

# Business strategies still failing to deliver: Yet the solution continues to be ignored

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- Strategy goals are falling short because leaders do not invest enough in managing the implementation as setting the strategy.
- Key ingredients to successful strategy engagement are remuneration, induction and training, regular review and consistent communication, graphic representation.
- Once the strategic plan is in place you need to identify what events or conditions will trigger a strategic response.

**In today's intense business environment that provides very little room for failure — execution — the core component of business strategy implementation continues to be the Achilles heel of many of Australia's companies.**

Formulating the strategy is often regarded as the easy component of the process with the execution and implementation extremely difficult to complete effectively.

There are many reasons for this failure, but ultimately it simply comes down to a lack of buy in, engagement and a sustained commitment over time by all stakeholders within the organisation, with employees topping the list.

Strategy is about choices, saying that we are doing this and not that or that we are going in this direction and not that direction. These choices are made at all levels of the organisation from the board room to the factory floor. One of the big gaps in the strategy discussion is that of how much do the boundary or frontline staff understand about the strategy, the strategic direction and the strategic objectives? In other words do those who are charged with the execution of the strategy actually know what they should do across the different situations they encounter everyday?

A poll conducted a number of years ago found 70 per cent of CEO's considered themselves to be good at strategy formulation but only 30 per cent of the same sample considered that they or their companies were any good at the implementation stage.

A key cause for missing strategy goals is that leaders do not invest the same amount of time, energy, and resources in managing the implementation of the strategy as they do in setting the strategy.

Senior managers get lulled into believing that a well-conceived strategy communicated to the organisation equals implementation.

## Action or inaction

It is argued that effective implementation of an average strategy, beats mediocre implementation of a great strategy every time. This argument sits in favour of the view that the design is secondary to the implementation.

Many argue the opposite — that a poor strategy implemented well or 'driven home' will still fail.

Our view is that both are important but in many Australian companies that we have researched the bigger gap is in the execution. There is rarely a shortage or smart people who are able to assess the market and the business and select a winning strategy. Where there is a serious shortage though is in the commitment and capability to get the organisation across the strategy and get it done.

## Poor planning

Areas that almost doom a strategy to failure include:

- companies who have a plan for planning sake — just going through the right motions every year because it is expected
- putting the plan on the shelf — as mentioned formulating the strategy is not executing it
- Effective strategic plans are living documents that are readily found around the organisation and mentioned daily around the business.
- resource allocation — many a great strategy has failed due to a lack of the right resources or a misallocation of resources. If the plan requires it but the business does not have the resource or capability then right out of the blocks the strategy is challenged.
- Having a same as strategy - doing the same as last year or the same as a major competitor is in most cases a recipe for disaster. Strategy is borne out of many factors and one of those is the unique capabilities, competencies, skills and resources of a particular organisation. Unless you have an exact replica of your competitors business chances are that you will not be able to replicate their strategy with any level of success.
- of all the strategy execution challenges, organisational alignment is perhaps the greatest — and most frequent cause of failure. The concept of alignment involves ensuring that processes are put into place to address the impact on the organisation of strategic change because 'the very people who keep the operations going are the ones needed to change course'
- another flaw is accountability and more importantly that people are not specifically held accountable for aspects of the implementation. To increase the effectiveness of the implementation the plan should be divided into tasks and the leader should 'pin numbers' on the backs of the people responsible. This should also be tied to rewards and/ or punishments for the results.

## Implementation or execution

Within your organisation do you implement or execute strategy? The choice of language can have very different implications for how your staff view both the process and the outcomes.

Implementation and execution are often used interchangeably in many organisations and in business articles and books. However they have two very different connotations especially in terms of strategy.

If a strategy is implemented then it implies that it was not in the business previously i.e. either the business didn't have a strategy or this is a new strategy. Also it implies that there will be a 'start date' and 'end date' of the implementation. That is at some point it will be in and working.

Implementing a strategy also often means that there is an implementation team. So as an employee I may or may not be involved. If I am not involved in the implementation then I wait for the team to come and tell me when it is ready.

Strategy is not a fixed action or event, it ebbs and flows and reacts to multiple influences. I would argue that it can never be 'fully implemented'. There is as well known military saying which is, 'no strategy ever survives the first encounter with the enemy'. In a similar way we should expect to make changes to our strategy as soon as it is announced / started.

Execution on the other hand implies task level actions and decisions. There are many opportunities every day or every hour for an employee to execute the strategy, all staff are involved and responsible and there is no end date — we never stop executing our strategy.

Having an execution approach means that the emphasis of success has to lie in communicating to the staff not only what the strategy is but also 'how' they execute it.

## Conflicting priorities

All businesses need to clearly communicate the priorities for the operation and the people in the business, especially in the context of the strategy.

In a Booz & Company Inc. survey 64 per cent of executives say that their biggest frustration factor is 'having too many conflicting priorities'. Second to this they listed (a) ensuring that day-to-day decisions are in line with the strategy (56 per cent) and (b) allocating resources in a way that really supports the strategy (56 per cent) as the next big areas.

## Strategic engagement

The true test of strategic engagement is ultimately measured by how an employee understands, relates to, translates and can apply the overarching business strategy to their role, client interactions and day-to-day tasks.

