PHASE 5 GROUP

THE EXECUTION CHALLENGE: 3 REASONS WHY YOUR ENTERPRISE STRATEGY FAILS TO DELIVER

As we look at the increasingly dynamic nature of the global economy today in an effort to point out the "winners" and "losers," it seems to me that we tend to gravitate toward the stories of companies that completely "missed the boat" on a key aspect of their strategy perhaps by betting their business on Strategy A instead of Strategy B or underestimating the impact of disruptive change on their strategic plan. The internet is rife with case studies that chronicle the precipitous fall of companies that didn't adopt some new technology or failed to change in the face of evolving customer expectations.

And while these stories are compelling and reinforce the importance of strategic planning (and change management for that matter), the reality is that many organizations don't get into trouble because they zigged when they should have zagged, they struggle because of their inability to implement their strategic plan. In other words, the key challenge that many organizations face is not adopting the right strategy, it's executing their strategy with a high degree of precision and rigor. Quite frankly, my belief is that most organizations have a good sense for what they need to do to be successful (however their key stakeholders define success), but not nearly as many organizations actually make it happen.

And of course that begs the question, why is strategy execution such a challenge? It seems like a simple

equation... leadership develops and deploys a set of strategic objectives (e.g., grow market share in X Business, reduce total cost of manufacture by Y dollars, improve patient satisfaction scores Z percent, etc.) and the workforce executes against those objectives. The result is operational and financial performance that meets or exceeds expectations. Now wash, rinse, and repeat. And yet we all know that it isn't that simple, and the remainder of the article is focused on highlighting three reasons why:

REASON 1: YOUR STRATEGY ISN'T ACTIONABLE

I've made this point in previous writings, but I'll make it again because it's relevant to the topic. If I were to boil down strategy deployment into one essential purpose, it's to answer the question, what does the organization require of my <team, department, function, business> in order for us to be successful? That's it in a nutshell. The method or tools your organization uses to communicate the answer to that question – Hoshin Kanri, Balanced Scorecard, A3s – can vary but if your enterprise-level strategic objectives don't flow through the organization in a manner that answers the above question in a meaningful way, then your strategy will fall on deaf ears.

Let me use a sports analogy to illustrate this point. Let's pretend that a professional football team makes the strategic decision that, for the upcoming season, they need to increase their pace of play on offense because they think this will give them a tactical advantage over their opponents. So during the first practice in the pre-season the head coach pulls the offensive players together and announces that they want to run 25% more offensive plays per game than they did last season. He asks the players if they understand the goal and they all shake their head in unison. Then they start practice and the players go out and do what they did in practice last season. The coach blows his whistle half way through practice, pulls the players together, and berates them for not doing what he said. So what's the issue? In this case, the coach expects his players to behave and perform differently simply because they intellectually understand the strategy, yet he hasn't really answered the question stated above (i.e., what does this require of us?). What he needs to do is take the extra step to communicate the strategy in actionable terms, such as:

- We're simplifying the play calls so that the Quarterback can communicate plays in the huddle faster, so we need all players to learn the new terminology. Our goal is to be out of the huddle and on the line of scrimmage within the first 10 seconds of the play clock.
- We're going to run a "no huddle" offense more often this year, so we will practice calling plays at the line of scrimmage.
- We're changing our player substitution patterns so that we can get players on and off the field faster between plays. Player substitutions need to take place within the first 5 seconds of the play clock.
- We're going to be more aggressive in "going for it" on 4th down in order to keep more possessions alive, so we're expanding our 4th down play package this year.

Armed with an understanding of the strategy, the reasons for it, and a clear sense as to how it changes the nature of their work, employees are in an ideal position to execute. Anything short of that and your strategy, no matter how expertly crafted, won't generate real impact.

REASON 2: YOU OVERESTIMATE THE GRAVITATIONAL PULL OF THE CORPORATE CENTER

I used to watch a TV show called "Undercover Boss" in which C-suite executives at large companies would change their appearance and take on different operational jobs in their company in an effort to understand what it's really like for the employees working in those jobs (and get a chance to promote their company of course). The show was well done and could be quite entertaining, but I often found myself wondering what percent of employees would have recognized that executive if he/she didn't change his/her name and appearance. My guess is that, in many companies, a significant proportion of workers don't know who the C-level leaders are by name or physical appearance.

