THE GENIUS IS IN THE IMPLEMENTATION

Strategy implementation requires discipline, commitment, creativity, leadership, and superior execution skills.

"FIRST YOU HAVE TO FORMULATE YOUR STRATEGY. Without it, it’s like kicking a ball around with no goal and no goalkeeper in place. But this is not the end of the job, it’s only the beginning. Each day you have to look at ‘How can I achieve this strategy?’ Implementing strategy becomes your work for the day. Strategy has to be translated into actions—a skill a lot of executives are lacking,” says Alfred W.K. Chan, managing director of The Hong Kong and China Gas Company Ltd.

He’s right. Best practice suggests that organizations must have a clear, robust, and motivating strategy, formulated using a proven process. Led by a CEO and his or her top team, it must be communicated effectively throughout the organization. Everyone must understand his or her role in ensuring flawless execution.

Unfortunately, implementation often gets short shrift. Setting strategy is glamorous. It truly is the preserve of CEOs. It reinforces their authority and their ego. However, the evidence shows that once strategy is set, interest among top team members falls rapidly away, implementation efforts pull up short, operational behaviors and short-term goals take over. The result is suboptimal performance; strategy becomes a byword for top management away days.

In fact, implementation pitfalls abound. Some of the deeper ones are:

- **Strategic inertia**—not getting started. Many executives resist change or fail to give it due priority.
- **A lack of stakeholder commitment**—not having everyone on board. This is particularly true of middle management who are frequently the block to progress.
- **Strategic drift**—not focusing on your destination. This can often start with a CEO if he or she ignores implementation. Without iron discipline throughout the organization, drift will occur.
- **Strategic "dilution"**—things are moving, but it’s not clear who is driving. If ownership and commitment to the corporate strategy are
not watertight in the top team, when team members return to their operations, divisional, functional, or geographic priorities are all too likely to take precedence. Confusing and contradictory direction results.

- **Strategic isolation**—things may be happening, but communication is ineffective. If every business unit of the organization, its performance system, key business processes, and role modeling by leadership is not coherent, consistent, and in sync, there will be troublesome disconnects between the strategy and its implementation.

- **Failure to understand progress**—not knowing where you are on the journey. Without continuous measurement of a strategy’s “vital signs,” both quantitative and qualitative key indicators of strategic success (which are different metrics than traditional operational and financial ones), the destination proves illusive.

- **Initiative fatigue**—there’s lots going on but nothing gets done. In overloaded organizations, the projects needed to implement strategy may be the straw that breaks the camel’s back. Similarly, a cynical attitude of “this too will pass” will derailed progress.

- **Impatience**—a demand that change take place now. Intellectually we know that strategy cannot be implemented overnight, but emotionally CEOs can be unreasonable.

- **Not celebrating success**—failing to recognize and reward progress can hold back the achievement of the ultimate goal.

World-class CEOs consciously avoid these traps. They recognize that true genius is required to implement strategy, and that the discipline and skill required for implementation is as rare as that needed to formulate strategy. They also know their involvement is essential.

This has never been truer than in today’s dangerous world of uncertainty and adversity: Double-dip recession, asymmetric terror, war looming in the Middle East, questions about corporate governance, increased competition,
skepticism about the merits of globalization. This background makes strategy implementation even harder. These are huge hurdles to overcome. Many CEOs face equally daunting internal critical issues, barriers to implementation.

The discipline and skill required for strategy implementation is as rare as that needed to formulate strategy.

These include the need to reduce complexity, poor cultural and structural alignment, a lack of strategic thinking and implementation skills in middle management, and a performance system geared only to annual objectives and not to strategic ones.

So how, then, can a CEO ensure that no stone is left unturned in the quest to ensure flawless execution? To answer that question we must first examine the nature of the strategic task itself.

The Strategy Process

Our model indicates there are five phases to the strategy process, each of them iterative with the others. They are:

1. Strategic intelligence-gathering and analysis
2. Strategy formulation
3. Strategic master project planning
4. Strategy implementation
5. Monitoring, reviewing, and updating strategy

With phase 1 completed, there will be a firm foundation of assumptions upon which to base strategic decision making, together with an understanding of their implications for the organization. Phase 2 yields a clear strategic profile, which addresses these fundamental questions:

What is our strategic timeframe?
What basic beliefs and values underpin the organization?
What are the scope, emphasis, and financial mix of the products and services we will and will not offer?
What are the scope, emphasis, and mix of the markets (geographies, customers, and end users) we will and will not serve?
What key capabilities do we need to take our products to our chosen markets?
What are our priorities for growth and new business?
What is the basis of our competitive advantage?
What growth and return expectations do we have?
What critical issues—barriers to implementation—stand in the way of our success?
What vital few key indicators of strategic success should we track and measure?

Only when the leadership of an organization is convinced of the quality of its work in phases 1 and 2 of the process should implementation begin.