Employees are so often starved of adequate information related to strategy. They are inundated with messages from their company but rarely does this information relate directly to the strategy or strategic development within the business. As a result they are often frustrated in their inability to select actions in line with the strategy.

Converge's own research has revealed that in far too many instances, employees, even those one or two levels down from the CEO, have little knowledge about the strategy, or what they can do to help with its successful execution. Employee surveys in this situation consistently reveal a common group of underlying factors that include:

- No common language
- No shared belief in the business goal
- No understanding of the importance of the goal
- No sense of ownership or responsibility
- No sense of belonging or being part of team
- No appreciation of the benefit the goal will deliver for the business

The essence of a high level of strategic engagement is the ability of employees to translate the strategy into meaningful real time decisions that they can make daily in their role, confident that their decisions are not only aligned with the company's strategy but are helping to move the business forward. Ultimately, the impact and success of strategic engagement comes down to communication.

Converge's research has identified the following key drivers of an organisation having a low level of strategic engagement:

- lack of a strategy
- lack of awareness of the strategy
- lack of understanding
- lack of application
- lack of agreement
- misaligned culture

Therefore, for a strategy to be effective and successful, it must combine the vision, structure, resources and culture supported by a detailed action plan that articulates allocation of responsibilities and delivery timetable.

There is no one size fits all solution that is applicable to every business and circumstance across Australia, but they do offer the following key ingredients needed to facilitate a successful strategy engagement.

Top of the list is *remuneration* as an organisation must acknowledge, reward and support the behaviours, decisions and actions that fit with the strategy. The pay scales and bonuses must be intrinsically tied to the strategic objectives across all levels of the business — people will gravitate towards the behaviours and actions that are rewarded.

This extends to non-financial rewards such as praise and status within the team / organisation. You can encourage the wrong behaviour without any money changing hands if the organisation celebrates or reveres those who work against the objectives.

*Induction and training* is next as an organisation that fosters a high level of strategic engagement has a supporting culture would make it a key part of the induction process to say, 'Here at company X when we use the terms mission, vision and strategy this is what we mean and our mission/vision/strategy is...' This not only creates a high level of understanding but also communicates what it is.

This supports a common language around the terms the organisation and management use when they discuss strategy. One of the dangers is misunderstanding where people do not understand the terms but believe that they

do and work diligently and passionately in completely the wrong direction.

Next is *regular review and consistent communication* as the days of the annual strategy planning process are truly gone. The business environment moves too fast for businesses to just look at their strategy once a year.

In some organisations the strategic planning process can take weeks, even months and involve many staff members and hours from the senior management plus the additional costs of external consultants. As such, once the strategy is in place there is considerable pressure to 'stick to the plan' even when things change in a way that puts pressure on the plan. Is the issue that it is 'set and forget' for many companies — does the strategic planning process need to be a constant process of adjustment and revision. With the inability for many companies to build truly sustainable competitive advantages is the old concept of annual or bi-annual strategic planning a defunct one in today's society?

Strategy should be reviewed at least quarterly and part of maintaining a high level of strategic engagement would be for the business to reaffirm the strategy at every meeting and organisational get together. In addition, the management team should make the strategy part of the agenda on every monthly or quarterly meeting and they in turn should do likewise with their staff.

Finally, the importance of *graphic representation* cannot be underestimated and once structured around a measurement tool could be represented by asking — is this relevant, is it just good communication or good execution by another name?

A common tool for communicating an organisations strategy graphically is a strategy map. These can help to bridge gap for many within the organisation between the written strategy and the executable actions. Many argue that the frontline staff doesn't need to know the overarching strategy, they just need to know what they need to do. It could also be argued that similar to military operations, you don't involve every soldier in the strategy discussions; you simply give them their

specific instructions that they follow.

Whilst this may be the case, the soldiers at least know who they are fighting and what they should do when they encounter them — many employees within businesses don't even know this much!

Strategy lessons from the military give good evidence of what happens when the people at the frontline are unclear about the strategy — lives are lost. Yet in many businesses employees work every day with this lack of awareness and understanding of the overall strategy — and worse, it is regarded as an acceptable practice.

The real value and effectiveness of a high level of strategic engagement is the building of trust which in turn underpins engagement and engaged employees take ownership and understand what needs to happen in order to make a difference for the business.

### Strategic triggers

Once you have a strategy and a well structured strategic plan, what do you do when things change? Do you ignore all changes and blindly stick to the plan that has already cost you so much to develop or do you 'throw the baby out with the bath water' and the first sign of a market or competitor movement?

A key aspect of the strategic planning process is that once you have decided and agreed your strategic plan — and while you still have the design team together — that you identify what the events or conditions are that will force a strategic response. What are the things that will (1) you will ignore, (2) that you will review separately and (3) that will warrant an immediate review of your strategy?

If these are not agreed at the time of the planning process you leave yourself open to over or under responding to things that either do or do not significantly affect your strategy. Over-responding will potentially waste valuable time, break the momentum in your strategy and cast doubt over the strategy as a whole. Under-responding could mean that you exposure the business to increased risk or miss a key opportunity. ■

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