

Strategy and Implementation ... and the Lack of Results

Strategy is subject to many opinions, but few definitions. Strategy processes are often criticized by employees due to the lack of effective implementation of results. What are the root causes and how can investments in strategy development be turned into symbols of a “make-it-happen” corporate culture?

So about strategy ... exactly what *is* it?

Unnecessary question?

Not at all! This is an important part of the problem. Put this question before a typical leadership group and you are likely to receive as many answers as there are participants – if you get answers at all. So the next time somebody emphasizes the triviality of developing a new strategy, try this countermove: “Interesting viewpoint ... but before I comment on that, could you please *define strategy* for me?”

Here is a strategy definition that works:

A strategy is an integrated set of actions designed to establish and maintain a sustainable competitive advantage

The typical answers “a plan of action” or “a set of priorities” say nothing; the response “a plan for winning” expresses more, but not enough.

Strategy work and strategy implementation mix functional skills with cross-organizational structures and boundaries, which is exactly the key reason why changes in strategy are tricky to realize. And the content should be about establishing *lasting competitiveness*. Using this definition, the initial action point is to remove the irrelevant content and trivialities of most strategy and business development plans and to start over.

So in order to start over, let’s ask ourselves what we mean by “lasting competitiveness” or a “sustainable competitive advantage.”

What is competitiveness?

Try this approach:

Competitiveness is the sum of the organizational contributions in order to create high, lasting and differentiable customer value

There are a couple of practical advantages to using this approach – one is that the strategy work becomes sharply *focused*; the other is that the work necessarily must be *customer-oriented*. Consequently, the emphasis of the development projects will have to include increased competitor understanding: how our competitors work; how customers perceive their creation of value; and, above all, how customers see the opportunities for increasing *our* value in order to compensate for the contribution of competitors. Ultimately, how we can *win*!

The above reasoning should be the starting approach for a correctly designed strategy process. The rest of the work is the translation of this foundation into the “*integrated set of actions*” which will comprise the core of the strategic plan.

Some may view this approach as being too confined: “What about our work on the new manufacturing strategy?” (as an example). But try and counter that with a “manufacturing strategy for *what*?” The answer should still be “an increased and sustainable competitive advantage.”

A better approach to strategy process design

The root causes behind poor strategy implementation include not only a lack of sharp strategy definition, but also insufficient ability to *design* strategy processes that deliver value.

Design principles are divided into basic and *strategy-specific*. The former class is shared by all types of processes where agreement on means is important for results. The latter class is particular for strategy projects.

Basic process design principles

The starting point is poor implementation: What has been decided and agreed is not being delivered!

Why not?

What is a strategy?

... an integrated set of actions to establish and maintain a sustainable competitive advantage

Why is the implementation of strategy tricky?

... because the development processes of new strategy is typically not designed in accordance with our deeper knowledge of why things don't get done!

White Paper #3: **Strategy and Implementation ... and the Lack of Results**

The first significant insight into an improved understanding of what implementation is all about is an appreciation of the three psychological levels we all go through before getting things done:

- Understanding* before consent
- Consent* before resolve
- Resolve* before action

Acknowledgement of these simple but deep observations has profound consequences for process design.

The second insight in order to better understand implementation comes from the field of group dynamics. Most projects assemble participants in task groups. The problem that emerges is low group performance due to fundamental personality differences.

Models of human personalities typically divide us into groups, e.g.:

- *Producers*: impatient; "jump to conclusions"
- *Integrators*: listeners; prefer all opinions to be heard
- *Bureaucrats*: thorough; want all facts on the table before deciding

Different models use different characterizations – which is secondary vs. the key observation that:

A typical task group is a composite of individuals representing three to four totally different approaches to problem solving!