And that's not really a criticism. Most people don't take a job because they've researched the executive team or they're bought into the strategic direction of the enterprise. They do it for other reasons – the job fits their skills and interests, it pays well, it offers good benefits, the location is convenient, there's career advancement potential, etc. My point is that the onus is placed on leadership to engage the workforce in buying into the vision and strategy of the business. And this engagement needs to go beyond a simple declaration of the strategy. In fact, I contend that the farther away the employee base is from the corporate center, both organizationally and geographically, the greater the effort required to align employees on the strategy and reinforce its importance.

Yet many organizations do the opposite when they set and deploy strategy. They invest tremendous time and effort to drive alignment and engagement among those who are already "plugged in" to the business and devote relatively little effort toward doing the same for those who are more likely to be disconnected from the organization. And this is a problem because it's the front-line employees who will make or break your company's strategy in many cases. So if there's a disconnect between your organization's strategy and their daily work, then the odds that you will fully execute your strategy decrease dramatically.

REASON 3: YOU'RE COMPLACENT IN MANAGING TO YOUR STRATEGY

Many business leaders tend to look at the organization's strategic objectives as being somewhat static, and that's not a bad thing because the strategy of the business, if based on sound analysis and a clear organizational vision, shouldn't be reactionary under most circumstances (that's generally a recipe for confusion and paralysis). However, this static nature leads many organizations to be complacent in how they use that strategy to make decisions and take action. And this is an issue because the business environment that exists around your organization's vision and strategy is highly dynamic. So if you're not intentional about evaluating your decisions through the lens of the organization's strategy, you can end up making poor business decisions or creating organizational friction.

Let me give you a scenario that is fictional but based loosely on a few of my experiences working directly with clients. Let's pretend that Acme Inc. is a manufacturer with a production process that naturally generates a by-product. This by-product represents a small percentage of the total volume produced and Acme Inc. has a customer who is willing to purchase it at a similar price point to the primary, in-spec product, so there is no real incentive to get overly focused on minimizing

production of the by-product because it isn't having a negative business impact. However, one day Acme Inc.'s customer indicates that it no longer needs the by-product and stops placing orders, which will force the company to scrap all of that production volume at a huge loss. That change in circumstance causes Acme Inc. to suddenly place a heavier emphasis on minimizing production of the by-product. Acme Inc. undertakes a Six Sigma project to isolate all of the process variables that affect the production of the by-product, update the plant's operating procedures and process conditions, and train all employees on the new procedures and conditions. Shortly after this project is finished, Acme Inc.'s sales group announces that they have found another customer who is not only willing to purchase the by-product, but has agreed to pay a slight premium for it and wants more of it. So just as suddenly as Acme Inc. shifted away from making the by-product, it now intends to swing the pendulum the other direction entirely.

So here's the question from the above scenario... where does Acme Inc.'s strategy fit into the equation? In one sense, every decision that Acme Inc. made is defensible when viewed in a vacuum and one could argue it's a sign of an organization that's adaptive and responsive to customer needs. It even applied continuous improvement in a targeted way to solve a business problem. On the other hand, if you put yourself in the shoes of the front-line employees who are receiving conflicting messages about what they are supposed to be doing likely without any real insight into why these changes are happening, you're left with the impression that the company doesn't know what direction it wants to go. In other words, just because there's a customer willing to pay for the by-product, that doesn't necessarily mean it's in the strategic interests of the business to keep making it, particularly if there are ways to improve yield on the primary product and grow market share in the core business. Conversely, maybe the market for the by-product is sufficiently robust that it needs to be considered as more than an afterthought. The point is that Acme Inc.'s strategy should answer those questions, but if the strategy is developed but conveniently ignored when it comes time to make decisions based on changing business circumstances, then what good is it doing really?

USE EON TO EXECUTE YOUR STRATEGY

The challenge of strategy is execution is evergreen, which is why EON was designed to help companies implement their strategy and drive tangible business impact. Through EON companies can create and link strategic objectives up and down the organization, visualize those linkages, assign a risk profile to each objective, and explicitly connect all improvement projects to their appropriate strategy. The result is better alignment, visibility, and accountability for strategy execution.

To learn more about how EON can support strategy deployment and execution in your organization, please contact us today.
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