Emerging Concepts for Implementing Strategy

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Abstract

Being a winning organisation in Australia has little to do with charismatic leaders, seeking great breakthrough ideas, rolling out precise mission statements or creating the perfect organisational structure. This paper draws on recent research into eleven organisations that have been high performers over the 25-year period from 1982 to 2007. The research has identified nine timeless elements of success that are highly relevant to service, manufacturing, not for profit and public sector organisations of all sizes. High performance is defined as taking a balanced scorecard perspective covering financial, customer and market performance, service and internal efficiency and long term growth, innovation and productivity issues. The findings are summarised in a winning framework that identifies effective execution of plans and strategies as the pivotal element. It implies that understanding what it takes to be a winning organisation starts with execution.

The paper also explores the need for balancing strategy formulation with strategy execution. It discusses preliminary findings into the concept of effective execution and presents some practical tools and techniques for leaders and leadership teams to enhance their organisation’s performance. These include focused leadership, visible management systems and use of project management tools and techniques.

1. Introduction and Background

Strategy formulation is usually regarded as the exclusive domain of senior management because it rewards creativity - the most admired and valued of all intellectual pursuits (Raffoni, 2003). It is where managers aspire to be because of the challenges, rewards and influence that it brings. By comparison, effective implementation of strategy rarely gets as
much kudos or respect. Yet experienced executives know that the most creative and well crafted visions and strategic plans are useless if they cannot be translated into action.

Frequently the causes of breakdown in strategy implementation relate to the capabilities, processes and activities that are needed to bring the strategy to life. Effective execution calls for unique, creative skills including leadership, precision, attention to detail, breaking down complexity into digestible tasks and activities and communicating in clear and concise ways throughout the organisation and to all its stakeholders. Intricate control and feedback mechanisms are also necessary to hone the operations to align with business strategy. These are tasks that are just as intellectually demanding as vision and strategy formulation itself (Raffoni, 2003). Furthermore, with executives searching for the next unique strategy in sluggish economies and competitive markets, effective execution is a key factor that separates successful companies from those that decline. Egelhoff (1993) extends this argument further by suggesting that effective execution in itself may even provide a major source of sustainable competitive advantage.

Implementation is not merely a matter of operationalising the strategy by exercising command over resources, employees and their work. Forster and Browne (1996) point out that this approach assumes a logical and hierarchical distinction between strategy formulation and implementation, with implementation delegated to a subordinate status as the responsibility of “middle management”. Here, implementation is seen as more mundane and detailed compared with creating a grand design and vision of the future. Some practitioners argue that if middle management has control over implementation, they may therefore have effective control over strategy itself.

Successful organisations stay tuned to their external environments and adapt quickly and flexibly by changing their internal processes, systems, competencies, products and services. They implement these changes while continuing to operate efficiently and effectively. Skills for strategy formulation and execution are both important although it is unusual to find people who are able to integrate both and become successful general managers. Yet organisational success requires constant review and connection between strategy formulation and execution with each component feeding and growing off the other in an organic way (Figure 1).

![Figure 1 Linking Strategy Formulation with Execution](image-url)
Strategy formulation needs input from the operational level to bring reliable insights into organisational capabilities and resource constraints. Further, if the strategic planning process is undertaken only by top management, operational people are less likely to be enthusiastic about implementing something that they had no voice in creating (Hubbard et al., 1996). Whilst this may seem a tedious process to the fast-moving world of the strategist, Viljoen and Dann (2000) describe how this investment pays dividends through early participation and improved communication when the time comes for implementation.

One of the key impediments to strategy execution lies in the shortcomings and challenges of functionally based organisations where cooperation among many, if not all, functions is necessary. Many creative approaches to this complex problem have been proposed such as building a strategy implementation network (Noble, 1996) or a process-centered organisation (Hammer, 1996). However formal structure is not an important reason for success in winning organisations in Australia (Hubbard et al., 2007) - structures in these organisations are constantly changing to cope with new projects starting and older ones concluding.

2. A Framework for Winning Organisations

Recent major research by the author and his team (Hubbard et al., 2007) into some of Australia’s leading organisations found nine common elements for long-term success: effective execution, perfect alignment, adapting rapidly, clear and fuzzy strategy, leadership not leaders, looking out and looking in, right people, managing the downside and balancing everything. The findings are represented as a “winning wheel” framework for success (Figure 2) that practitioners have found to be applicable to organisations of all types from a wide range of industry sectors.

