

# How to close the gap between strategy formulation and execution



Is it that time of year again in your organization? Time to bring the members of the C Suite together for the annual Strategy offsite. Are you excited about this, concerned, irritated about the amount of time this will take? Have these sessions been productive in the past, or have they really only been valuable for fostering better working relationships. Worthwhile on some level, but maybe we should have just met for dinner.

Hopefully your organization has a well-structured strategy formulation and planning process that is engaging, accessible, and drives execution and accountability through all levels of the organization. From our experience, working with organizations of all shapes and sizes, the strategy formulation process frequently does not directly drive executable projects within the organization. The goals are frequently financial, nothing wrong with that, they need to be there. However, they are often lagging indicators that do not provide the structure that the executive team needs to determine what products

## How to close the gap between strategy formulation and execution

or services should be the focus for what markets. Who is going to do what, when, and how? How do we develop leading indicators to know when we are on track, what process should we use to prioritize projects for resource allocation, and how will we hold people accountable?

**"Strategy formulation is the process of identifying the set of decisions that define the nature and direction of an organization"**

It is the basis for an argument or the beginning of a discussion to set the path. If "why strategy?" had to be answered in one word, that word would be "focus". In addition to guiding daily decision making and channeling the allocation of resources, a strategy establishes an organization's identity and serves as the backbone of its culture.

Strategy defines the high-level goals from which all others cascade. In today's constantly changing, global environment, leaders need to control their destiny and invest wisely for the future. Operational pressures are intense and can easily overwhelm strategic vision. When a major opportunity or threat appears, your business strategy can ensure that your strategic framework supports your competitive advantage. While current success does not determine future success, failure does not either. Strategic clarity is often the first step toward extricating an organization from operational difficulty. For many organizations, difficulties can grow from an unshared vision. Getting senior management together and thinking about the future can help them to work as a team, understand where they are going, and appreciate their roles in getting there. The same is true for key business units. When a division has a clear, easily communicated strategy, it is more likely to gain corporate support.

Changes outside the organization—the market, technology, competition, and other factors — are triggers for rethinking strategy. The same is true for changes within an organization. A new leadership team, maturation from an entrepreneurial start-up to a focused enterprise, rapid growth that brings new people into senior management, a greater commitment to innovation—these are a few of the changes that can indicate that it is time to rethink strategy. It is also important to review and, if necessary, update your strategy on an annual or semiannual basis.



When working with organizations to formulate business strategy we look at three key areas:

- **Products/services:** What will we offer?
- **Markets/customers:** To whom will we offer our products/services?
- **Competitive advantages:** Why will customers buy products/services from us rather than from others?

Additional strategic questions that need to be answered include:

- What emphasis will we place on our products and markets?
- Where will our future business come from?

- What capabilities do we need to have in place?
- What financial and non-financial metrics will we utilize to measure performance?



The benefits of a viable strategy, effectively implemented and regularly reviewed and updated, stem from having powerful answers to the above questions. Organizations that fail to answer these questions face huge risks, the most serious being the failure to reach sales, profit, growth, market share, and related goals. But there are other risks: poor resource allocation; confused priorities; no cohesion in product, market, supplier, and partnership decision making; and misaligned structures and jobs. Poor executive leadership is the result, and the effects are contagious. Survival becomes doubtful.

The search for answers is rarely conducted in a vacuum. Kepner-Tregoe has helped executive teams develop strategy in constantly changing situations: where differentiation was no longer an option; where the current technology was headed for obsolescence; where simply out-marketing competitors would no longer drive up profitability; where customers were becoming competitors and competitors were becoming alliance partners; and where strategy needed to be reviewed every quarter, never mind every five years.

**Much of the focus should be on implementing strategy—an area that has proven to be the Achilles' heel of strategic success. Other objectives include:**

- Reexamining the concept of competitive advantage, its application and implementation
- Exploring new ways to think about customers, competitors, and alliances
- Reviewing new approaches to implementing and communicating strategy
- Understanding the key elements for effective implementation and what pitfalls to avoid
- Learning how to keep strategy alive and integrated into the fabric of organizational life

## Implementation and execution

Setting strategic direction, especially given the discontinuity around us, is one of the ultimate criticalthinking challenges facing executive leadership. A second is implementation. Most strategies fail not because they are flawed, but because they are poorly executed. It takes considerable insight and will to embed strategy into the culture, structure, systems, and operating routines of an organization. And it takes real creativity to ensure the ongoing vitality of the strategy and widespread commitment to its execution.

As a result of formulating a clear strategy, many projects emerge, the execution of which leads to successful implementation. Most organizations initiate more projects than they can handle, which often leads to poor or unpredictable results.

**To successfully implement the business strategy the leadership team needs to focus on a few fundamental questions:**

- How many projects can you take on given the resources you have available?
- How can you ensure that you choose the ones that deserve to make the cut?
- How to make sure that projects are scoped, planned and managed in a consistent, logical manner?
- How to develop a feedback loop to improve visibility of project progress, issues, threats and opportunities?
- How to capture and capitalize on 'lessons learned' to ensure continuous Project Management improvement?

The design of a Strategy Project Portfolio, consistent with an organization's strategic intent, is a necessary output of the strategy formulation process, providing clear strategic prioritization.