The consequences of the two above insights: 1. the hierarchy *understanding-consent-resolve*; and 2. the *different approaches to problem solving in a typical task group* – drive a basic process design of three distinct phases:

- First*, objective **facts**
- ... *then*, **interpretation** of those facts
- ... *finally*, **solutions** based on agreed interpretations

This phase design concept achieves four advantages: 1. You add facts early to facilitate *understanding through knowledge* (i.e., before *consent*); 2. You create an acknowledgement in the task group of the value of objective facts as a basis for discussing solutions; 3. You lower the group tension due to the postponement of any *opinions of the facts* (interpretations) to a later phase; and 4. You make it possible to *trace* varied opinions of solutions due to different interpretations of the collected facts (i.e., what those facts actually mean). This creates a group

Basic process design for implementing results

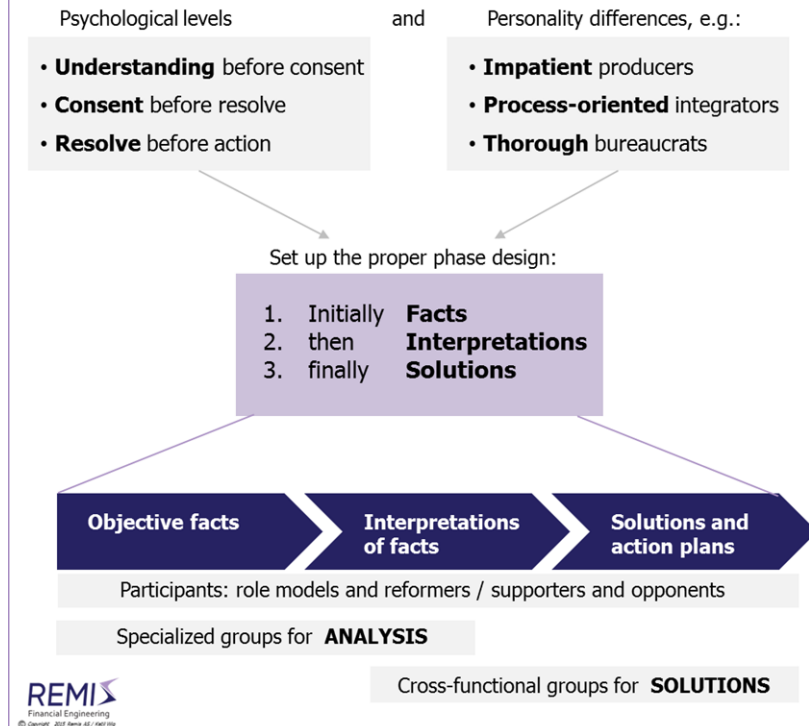


Illustration #1: Principles of Basic Process Design

understanding of why different team members come to different solutions, thereby driving participants to increased cooperation, rather than competition or internal conflict creation.

Project management also benefits from this phase design, but it necessitates discipline: The solutions and action plans are not on the agenda until phase three. An additional result is that it is usually quite easy to internally market this design: once explained, managers will immediately understand why this process design is a remedy for past failures to make task forces fully productive.

The importance of this process design is typically higher the more controversial the issues on the table; e.g., synergies, personnel policies, etc.

Two additional design principles are important for effective implementation:

Understanding
before consent
Consent before
resolve
Resolve before
action

A process designed to achieve results will pay attention to this hierarchy while using our knowledge of how different personality types attack decision-making and solution design

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- The first two phases (*facts* and *interpretation*) should be staffed by resources with a bias towards functional specialists (e.g., logistics, manufacturing, finance, sales, etc.); whereas the final phase (*solution* and *action plans*) should be staffed by *cross-functional* resources due to the cross-organizational nature of implementation (as noted earlier).
- The task groups should systematically be staffed by both supporters and opponents. Opposition sharpens the *quality* of arguments and it does so *earlier* in the process.

Representation from labor unions is obvious (in Scandinavia!) and not only due to formalities. These types of participants usually know where the organizational challenges are mostly felt.

If you have considered why many problem-solving groups show low productivity and high levels of bickering, you should evaluate your past experiences in light of the above guidelines.

Strategy-specific design principles

The main theme “Strategy” has its own characteristics which may explain why implementing results is a demanding undertaking.

