

Why Is Strategy Delivery So Hard?

Forming and executing strategy is tougher—and riskier—than it needs to be

By Gaylord Wahl

The Challenge

Recent studies¹ indicate that strategy implementation fails a stunning 50 to 90 percent of the time. For executives who are pressed to deliver value for their organizations and shareholders, those odds are unacceptable.

Why is strategy delivery so difficult? What makes the odds of success so low?

Point B's Perspective

Our experience with numerous strategic initiatives and strategic planning efforts echoes the research noted above: most organizations struggle to form and implement strategy, missing expectations and opportunities. We find that failing to deliver strategy results from three common pitfalls:

1. Lack of a true strategy. Aspirational statements such as “global dominance,” “best in class,” and “be number one” are goals, not strategies. Such phrases may make a good rallying cry at strategic planning meetings and business unit retreats, but do little to set up an organization for success.

Rather than catchy slogans, effective strategy is a comprised of several essential elements.

First, a well-developed strategy is deliberate set of choices designed to drive tangible business value.

Many organizations do not choose well and pursue everything, stretching limited capital and constrained resources beyond limits. Instead of saying yes to many ideas, focus on a few; strategy is just as much about what you *won't do* as what you will do.

Second, strategy must be viable, meaning it is based on an efficient and sustainable business model. Consistently poor margins, costs increasing a rate faster than revenue, and misaligned balance sheet ratios, are all financial signals that the business model is not working. A sound business model is vital for any strategy to work.

Even if the business model is working, strategy will still be ineffective if it is not feasible to implement. Are you leveraging proven capabilities? Do your assets provide an advantage? Can you leverage your culture to its fullest? Many companies overestimate their ability to execute the strategy and ignore basic feasibility factors.

Lastly, the best strategies have aligned objectives and incentives. Strong strategic thinkers clearly understand the drivers undermining business performance and define a set of integrated objectives to address problems head on. These objectives work together, reinforcing one another, and have quantifiable metrics associated with them, so leaders can measure progress against expectations.

¹ResearchGate: Strategy implementation: What is the failure rate? Article in Journal of Management & Organization · February 2015 DOI: 10.1017/jmo.2014.7

Your objectives state the results you *want*—while your strategy states *how* you will achieve them. Moreover, if you incentivize the achievement of strategic objectives, then the odds of realizing strategy increase.

2. Not operationalizing the strategy—jumping to tactics. After strategic planning ends, in the haste to start *doing*, organizations skip an essential planning step—and unknowingly make critical mistakes that considerably lower their odds of success. Common errors include lacking the resources to execute the strategy, taking too much or too little risk with strategic projects, and not understanding how key initiatives will drive business performance.

Portfolio management is a discipline that connects strategy to execution. If you are not utilizing it, you should. It involves applying the tools and concepts of financial management to business, product, service or project management. It helps leaders convert strategic intent into an actionable set of investments designed to yield specific business outcomes. Effective portfolio management answers the following questions:

- » How do our investments align to strategic goals?
- » Are we investing in the right areas and the best opportunities?
- » Has our prioritization approach led to improved business value?
- » Do our teams know what's most important and do they have enough people to do the work?
- » Have we stopped projects that won't produce value?

All these questions involve making deliberate choices. Remember, the portfolio is your strategy in action.

3. Leadership gaps. Branche and Bodley-Scott² said it well: “Strategy execution is the responsibility that makes or breaks executives.” We see several common leadership gaps that plague strategic execution:

- » *Not appreciating the importance of strategic thinking.* In today's fast-changing environment, value realization needs to occur in months, not years. Leaders need well-formed strategies to compete effectively. If your company is continually reacting to, rather than leading market changes, examine whether you have defined and operationalized your strategy correctly. Emphasize strategic thinking at all levels—it's not just for an elite few.
- » *Communication ≠ understanding.* Can your employees name your organization's top strategic priorities? Emails and town halls are not enough to drive a clear understanding of strategy and plans. Top and middle managers must understand and buy into the strategy so that they can explain it to employees. Repeated face-to-face communication is the most effective way to gain understanding.
- » *Behaving tactically, not strategically.* Tactical managers spend little time on the ‘why’ behind strategy, which can confuse employees. Strategic leaders have a well-formed set of reasons why the organization has chosen a particular direction and they can articulate what it means to employees in ways that inspire and motivate. They balance their time between executives and front-line employees to break down organizational silos and barriers.

The Bottom Line

Business luminary Morris Chang³ said it best: “Without strategy, execution is aimless. Without execution, strategy is useless.” Strategy delivery need not be elusive or high-risk. When leaders develop well-formed strategies, operationalize them using effective portfolio management, and avoid common leadership pitfalls in strategic execution, their organizations will begin to achieve desired business objectives—and the odds of success will move in their favor.

² “Strategy Execution is the responsibility that makes or breaks executives” —Alan Branche and Sam Bodley-Scott, Implementation: How to Transform Strategic Initiatives into Blockbuster Results – November 10, 2005.

³ “Chairman Morris Chang Quotes.” Quotes.net. STANDS4 LLC, 2017. Web. 26 Jun 2017.