Figure 2  The Winning Framework for Organisational Excellence
It shows the central, pivotal role of effective execution that is depicted as both an element of the framework and as representing the outcome of the total framework. The other elements of the “winning wheel” are connected together to make the wheel work and steer the organisation towards its mission and goals. The power of the model lies in its integrative approach - there is no “start” or “finish” to the wheel. All elements are important and change in one precipitates change to others and it is organisations that execute effectively that defines them as winners.

Most organisations disappoint their stakeholders by their failure to deliver what they say, what they promise, what they promote and market. On the other hand, winning organisations say what they are going to do and then do it - and they keep doing it, again and again. This is quite challenging because announcing with great clarity what the organisation is planning to achieve sets an expectation and an unambiguous target for future performance. For most organisations this invites an assessment of failure but for winning organisations it is an opportunity to demonstrate success.

3. Strategy Execution

Execution of strategy is an extremely broad and complex issue (Bossidy and Charan, 2002). However, the current research suggests that there are three important drivers required for effective implementation:

- Focused Leadership of the Right People
- Communication through Visible Management Systems
- Use of Project Management Techniques

3.1 Focused Leadership of the Right People

Staying focused is a key requirement for strategy execution. Raffoni (2003) characterises focus as meaning a realistic attitude, simplicity and clarity. Is the strategic plan realistic given our current resources and workloads? And, most importantly, what will we give up or stop doing to make way for the new strategy? How will we separate from the past? The strategy needs to be as simple as possible to translate its contents throughout the organisation. Rather than spreading the total strategy, there comes a point where it is more important to ensure most employees are clear about their role in achieving the critical 80% than communicating the remaining 20% to everyone. Having identified the “vital few”, it is preferable to focus on drilling deeper into the concepts, repeating the same message and introducing new dimensions from customers and from internal and external benchmarking.

Keeping focused means knowing intuitively that answers do not reside with the plethora of management fads, acronyms and buzzwords that will continue to offer hope for the “right” solution and “quick fixes”. The danger lies in these fads taking on a level of significance that can transcend the organisational strategy itself. They are merely enablers of strategy
execution, useful in their respective ways if they are customised to the unique needs of the organisation. They become more powerful when they are integrated into a total operational performance model. Otherwise, constantly changing from one fad to another makes people disillusioned with the lack of focused leadership.

Effective leadership involves motivating people by being accessible and visible and asking inclusive questions rather than providing solutions. Leaders in winning organisations have ways of removing slow movers or non-performers (Hubbard et al., 2007) and they select people with the right attitude and values to fit with the culture and strategic intent, rather than just focusing on people with the best technical skills. During execution of strategy, leaders challenge people with defined objectives and jointly agreed targets, knowing that people normally meet or exceed targets if they are included in setting them in the first place, rather than having them imposed from above. They then give them every chance to perform to these objectives by investing in training and support systems. Creating stretch targets might be a way of getting action but these must be aligned to the needs of the customer and marketplace. Mistakes are accepted if they are admitted early but not repeated.

Execution of strategy often goes astray because executives fail to lead and hold employees - or themselves - accountable for results. Leadership does not mean just having leaders at the top - rather it is about creating leaders throughout the organisation (Hubbard et al., 2007), particularly at the front line where people and core processes create value for customers. Effective leadership means being able to speak the language of strategy as well as the language of operations. Leaders are able to develop, receive and interpret strategic plans and cascade them in a clear and understandable way for all employees. They know when and how to manage upwards to negotiate resources and provide candid feedback.

Successful leaders are usually developed from within because they know how to get things done through the culture (Varon, 2002). They are already aware of the pockets of resistance and non-performing units of the organisation. Leaders invest in their people and recognise that the right people, not technologies, provide the only enduring source of creativity, improvement and change.

3.2 Communication through Visible Management Systems

Robust systems are prerequisite to effective execution of strategy – these include operating, information, decision-making and reward systems. Operating systems represent the heart of the organisation’s ability to implement its strategy. If core systems and processes are not capable of producing and delivering the required products and services, the organisation will fail to deliver value to customers. The research has shown that winning organisations strive for close alignment of systems to achieve consistency, operational efficiency and commonality of purpose.

