

## ***A Position Paper from the Summit Global Network***

### **Strategy and It's Practical Implementation**

Strategy is a much abused term, so we thought we'd collect the best thinking of some of our global companies based on their clients' experiences and successes.

#### **1. How to guarantee that strategy implementation is faithful to the strategic intent**

We've witnessed many strategic disappearing acts, not during development, but during implementation. The three most common failures we've seen that derail strategic implementation are: lack of focus, lack of metrics and lack of accountability.

To improve focus, we've seen the most successful businesses focus on one initiative that is clearly described and understood by all employees, customers and suppliers. An industrial service company changed its strategy from being a reactive, emergency repair business to a preventative maintenance business by having powerful conversations with their customers that focused on helping the customers increase their production time and reduce expensive, disruptive and preventable breakdowns.

To improve metrics, we've helped companies develop measures that reflected the customer's perspective. Companies can easily measure their internal factors such as inputs of production like hours or materials, but these are measuring the wrong thing. The ultimate metric is a happy customer that pays you and wants to do business with you again. Therefore, the best metrics reflect the customer's experience and include financial factors such as cost and value and non-financial factors such as quality, ease of ordering and ease of use.

To improve accountability, leaders must own the initiative and be willing to hold people accountable for specific results. A football coach doesn't wait until half-time to debrief his players, he gives them immediate feedback after the play, and can change the next play. In our experience, the most successful companies have a formal process that reviews results frequently, publishes those results, evaluates progress and makes mid-course corrections as required. One software company experienced major delays when project milestones weren't monitored carefully and an entire department went down the wrong path.

Another powerful factor for improving accountability is to tie compensation to strategic implementation and performance. Certain companies are much more performance driven because all the employees win or lose, in

compensation, depending on the results they achieve. This is a major challenge in many organizations that don't have sophisticated compensation systems: The employees are basically paid for showing up. This is incongruent in both large and small companies because the executive or the entrepreneur is compensated, ultimately, for results.

The following table summarizes the major areas of successful strategic implementation

Focus	Metrics	Accountability
<ul style="list-style-type: none"><li>• One initiative</li><li>• Clear description</li></ul>	<ul style="list-style-type: none"><li>• Simple</li><li>• Customer oriented</li></ul>	<ul style="list-style-type: none"><li>• Frequent review</li><li>• Compensation</li></ul>

Companies can dramatically enhance their strategic implementation success by having very few or one strategic focus, measuring from the customer's perspective, reviewing progress frequently and tying implementation to compensation.

Phil Symchych  
President

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## 2. Strategy and Application

### We Know How to Do This

*"It seems to me that perfection of means and confusion of goals seems to characterize our age."* Ralph Waldo Emerson

Strong business capabilities bring consistency and enable a business to walk the talk of its customer service promise. They are the bedrock of reliability, credibility and reputation.

I find the greatest obstacle in my clients' businesses to achieving top class capabilities is that the different functions, managers and associates involved often act at cross purposes with each other.

It is not that people wish for this to be the case but rather it is the way they are organizationally aligned and the way they are measured and evaluated that guarantees that they will act this way despite themselves.

At a tactical level, left unexamined business functions will have conflicting goals and objectives by default. By way of example, think of the various functions that make up the logistics capability of a business and the different objectives of the stakeholders in transport, inventory, warehousing and supply management.

### **Wasted Efforts**

*“There is nothing sadder in the world than the waste of human potential”* Diane Frolov

In a recent client assignment in manufacturing I encountered the following:

The on site warehouse holding the inventories of raw materials reported through manufacturing, procurement which negotiated the supplier contracts reported through finance and inventory management reported through supply chain.

Procurement endeavoured to find low unit cost, volume-discounted supplies, Inventory Management strived to increase turns and reduce lead times and the Warehouse Manager tried to achieve efficiency in the use of space, time and labour to provide service to production lines.

Improvement efforts initiated by one of the areas in isolation inevitably encountered resistance from the others. The result of this kind of thing, in the best case, is wasted effort, frustration and confusion and in the worst can be much more serious than that indeed.

Sound familiar?

Ok, so how do we rise above this futile enterprise?