Strategic Master Project Planning

Even with these building blocks in place, there is a natural temptation to jump straight into implementation, especially when there is much to accomplish. But that would be a great mistake. Consider the experience of Lagoven, the State Oil Company of Venezuela, where there were more than 1,200 separate projects to plan and execute. To begin implementation without a master plan would have spelled chaos and disaster. And Lagoven’s situation is the rule, not the exception. Emerging from every strategy formulation exercise, typically there will be hundreds of projects, subprojects, and tasks. These will all compete for limited financial resources and top management’s time and attention. Some will require major capital investment, others none, but nonetheless they may be more urgent.

Such projects can include:

- Launching new products/services
- Phasing down obsolete products
- Opening up new markets
- Acquiring companies
- Selling off unwanted plants, divisions, or subsidiaries
- Filling capability gaps
- Outsourcing nonessential competencies
- Creating alliance, partnership, or franchise networks
- Developing new routes to market
- Repositioning the firm
- Innovation in product, design, marketing, and delivery
- Conducting market research
- Searching for new sources of supply
- Searching for acquisition candidates

When fully identified, each project needs to be defined, prioritized, resourced, sequenced, scheduled, executed, tracked and monitored, and closed out. Clearly, a process is required to coordinate and direct this effort.

We call this process the Strategic Master Project Plan (SMPPP). This is usually developed by a strategy implementation team that reports progress to the CEO’s top team.

For the world-famous Savoy Hotel Group this meant first sorting projects into one of eight categories as follows:

- Sales and marketing
- Customer care
- Business processes
- Information technology
- Human resources
- Finance and control systems
- The physical product, i.e., the hotels themselves
- General management

Within each category, managers defined sub-projects and set detailed and measurable objectives. They then deployed best-practice project management techniques in the remaining tasks of planning implementation. The Savoy’s leaders took their tasks seriously and executed them in a world-class manner, achieving the chain’s strategic goals more than a year ahead of schedule.
Figure 1. A Communications Matrix: “Who” and “What”

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Note: Clearly the content of each matrix will relate to the organization’s stakeholders on the one hand and the subjects to be communicated on the other. Ticks indicate a definite need to know, question marks are for debate, and blank spaces represent no need to know.

Particularly where resources are limited, a company may need to assemble an optimal project portfolio as a first step to ensure that the key projects that have the greatest influence on successful implementation are completed first. It would continually renew the portfolio as projects are completed and resources (time and money) are freed up.

The adoption of best practice project management processes creating a common language and methodology is a vital step in planning how to implement strategy most efficiently. Training all those who will be members of project teams in these processes is vital.

Once the top team has signed off on the SMPP, the organization can spring into action.

**The Keys to Successful Implementation**

These keys lie not only in leadership’s commitment and discipline. They also are found in the organization’s ability to address the universal elements of implementation that our research and experience indicate are essential in every plan.

Complete these activities, and a firm foundation for successful implementation will exist:
- Communicate the strategy
- Drive planning
- Align the organization
- Reduce complexity
- Install an issue resolution system

**Communicating the Strategy**

World-class firms today ensure their internal and external stakeholders have a full understanding of their strategy, how it was arrived at, and what role each stakeholder must play in its implementation. Naturally, this is the first of all implementation projects to be completed.

Figure 1 illustrates a typical communications matrix. It shows what elements of the strategy should be communicated to whom. Each cell becomes a sub-project defining who would lead communication, when, what media to use, goals to be achieved, resources needed, and follow-up required.
### Figure 2: Comparison of Strategy Formulation with Long-Range Planning and Budgeting

<table>
<thead>
<tr>
<th>Strategy Formulation</th>
<th>Long-Range Planning and Budgeting</th>
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<tbody>
<tr>
<td>Top-down</td>
<td>Bottom-up</td>
</tr>
<tr>
<td>Visionary</td>
<td>Projective</td>
</tr>
<tr>
<td>Driven by products and markets</td>
<td>Financially driven</td>
</tr>
<tr>
<td>Strategic time-frame dependent on industry and product cycles</td>
<td>Tied to calendar time for accounting and reporting purposes</td>
</tr>
<tr>
<td>Flexible and responsive</td>
<td>Once completed, inflexible—change one number and they all change</td>
</tr>
<tr>
<td>Led by the CEO</td>
<td>Presented to the CEO by planners and financial controllers</td>
</tr>
</tbody>
</table>

One of the UK's leading banks, the Bristol & West, exemplified best practice when its leadership team embarked on a series of 47 presentations in the City of London to all major financial, institutional, and media stakeholders. This was complemented by an equally impressive exercise for their internal stakeholders. Key executives were trained to run two-day workshops for all employees who would have a role in implementation.

**World-class firms today ensure their internal and external stakeholders have a full understanding of their strategy, how it was arrived at, and what role each stakeholder must play in its implementation.**

When the Bank of Ireland acquired the Bristol & West, one of the key reasons Bristol & West was so desirable was its total strategic coherence and the genuine commitment and ownership of every employee to their part in making the strategy happen.

### Driving Planning

Strategy must drive planning. Unfortunately, in many organizations it doesn't. The planning community, often (and wrongly) part of the financial control function, will have ascendancy. As Figure 2 illustrates, strategy formulation and planning are very different. Strategy must be set first, and planning must be part of the strategy implementation process. In this context, combining the word "strategic" with the word "planning" creates a contradiction in terms.

