Exploring the Keys to Effective Execution

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EXPLORING THE KEYS TO EFFECTIVE EXECUTION

by

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SUMMARY

Strategy formulation is usually regarded as the exclusive domain of senior management - it is where managers aspire to operate because of the challenges, rewards and influence that it brings. By comparison, effective implementation of strategy rarely attracts as much kudos or respect. Yet experienced leaders know that the most creative and well-crafted visions and strategic plans are useless if they cannot be translated into action. This paper discusses preliminary findings into the concept of effective execution and discusses some practical tools and techniques that offer opportunities to improve the execution process and achieve sustainable organisational excellence. Future research is proposed to analyse a broader range of organisations and industry sectors in order to validate the initial findings and to focus on comparative studies of organisations that struggle with implementation.
1. INTRODUCTION AND BACKGROUND

With leaders searching for new strategies to cope with economic downturns and competitive markets, the ability to execute may provide a new source of competitive advantage (Egelhoff, 1993). Vision and strategy are necessary but these need to be deeply embedded in the operations of the organisation. It might also be argued that strategy formulation needs robust input from the operational level to bring reliable insights into organisational capabilities and resource constraints. While this may be viewed as tedious in the fast-moving world of the strategist, it could be reasonably assumed that this investment is will provide dividends when the time comes for implementation (Noble, 1999).

This paper draws on a major and recent research project by Hubbard et al. (2007) into eleven organisations over a 25-year period that has identified nine elements of success. These appear to be applicable to any private or public organisation in a wide range of industries. Success was defined as taking a balanced scorecard perspective covering financial, customer and market performance, internal efficiency and long term growth, innovation and productivity issues. The eleven organisations, nominated in a survey of 1000 CEO’s were Woolworths, Telstra, Westfield, Salvation Army, Rio Tinto, Qantas, National Australia Bank, Macquarie Bank, Lend Lease, Harvey Norman and Brambles. This research showed that being a winning organisation in Australia has little to do with charismatic leaders, seeking breakthrough ideas, rolling out precise mission statements or creating the perfect organisation structure.

The research has developed a winning framework that identifies effective execution of plans and strategies as the pivotal element - understanding what it takes to be a winning organisation starts with execution. Conventional wisdom might suggest this should be one of the last elements and perhaps even the end result of doing everything else well. When developing the framework an initial assumption was that leadership or strategy formulation should be the logical starting point. But in the quest to answer the question, “What really makes these organisations different from others?”, it was conclude that it was the results that they delivered that caused success. The organisations were therefore chosen on the basis of their results. It is effective execution that enables them to deliver these results and that is what makes them different.

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 and creative skills including leadership, precision, attention to detail, breaking down complexity and communicating to stakeholders in clear and concise ways. Intricate control and feedback mechanisms are also necessary to hone the operations to align with business strategy. The field research from this project implies that these tasks are just as critical as strategy formulation itself, a conclusion made by other researchers such as Raffoni (2003).
2. DEFINING EFFECTIVE EXECUTION

The research has identified seven important characteristics of organisations that are highly effective in executing their strategic plans:

1. **Clear Processes.** People knowing what they are expected to do and having clear processes are important ingredients for delivering outcomes. Having structures that support these processes and delegating the authority and responsibility to carry out the processes - and making decisions quickly in borderline cases - supports the completion of the organisation’s tasks and activities. Irrespective of whether the process is structured, informal or democratic, acceptance by those who are responsible for making the process and decisions work is critical.

2. **Operational and Technical Efficiency.** Effective execution means being efficient. Operational and technical efficiency is about using systems that work to achieve expected objectives. These objectives usually relate to cost, quality, speed or service.

3. **Taking Personal Responsibility.** Attitudes which people take to the systems and processes will significantly affect outcomes and the results that will be delivered. To achieve effective execution, people need to take responsibility for the performance of their part of the organisation. Open and direct feedback from management during planning and execution is essential.

4. **Good Management Control Systems.** Winning organisations need robust management control systems to check whether they have clear processes which are efficiently undertaken by responsible people. Controls begin during the planning and approval process.

5. **Rigorously Measure Performance.** In using systems and processes to achieve results, winning organisations are differentiated by the rigour and discipline they apply to make them work. This usually involves setting targets and developing a small family of key performance indicators.

6. **Handling Mistakes Positively.** Winning organisations are not error-free in their execution. However when an error is made, they expect people to admit it early, fix it as quickly as possible, learn from the mistake and never make the same mistake twice. They treat mistakes as opportunities to improve.

7. **No Cross-Subsidisation.** Effective execution in winning organisations involves focussing on delivering results at each unit level as much as it does across the entire organisation. The poor performance of a business unit is not allowed to drag down the overall performance of the organisation (or at least not for very long). Every business unit needs to meet the standards and pay its way.

3. DRIVERS OF EFFECTIVE EXECUTION

While execution of strategy is an extremely broad and complex issue, three key drivers for effective execution are emerging from the project:
3.1 Focused Leadership

Staying focused is critical for strategy execution. Questions such as “is the strategic plan realistic, given our current resources and workloads?”, “what will we give up or stop doing to make way for the new strategy?” and “how will we separate from the past?” are typical of the language of the effective leader. The strategy needs to be as simple as possible to translate its contents deeply into the organisation.

Keeping focused means knowing intuitively that answers do not reside in the plethora of management fads, acronyms and buzzwords that will continue to plague leaders by offering 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, but constantly changing from one fad to another makes people disillusioned with the lack of focused and consistent leadership.

Strategy execution requires focused leaders who hold employees – and themselves – accountable for results. Leadership does not mean just having leaders at the top. It is also about creating leaders throughout the organisation who are able to develop, receive and interpret strategic plans and cascade them in a clear and consistent way for all employees. Focused leaders also know when and how to manage upwards, to negotiate resources and provide candid feedback to those involved with strategy formulation.

3.2 Communication Using Visible Management Systems

Robust operating systems are seen as a prerequisite for effective execution of strategy. These include operating, information, decision-making and performance management systems. If core processes are not capable of delivering the required products and services, the organisation will fail to deliver value to customers. Winning organisations constantly measure these processes to reduce variation and identify opportunities for improvement. They use the concept of visible management to communicate performance and strategy to all employees, and so avoid gaps in perception that lead to ineffective execution. 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 remove emotion and allow objective and rational team debate and learning.

People’s performance is measured against their targets with feedback and rewards based on results. Information is made highly visible in the workplace through the widespread use of charts, scorecards, dashboards and problem-solving tools such as histograms, control charts and cause-and-effect diagrams. People have great incentives to deliver: an environment of positive competition is created, they are recognised by colleagues and peers and they gain personal satisfaction from being responsible and achieving results.
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 (Meredith and Mantel, 2003).

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 that is the starting point for project planning. A similar approach can be conceived with strategy execution that 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, putting resources against them and deciding on 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 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’, it follows that the organisation will need to either improve its operations or change the strategy.

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. Effective execution follows effective planning – the project then becomes one of control by tracking progress, feedback, problem-solving and standardisation.

4. CONCLUSIONS

The research to date implies that it is an organisations’ ability to execute effectively that is a key requirement to becoming a winner. They do what they say and they deliver results, again and again. These characteristics seem to differentiate them from most other organisations that disappoint their stakeholders by failing to deliver what they say, what they promise and what they promote and market. There also appears to be three key drivers for effective execution. This research has focussed on long term, high performing organisations and more research is proposed to further explore and validate these initial findings by comparative studies into organisations that have been under performers or are no longer operating. Benchmarking with research in overseas countries should further consolidate these conclusions.
5. REFERENCES


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