### **Rising Above the Confusion**

*“The significant problems we face cannot be solved at the same level of thinking we were at when we created them”* Albert Einstein

This is one of those situations where the solution, being common sense, is so obvious that it is frequently overlooked. We know this because the aforementioned situation is ubiquitous in organizations. Therefore, while what we are talking about IS common sense it certainly IS NOT common practice.

When you set goals or establish performance metrics at a tactical level within your department or function without reference to the wider goals and objectives of the business and your colleagues in other departments do the same thing the chances of your ending up at loggerheads are very high indeed.

This happens when the strategic goals haven't been translated into practical, executable and measurable objectives at the tactical and individual level.

If you find yourself at cross purposes with your peers you will have to appeal to somebody who can actually do something about it, somebody with the authority to control reward and consequences, indeed somebody with the fiduciary responsibility to act.

If on the other hand if you ARE the person with this fiduciary responsibility and your reports are at cross purposes with one another then you had better take a look in the mirror.

### **It's the implementation Trap**

*“Firmness of purpose is one of the most necessary sinews of character, and one of the best instruments of success. Without it genius wastes its efforts in a maze of inconsistencies” Philip Dormer Stanhope*

Alan Weiss, the renowned strategy expert, states in his book *Process Consulting* that strategies never fail in the formulation but rather in the execution. Weiss goes on to explain that this is because the strategy is not translated into operational objectives, individual objectives are not aligned, accountability is not thrust down to the front line and progress is not assessed against established metrics.

Why is this so?

In my experience, it is not about a lack of knowledge, expertise or experience, nor is it about applying the latest management fad, methodology, or technology but rather it is an issue of volition, resolve and true grit – that is, the simple determination to get things done and to hold self and others accountable no matter what.

This is the essence of the entrepreneurial spirit. In our organizations this entrepreneurial spirit can so easily be swamped by agendas of internal politics, empire building and personal rivalries. The result is a lack of ownership, an absence of visible leadership and poor communication.

This is, without doubt, the most common organisational disease of our time. If your organization is not infected, I congratulate you. If it is, please ask yourself “what can you I do today to begin to cure my organization?”

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### **3. How to Guarantee that Strategy Implementation is Faithful to the Strategic Intent**

Think back to your last executive strategic planning meeting, and consider your current priorities. How aligned are your current activities to the key discussions and agreements that were made that day?

Most executives when asked, pause for more than a moment to consider this; occasionally I see color draining from the face. Ultimately, nearly all respond that their current focus is not as close to the priorities originally set as they should be. The problem is not however in the supposed lack of alignment, but is instead in simply neglecting to think about this question in the first place. Easier said than done, you might say, because the ‘hard’ part of strategy is in the execution. My response – it doesn’t have to be. However,

to ensure strategic intent is effectively put into action in your organisation, the leaders in your organisation will need to embrace a different way of thinking about and working with strategy.

Like the legs of the table you may have sat around with your colleagues, in order to ensure strategic intent is implemented and translated into action, there are four aspects to rethink in how your executive management team approach strategy, and how your organisation supports it. These are not the basics of how to get started. I'm assuming that your organisation has those well in hand. What I'd like to focus on are the 'blind spots' that may not be obvious, but if corrected, could dramatically impact your organisation's ability to successfully implement strategy.

Two blind spots are structural, suggesting that you need to consider the broader context and role that strategy plays in your organisation. Two are behavioural, involving specific attitudes towards strategy that leaders in your organisation need to demonstrate.

### **Behaviour—look at yourself**

Let's start with the blind spots in leader's behaviour that may be preventing you from implementing your organisation's intent. This may be the best place to start because we can choose to change our behaviour immediately, which gives your organisation the opportunity to improve its implementation capability quite quickly. The caveat is that to create impact, the behaviour must be consistent and coordinated amongst leaders in your business.

**Language – talk the walk.** Too often we observe that executives leave the strategy discussion and the conversation is left in the room. They go back to the office and despite the thought provoking discussions, innovative ideas and clear consensus, the executive simply does not talk about with their team and colleagues the ideas and decisions that were made. In part this is understandable. There is a desire to coordinate the message, ensure it's consistent and perhaps finetune nuances. Unfortunately more time is often spent on this than is needed and what results is a delay in communication in anticipation of a bigger 'unveiling' of the strategy or new direction. For most employees however, this is a lost opportunity. You have returned from being away for two maybe three days in this critical type of meeting, yet there is little visible external change.