Effective planning reflects the organization's strategy and becomes, like communicating the strategy, a key project in the SMPP. Experience suggests that in those organizations where strategy drives planning, the end result is a more realistic and holistic long-range plan or budget, one that plays a key role in the transition from vision to action. Too often, without a strategic context providing direction and emphasis, planning is seen as an isolated, unrealistic activity with unachievable goals and completed mainly for others in the organization.

Greeting card giant Hallmark International recognized these principles. After setting strategy, Hallmark's executive team designed a compatible planning process for both three-year and annual operating plans. Created from scratch, that planning process did not resemble all the normal financially-driven process. More than 400 executives around the globe were trained in the skills necessary to use the process and in strategy implementation skills such as strategic decision making and situation appraisal.

### Aligning the Organization

Amazingly, we are still approached by CEOs who have recently reorganized their company and who now want to set strategy. Our response is that of course we will help, but only if, when the strategy is complete, he or she will be prepared to reorganize once again to ensure alignment with strategic imperatives. Emotional and psychological resistance to this notion is frequently high, but in the end logic and rationality usually wins. Strategy must drive structure.

Structures should be designed against a set of clear criteria that will ensure strategic alignment. These include:
- Compatibility with the firm's competitive advantage
- Consistency with the two or three core processes that facilitate work flow and that support the strategy
- Support from central functions for the geographic nature of the business
- Alignment with the primary product and market segmentation variables
- Devolution of decision making authority to those positions that are closest to the ownership of the decision and thus the ability to implement it
- Compatibility with the organization’s culture and leadership style

In the final analysis, however, a firm’s structure, while it may be important to individuals and their need for status, is of relatively little importance in implementing strategy. Of vital importance, however, are best-in-class business processes that facilitate work getting done between the white spaces on the organization chart, a culture that
supports superior performance, and a powerful issue-resolution system.

**Issue Resolution Systems**

These are a set of rational processes that enhance flawless execution of the strategy. Installed organization-wide, they represent a compelling common language by which indivi-

duals are able to work effectively on their own or in teams to make their contribution in turning vision into action.

There are six of these. They are designed to facilitate:

- Making a choice between alternative courses of action—decision making
- Preventing things from going wrong—potential problem analysis
- Promoting further opportunities when things are going well—potential opportunity analysis
- Finding the true cause when things have gone wrong—problem analysis or troubleshooting
- Assessing complex situations, setting priorities, and planning action—situation appraisal
- Developing a plan to execute a key objective—project management

These processes are universal and are required in every function, business unit, and geography and at all but the most junior levels in organizations. Their effective deployment ensures a faster and a higher quality resolution of human, operational, and strategic issues. A significant investment and effort is needed to install them. Research shows, however, that the return on such investments can be significant. Those returns are measured in terms of the speed with which issues are resolved, the quality of the resolution, and its financial payback. With such processes and skills in place effective strategy implementation is considerably enhanced.

**Reducing Complexity**

We have never seen an organization that cannot benefit from reducing its level of complexity. Complexity exists in a variety of strategic guises, including in the product base, the range and nature of customers served, and the number of suppliers used. Similarly, the number of business processes, the complexity of each, and the lack of a common language to resolve issues contribute to suboptimal strategy implementation.

Even after a clear and robust strategy has been set and which answers the questions around product and market scope posed earlier, companies often need to take a surgical look at where value is truly added. The “rule of 50/5” demonstrates that for many firms 50% of revenue comes from the top 5% of products, and that the bottom 50% of products represents only 5% of revenue. The same holds true for customers. When analyzed fully, this information often shows the status quo is costing money by hanging on to low-value, marginal products and customers rather than rationalizing the situation and improving profitability.

A European producer of domestic hardware had a product profile with the following characteristics:

- There were 1,011 products in the product line
- Total sales were $68 million
- 50% of all revenue came from 30 products, or 3.8% of the total
- 973 products, or 96.2%, accounted for the remaining 50% of sales
- The lowest performing 50% of all products, 507 in total, accounted for less than 1% of all revenue

Despite the resistance of the marketing and sales teams, it was easy to show how absolute and relative profitability could be significantly enhanced by reducing the company’s product range. Similar analyses applied to the customer base provided further guidance on how that could be profitably rationalized. Taking out activity clearly also leads to cost savings.

**Monitoring, Reviewing, and Updating Strategy**

Finally, a word about the fifth phase of the strategy process. In today’s world of rapid, often unexpected change, increased uncertainty, the global nature of business, and rapid technological advances, this activity must be a con-

We have never seen an organization that cannot benefit from reducing its level of complexity.

Mike Freedman is president of the worldwide strategy practice of Kepner-Tregoe, a global consulting and training company based in Princeton, NJ. This article reflects one of the major themes in his book, The Art and Discipline of Strategic Leadership (McGraw-Hill, 2003). For further information, contact mfreedman@kepner-tregoe.com.