that can only be generated from the cohesion of the mass of intellectual and emotional capital pulling in one focused direction.

Remedy: Use a tool such as the StrategyPrint (two-page business blueprint) to capture the essence of the business in an action-plan format and cascade it throughout the organization. This ensures everyone is working from the same overarching goals and strategy while still allowing individuals to tailor it to their specific responsibilities. Also, creating and incorporating analogies, metaphors and visuals to translate the strategy to each group of employees will go a long way in solidifying their understanding and internal application.

Error #4: Weak accountability

Accountability, especially in large organizations, is severely lacking. Somebody’s not performing? Ship them off to another business unit. Lord knows it’s much easier to move somebody than fire them in today’s overly litigious, hyper politically sensitive world where free speech is fine unless of course you disagree with a group of people that has a loud lobbying voice. Or put them on a “plan” – this is code for “we have a free-loader that we’re afraid to fire so we’ll let them milk off the corporate bosom for another

year or two until they decide to leave on their own and in the meantime, the other good employees' morale will sink like a stone."

When it comes to accountability for strategy execution, compensation can be an effective tool. The promise of greater compensation (raise or bonus) and the threat of none (being fired) are strong underlying forces of accountability. However, research out of Harvard Business School has shown that compensation packages of 70% of middle managers and more than 90% of frontline employees have no link to the success or failure of strategy implementation. If a manager's accountability can be influenced by compensation, then it makes sense to leverage that motivation to drive enhanced strategy execution. I'm not suggesting this is an easy task by any means but the results of continuing to not execute the strategy (a.k.a. bankruptcy), is a less appealing alternative.

Remedy: For each strategic initiative, create a one-page worksheet that identifies the goals, objectives, tactics, metrics, resource requirements and person(s) accountable for execution. Also, tie a portion of each employee's compensation to their ability to execute on strategic initiatives within their business units. For those few organizations (i.e., military branches) where compensation isn't as strong a motivator, then begin with a close examination of the key motivators (i.e., rank, people responsibility, etc.) and creatively link them with the ability to execute strategy.

Error #5: Lack of calibration

Here's a newsflash – the majority of plans don't go as planned. Market trends shift, customer value drivers change and competitor's introduce new offerings, all with the potential to derail our strategy. Therefore, it's critical to have a continuous pulse on the context of the business

in order to detect and adapt to changes in a timely manner. That's one of the reasons that viewing strategy as an annual event is so dangerous. If a key change happens a month after the annual strategic planning process is completed, does it really have to take another 11 months before that change is examined and accounted for? A recent study reported in *T+D Magazine* showed that 64% of executives did not believe that their company could make the necessary changes to bridge their gap between strategy development and strategy execution.

Remedy: Utilize the Strategy Tune-up, a periodic (i.e., weekly, monthly, quarterly) meeting with the key personnel for strategy development and execution to review the context of the business. Just as auto shops run diagnostic check-ups on our vehicles periodically, the Strategy Tune-up provides the forum to conduct a diagnostic on our business. Other tools such as the Contextual Radar provide valuable visual insights to help us monitor changes in our business and the subsequent calibration of our strategy execution.

Successful strategy execution depends on a large system of interacting components, including personnel, culture, structure, competition, priorities, etc. Being alert to the five execution errors and their remedies is a solid start in tackling this considerable challenge. Unless we work for Sun Tzu, there's certainly no sense in losing our heads over execution.

Rich Horwath helps organizations achieve competitive advantage through strategic thinking. He is the president of the Strategic Thinking Institute, a professor of strategy at the graduate level and a former Chief Strategy Officer. Rich is the author of *Sculpting Air: The Executive's Guide to Shaping Strategy* and frequently speaks to organizations on strategy. To sign up to receive your free copy of *Strategic Thinker* each month, visit www.strategyskills.com