Instead, we would suggest, talk it up now and allow the bigger communication of the strategy happen on its own. Your biggest asset after spending significant time discussing strategy is your personal passion and excitement about the future. Your team need to get this! By talking about

the strategy immediately, you'll not only share your passion and excitement, but also reinforce the importance of the message.

And then, you need to keep talking; this may be your most effective tool to immediately demonstrate what a new strategy or focus means in practice. This is as simple as relating as many conversations as possible throughout your day back to the key priorities of your strategy. For example, if an employee asks you a question, include in your response how this relates to the strategy. If a decision needs to be made, explain how that decision supports the strategy. One regional leader we worked with kept a one-page diagram of the three key priorities in their Asia Pacific region. He explicitly considered every decision and request through the filter of these priorities and actively shared his thinking with others. In essence, strategy became part of every day language.

The effect of this on-going dialogue is two fold. First, a bit like the 'squeaky wheel,' the attention to the message lets people know this is important and reinforces the significance of paying attention to the strategy. And second, it's real-time and specific, which helps people learn how to apply this with their own thinking. As a result, very conceptual ideas have been translated to an 'every day' point of view that will be meaningful to employees.

**Stop and take the time to learn.** Think back over the past 30 days. How much time has your executive management team spent discussing the strategy and longer-term goals of the organisation? It might not surprise you that research says that 85% of management teams spend less than one hour per month discussing strategy.

The challenge for most teams lies in managing the seemingly endless operational issues, and these overtake the meeting agendas. Sales focused organisations tend to spend inordinate time discussing sales results and the sales pipeline in executive management meetings. However, common sense says that unless we dedicate time from the group of leaders charged with running the organisation, let alone having the most valuable collection of experience and knowledge, not even the simplest strategy implementation effort will succeed.

Often there can be a comfort zone in the current meeting agenda. We often discuss three key principles with our clients to help them refocus.

1. **Continuous feedback and adjustment where necessary** - implementing your strategy requires constant feedback and adjustment to stay on course. Feedback needs to include information 'from the field,' meaning from sources where work or projects that impact the strategy are occurring.

2. **Continuous communication** - input and feedback to rest of the organisation who is busy implementing is critical. Since you've gathered feedback from the business, now you provide information on what's been learned and *'how are we doing.'* This creates a feedback 'loop' and enables people to finetune and adjust what they are doing. It encourages good communication back 'up' to the management team. People will be encouraged to communicate better and more timely information if they feel that they are 'heard' by management.
3. **Continuous intensity; 80% is good enough to move forward** - You don't have to have all the answers, because one rarely ever does. If the first two principles are embraced, then over zealousness in analysis, coordination and the desire to 'get it right' can be dumped on its head. Instead, ask yourself or the management team, *'do we feel 80% comfortable with this?'* By the time in the discussion that you ask this, you will nearly always answer a resounding, yes! Then move and set a date to review and adjust if necessary.<sup>1</sup> The first place to apply this principle is with your strategy.

These three principles are the foundations for learning. If your executive management team aren't learning about your strategy and what is needed to make it successful, then you will have no way of knowing if implementation efforts are faithful to your intent.

The best way to begin is to ensure that 'strategy' has its own meeting, along with a separate agenda and meeting objectives. After all, doesn't your strategy deserve its own meeting? An agenda item within the broader 'management meeting agenda' is the least effective approach. Charge a member of the team to facilitate the discussion. Ensure the leader of the team sets the objectives and takes responsibility for them.

### **Structure – look at how your organisation works**

Next, let's understand the underpinning structural blind spots that may be preventing you from implementing your intent.