**Strategic projects may be identified in any or all these areas:**

- |  |                                    |
|--|------------------------------------|
| • communication                          | • product exit                     |
| • market entry                           | • capability development           |
| • market exit                            | • positioning                      |
| • acquisitions                           | • pricing                          |
| • alliances                              | • outsourcing                      |
| • product/service development and launch | • intellectual property protection |

The creation of a strategic Master Project Plan is the recommended next step in the strategy implementation process. The Master Project Plan provides a detailed definition of each project, a sequencing structure, a project schedule, and indicates the required resource levels for each project. With an agreed and prioritized portfolio of projects identified to develop and implement the strategy, senior executives have a platform to assess and measure the implementation of the organization's business strategy. The successful execution of approved projects is often a leading indicator that is used to determine that the strategy is being implemented successfully.

Given the rate and pace of change, ongoing review of the strategy is essential for keeping the strategy vibrant, relevant, and a key tool in the continuous quest for success. Typically, executive leaders are adept at reviewing the operations and financial dimensions of the business. The strategic review process is equally, if not more, important. It focuses on monitoring assumptions upon which the strategy rests to determine if they remain valid, assessing the strategic direction to determine if it continues to make business sense, and keeping abreast of progress toward implementation.

### Change Management and Communication



Effective implementation of a business strategy frequently requires behavioral change. Many a brilliantly designed change (e.g., a breakthrough strategy, a streamlined business process, an enhanced troubleshooting system, a common approach to decision-making) has failed to be successfully implemented because of deficiencies in change management.

"There is nothing more difficult to execute, more dubious of success, nor more dangerous to administer than to introduce a new system of things; for he who introduces it has all those who profit from the old system as his enemies, and he has only lukewarm allies in those who might profit from the new system."

*Machiavelli "The Prince" 1513*

Realistically, not much has changed in 500 years.

For the strategy to be implemented successfully the broad involvement of employees at all levels of the organization is required. Everyone should be briefed on the strategy with the aim of creating understanding, commitment, and answers to the questions, "Why are we doing this", and "What's in it for me?" The plan is modified as circumstances change, and the strategy is revised as necessary to meet changed industry or marketing conditions.

To ensure those responsible for initiative delivery are adequately encouraged, supported and rewarded, ask:

- How are contributors evaluated and rewarded?
- What feedback do contributors get?
- How is work on initiatives balanced with other work?
- What metrics does management use?
- How are contributors rewarded?

The answers to these questions form the foundation of a change management plan and drive the successful implementation of the organization's strategy..



### Strategy Implementation Barriers

In many organizations the strategy is discussed, developed and approved by the board and C-suite, but often not implemented effectively. The primary barriers for successful strategy implementation are:

- Failing to launch the right initiatives
- Failing to tackle a manageable number of initiatives
- Failing to put the right structure in place
- Failing to install a supportive “initiative environment”
- Failing to involve the right people in the right ways
- Failing to use a common language for initiative management
- Failing to install an effective, efficient reporting and monitoring system
- Failing to be patient

### Initiative roles—Strategy implementation team

Our experience at Kepner-Tregoe working with organizations around the globe has identified the need for a clearly defined team to implement the strategy. The strategy implementation team needs to fulfill several key roles and should be built with employees from across the organization with demonstrated abilities in several areas.

Team Roles	Team Members
Plan and facilitate implementation	Chaired by a member of the executive team
Provide project management expertise to project teams	6-8 members from across the organization
Monitor projects and keep them on track	Committed; credible; available; flexible; disciplined
Report progress to the executive team	Demonstrated ability to: work in a team, negotiate, meet deadlines, communicate, coordinate, direct others outside of formal control
	Need a common language/methodology for project management

### Kepner-Tregoe

Since the late 1970s, Kepner-Tregoe has facilitated top team strategy formulation and implementation planning sessions. In addition to having led corporate-level sessions for organizations of all sizes across sectors, industries, and countries, we also have considerable experience in facilitating unit strategies.

## How to close the gap between strategy formulation and execution

Unit strategies are often facilitated for a function below the corporate level (e.g., a division, a geographic region, a site, a market, or a product line).

Kepner-Tregoe helps its clients to formulate and implement strategy with a flexible, state-of-the-art, five-phase model that is specifically tailored to each client's unique situation. The model is dynamic and can be entered at any phase, depending on an organization's need. The foundations of the model are identified in the following table.

Strategic Intelligence gathering and analysis	Strategy Formulation	Implementation Planning	Strategy Implementation	Monitoring and Updating
External environment	Strategic Time Frame	Initiative identification	Communication	Monitoring assumptions
Internal environment	Product / Market scope	Initiative priority setting	Planning alignment	Monitoring projects
Environmental analysis	Product / Market emphasis	Initiative organization structure	Decision alignment	
Developing assumptions	Competitive advantage	Initiative culture	Change management	
	Key Capabilities	Initiative roles	Middle management	
	Key Indicator strategic success	Initiative management process		

## Conclusion

Kepner-Tregoe's competitive advantage is its skill in facilitating the process for setting and implementing strategy. This creates a great sense of involvement and ownership, and a deep commitment to implementing the strategy. The "marriage" of Kepner-Tregoe's proprietary processes, tools, and techniques with the content knowledge, judgment, and experience of an organization's leadership, through skilled facilitation, provides clients with optimum leverage for strategic decision making.



## About Kepner-Tregoe

Kepner-Tregoe is the leader in problem-solving. For over six decades, Kepner-Tregoe has helped thousands of organizations worldwide solve millions of problems through more effective root cause analysis and decision-making skills. Kepner-Tregoe partners with organizations to significantly reduce cost and improve operational performance through problem-solving training, technology and consulting services.