Five beliefs about strategy execution that are just plain wrong

By Sid Peimer

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At the conclusion of strategy sessions we identify objectives and allocate responsibilities with timelines. It's all very clear. But why then has it been found that strategy execution is the number one challenge facing global CEOs - even more important than innovation and geopolitical stability? A recent article in the *Harvard Business Review* alludes to the reasons why. In an (ongoing) study of 8,000 managers in 250 companies spanning a period of nine years, we find out that our most logical assumptions about why strategy execution fails are just plain wrong. [1]

Myth 1: Execution equals alignment
Once the strategy is complete, the logical process would be to set objectives, cascade them down the hierarchy, measure how it's going and reward performance accordingly. So if everything is aligned, then the execution must surely follow? So when things break down, we tend to identify a break in this chain as the cause of the hiatus. But we would be wrong.

When asked if they can rely on their boss or direct reports, 84% of managers say they can. So there's no problem there. However, when asked if they can rely on colleagues in other functions and business units, the answer becomes clear: the figure falls to 9%. They also say that they are three times more likely to miss milestones because of inadequate support from other units than their own team's failure to deliver. The fault lies not in the stars, nor in ourselves, but those outside the inner circle.

Myth 2: Execution means sticking to the plan

No plan survives contact with reality. We need to adapt to what's happening, overcome the inevitable unexpected obstacles and take advantage of fleeting opportunities. All this requires a lot of agility. When asked to identify the greatest challenge they face in strategy execution over the next few years, nearly one-third of managers cite difficulties in adapting to changing market circumstances.

That means you need to change resource allocations, but we seldom do that - once the resources are allocated we tend to stick to the game plan. According to a study by McKinsey, companies that actively relocated capital expenditures achieved an average shareholder return 30% higher than those that were slow to shift funds.

Myth 3: Communicating equals understanding

Nearly 90% of managers believe that the top echelon communicate the strategy frequently enough. The harsh reality is that only 55% of middle managers surveyed could name even one of their company's top five priorities. That means when the leaders explain strategy to the troops who are given five chances to name the company's objectives, nearly half cannot even get one right.

Senior executives are shocked when they see how poorly the company's strategy is understood - surely with all the emails and meetings, the strategy should be clear? Middle managers are also in agreement - nearly 90% say that the execs communicate frequently enough. So why so little comprehension if everyone feels that there's enough communication? The problem is that we measure the communication in terms of what we do - meetings, emails and other activities to bring the strategy alive. What we should be measuring is how well people understand what's being communicated.

Myth 4: A performance culture drives execution

As the poet Henry Longfellow reminds us: We judge ourselves by what we feel capable of doing, while others judge us by what we have already done. In the corporate world you need to be seen performing. It's performance that counts. So generally, companies tend to have robust performance cultures - but still struggle with strategy execution.

The reason is that you cannot just have a culture of performance - other traits need to be recognised and rewarded - things like agility and teamwork. We place less value on a manager's ability to adapt to changing circumstances - a measure of agility - than on whether they hit their numbers. We tend to avoid experimentation - half the managers believed that their careers would suffer if they pursued but failed at new initiatives. Agility requires the willingness to experiment, and we avoid experimentation because of fear of failure.

A focus on the numbers can also constrain execution if we believe that hitting the numbers is all that counts. The result is a conservative estimate giving, at best, conservative results. When it comes to recognition, past performance is two to three times more likely than a track record of collaboration to be rewarded. Performance is critical, but when it comes at the expense of coordination and agility, the result is a failure in execution.

Myth 5: Execution should be driven from the top

Decisions that always emanate from the top may boost performance in the short term, but degrade the company's ability to execute over the long term. Execution should be driven from the middle. That includes not only the middle managers, but also experts who occupy key positions in the informal networks that get things done. Eighty percent of this middle tier say they are committed to doing the best to execute the strategy, although they would like more clarity on what the strategy actually is.

When execution falters, we tend to reduce everything to a single dimension - if all we have is a hammer everything looks like a nail. So we focus on improving existing processes and do more strategic huddling and better performance measures. The problem is that this ignores the need for coordination and agility and we tend to commit the worst sin of all: finding the right answer to the wrong question.

Reference

1. Donald Sull, Rebecca Homkes, Charles Sull. *Why strategy execution unravels - and what to do about it. Harvard Business Review*, March 2015.

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