**Setting targets and budgets – whose driving the bus?** A key area to look at is how budgets and targets are set in your organisation. If this is occurring in a process that is neither connected nor integrated with your strategic development process, downstream implementation problems will occur. In organisations where budgets are developed in a separate, albeit parallel process to strategy, our experience is that there is more focus on the budget than the strategy. Budget owners become focused on spending or *'allocating'* budget, and their operational decisions become disconnected

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<sup>1</sup> Note that this is not an arbitrary way to move a project along. In my experience, both with clients and in my own organisation, the investment required using this approach is less to achieve a given result, particularly if management time is included in the equation.

from the strategy and as a result may not support the direction and objectives set by the executive management team. At worst, decisions about projects, staffing, training and the like are driven by 'the budget,' and strategic objectives are given little thought.

Instead, the thought process needs to be reversed, *'here is our strategy and direction, and how do we fund or invest in this?'* Strategy should drive resource allocation, and hence how budgets are used. For budget owners, rather than trying to allocate their budget before the year is up, we'd instead like to have their thinking focused on *'how do I allocate resources in the best possible manner to contribute to the strategy and vision?'* To accomplish this, strategy and budget need to be integrated as part of the strategic development process.

Integration becomes increasingly important the more complex the organisational structure. The mistake we often see is that business unit or geographic targets and budgets are set by a central process, without receiving feedback on the local strategies required for implementation. The same disconnected management focus occurs, and at worst, the strategic planning process becomes an exercise in determining *'how do we achieve the target.'* This leads to a very tactical approach, which while useful to ensure the target is achieved, ignores the change that may be necessary to move the team in line with the broader intent.

What's needed instead is a feedback loop between the business or geographic unit and the central strategy process. Targets and budgets should become more of a collaborative discussion where both perspectives – the central view and local view – are needed to arrive at the best decision. To allow a good dialogue to occur, a simple place to begin is to provide more time in the process. The business or geographic unit need to begin their annual strategic review process earlier to allow for the feedback to occur.

**Individual performance and incentives – clear line of sight.** Equally important to ensuring strategic intent is implemented is considering the individual performance review process. If the evaluation of employee performance does not reflect strategic objectives, then a motivation 'disconnect' will very likely occur and focus on the longer term will be compromised.

This happens because we are saying one thing with our 'strategy hat' on – *'here is our direction, our strategy, our big picture'* – but then with our 'manager hat' on we do another – *'I'm reviewing your performance, which will affect your pay raise and/or bonus, but I'm evaluating you on very detailed criteria that have been the same for the past 10 years and don't cover the big*

*picture I told you about before...*’ So what would you spend your time on if this employee were you? While perhaps an extreme example, most organisations are not taking into account their strategic priorities or goals when they discuss performance with their staff. And at the same time, and perhaps more importantly, they have not discussed with individuals how they are contributing to and making a difference to the longer-term goals of the business.

What’s needed is a clear ‘line of sight’ from the message espoused about the longer-term intent to the daily responsibilities of employees. To create this, in addition to how we described leaders should ‘talk the walk,’ managers need to ensure that organisational goals or values show up on performance evaluations and get discussed at review time. One organisation we worked with literally rewrote their position descriptions so that job responsibilities specifically reflected actual strategic objectives to which the role contributed. This can be a manageable endeavour if you task employees with rewriting their descriptions (yes you heard that correctly), within a set template or framework that is provided for them. For other organisations, it can be as simple as including a question along the lines of, *‘how did you contribute to the strategy/focus of...?’*

### **One more element**

We’ve talked about how your behaviour influences the extent to which your intent is implemented, as well as how the structures in your organisation impact the result. What ties these elements together and provides the metaphorical table top to the four legs is a continuous process. Both budgets (and/or targets) and employee performance discussions should be connected and linked to a core strategy process. The process is neither centralised nor decentralised because feedback and information are flowing back and forth in the form of fluid communication.

The best place to begin is to simply begin thinking about your strategy as an on-going process. Hold a ‘strategy meeting.’ Agree that after the meeting, each member of your executive management team will talk about the strategy in a real-time, informal way with their teams. What you are aiming for is that the first sentence of this article does not really make sense in your organisation...or you ask, *‘which meeting?’*

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*Our intent was to provide a cross-section of ideas about the formulation and implementation of strategy. We hope you've been able to identify some immediate application for your organizations. Please see other position papers on a variety of topics on the Summit Global Network site, and visit these contributors' sites to find out much more about their approaches to client productivity and market leadership.*

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