An important factor in achieving outcomes from a system is the way that people behave in
the system – people are needed to operate systems or use their outputs. To achieve effective execution, people need to take responsibility for their part of the organisation. Open and direct feedback and communication systems are critical. It needs to be made very clear what people need to achieve individually and in their teams, measure performance against their targets, provide feedback on that performance and reward based on the result. With appropriate systems, people have great incentives to deliver - positive competition, personal financial gain and an opportunity for promotion and personal satisfaction from being responsible and achieving results.

The failure of an organisation to communicate its position and future strategy to all employees, and the failure of that communication to be received and accepted by them, will create perception gaps, leading to ineffective execution. Achieving results through communication simply adds to the challenge of implementation. Communication channels need to be highly visible in the workplace using scorecards, dashboards, flowcharts and the tools for problem solving and project management. The goal of visible management is to balance detail with relevance, then to balance resources and accountability and to measure actual progress and performance. Visible management systems become pervasive by creating ownership and making the numbers speak for themselves. They tend to encourage objective and rational team debate and learning.

3.3 Use of Project Management Techniques

Bringing life to the organisational strategy can be viewed as a program made up of a series of related projects, each requiring planning and allocation of resources to deliver results - to get the job done on time and on budget. These are precisely the challenges faced by project managers who routinely apply a set of powerful tools and techniques in their specialised field of management. They are constantly balancing the constraints of quality, time and costs in their projects. Project managers define their goals and then work back from these goals to plan the project by breaking it into small discrete tasks. This creates the work breakdown structure - the starting point for most of the project planning tools (Meredith and Mantel, 2003).

A similar approach can be conceived with strategy execution which involves breaking the strategic plan into required activities and defined tasks. Each task has its own objective, consumes resources, has a time line and can be scheduled. Identifying tasks and putting resources against them and using a GANTT chart to display their chronological order will ensure that the strategy is possible. Identifying task dependencies can be done using a network diagram and locating the critical path that will determine if the implementation plan can be completed on time. Powerful tools such as these offer great potential to assist with strategy execution, yet they are rarely used. “What does the organisation need to accomplish?” is a key question for the strategist. The answer to the question “And can it be accomplished?” lies within the project management discipline. If the answer is “no”, the organisation must either improve its operations or change the strategy.
The emergence of project management to support strategy execution in our research is supported by the establishment of program management offices in larger organisations. Their purpose is to supply project management expertise to the entire program, thus linking all the projects together. The office contains teams that perform many of the basic project management functions such as scheduling, budgeting and risk assessment and control. Its primary role is to implement and support best project management practices and may also be populated by project managers who are available to lead projects throughout the organisation.

Project management emphasises the importance of planning as much as it focuses on implementation. The same should be true for strategy execution. Yet often the emphasis is on action, created by a sense of urgency rather than formulating a well conceived, realistic and robust plan. Strategies involving incremental change or continuous improvement may not require detailed planning. However, organisations facing transformational change or major shifts in strategy can ill afford the consequences of poor planning. Effective execution follows effective planning - the project then becomes one of control by tracking progress, feedback, problem solving and standardisation. The project planning tools also become the project control tools so that variances from the plan can be identified and immediate corrective action taken. Similarly, control of strategy implementation requires monitoring of performance, usually through identification of milestones, critical success factors and thresholds (Julian, 2002).

Effective strategy execution, like project management, needs regular and structured meetings and communication. People issues and resources should head the agenda at review meetings. Assuming the plan is clear and has been communicated, the next step is to allocate the best people with the right skills to the right jobs. If execution is still not proceeding to plan, it is likely that inadequate resources have been allocated or people need different skills to get the job done.

4. Conclusions

These initial findings point to several important factors that help implement strategic plans in service, manufacturing, not for profit and public sector organisations. The key messages are:

- Strategic planning requires integration of strategy formulation with strategy implementation.
- Effective execution is a key attribute of successful organisations.
- Provide focused leadership of the right people.
- Create highly visible management systems to communicate widely and consistently.
- Use project management techniques to deploy the strategic plan.

Future research is proposed to analyse a broader range of organisations and industry
sectors in order to validate these initial findings and to focus on comparative studies of organisations that struggle with implementation.

5. References