There are three types of complications:

- Necessary *cross-functional* skills for building competitiveness
- Translating these skills into cross-functional participation
- Transforming the strategy into the right avenues of action

Necessary cross-functional skills

Basically, all ways to compete in the present post-industrial society (e.g., speed of innovation, technological leadership, logistics/deliverability, cost leadership, customer service, quality, etc.) require coordinated action plans involving a large number of functional areas of the business; i.e., involving personnel crossing organizational structures. Managers are typically not sufficiently aware of the profound consequences of this fact.

A better perspective on what strategy *actually is* will drive a deeper understanding of what parts of the business should be involved. For example, have you reflected on what an *increased rate of innovation* (one of many ways to compete) means for: how new products need to be ramped up in manufacturing? how purchasing should work

differently with supplier development? how this priority drives changes in the organizational structure of sales? changes in reporting? in the KPIs? In management objectives? (Not to mention product development, which was consciously left out!)

Translation of skills into cross-functional participation

When viewing strategy as a coordinated, cross-functional action plan for building a sustainable competitive advantage, the consequences for how to organize the strategy development process change. There are new answers to: Who needs to be coordinated with whom? – general involvement, sequence and key themes. Another perspective is whether the strategy will aim to remedy a specific challenge vs. build lasting capability to generally adapt to changes in conditions. An ambition to build “self-correcting change capabilities” will involve staff functions such as skill development, human resource management, recruiting, customer monitoring, etc.

The delicate transition from strategy to action

Have you ever asked yourself what realizing *change* really is all about?

An irreverent question?

Not if you think about it! Change management is a cloud of fuzziness created by management consultants – most of whom cannot offer a precise description of what their approach to “change” contains.

Here is a declaration:

Effective change is achieved by creating simultaneous actions within four areas: organization, resources, systems and attitudes.

In fact, this statement contains two assertions. The first is that all change may be translated into coordinated actions using these four approaches.

- Changes to **organization** means changes of responsibility and authority, objectives, reporting lines and meeting arenas. Organizational change should reflect new *priorities*, not history;
- Changes to **resources** means adding new capabilities or removing existing; adding or removing skills, FTEs, investment funds, operational funds or time resources;
- Changes to **systems** include modifications to incentives and rewards, KPIs, scorecards, management information and priority tracking/reporting; and

Strategy development processes represent additional design criteria vs. generic change:

1) Identifying necessary cross-functional skills for building lasting competitiveness;

2) Translating these skills into cross-functional participation; and

3) Transforming the strategy into the right avenues of action.

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- Changes to **attitudes** (or cultural change) are underrated, but critical in any change program: leadership signals, new policies, new meeting agendas, new priorities in KPIs, different theme focus in corporate communication, etc. “Walk-the-talk” is a highly relevant tool for changing attitudes and company culture.

The second assertion is the necessity of setting these four tools in motion *simultaneously*. Applying the same tools gradually and sequentially does not work. The reason for this non-obvious conclusion is that all change involves resistance, and these four tools meet these obstructions in a systematic way on multiple levels. You need a critical mass of measures in order to overcome the resistance, and a simultaneous approach gets the job done!

Without a keen awareness that all change is about putting these four tools into coordinated motion, the implementation of a new strategy will, in all likelihood, result in little more than good intentions.

Monitoring the implementation of a strategic change program is in itself a good example of the importance of applying these four change tools: Who has the responsibility for the tracking (organization)? How will we allocate the necessary time to follow up (*resources*)? Which KPIs will we use to monitor the program and how will progress be reported (systems)? How will we achieve the necessary management attention to the importance of tracking and handling possible deviations (*company culture/attitudes*)?

From strategy to “getting it done”

Many organizations and their employees are indifferent to and disrespectful of new strategic initiatives, usually due to prior experiences with a lack of management’s ability to implement the decisions of previous initiatives.

There are good reasons to pay attention to these concerns and to approach strategy implementation in a way that works; i.e.:

1. Strategy should be a plan for *improving sustainable competitive advantages*. Focus on exactly *that!*
2. Organize the process based on the principles *understanding-consent-resolve*, and split work streams into phases: *facts, interpretations of facts, and solutions/actions*.

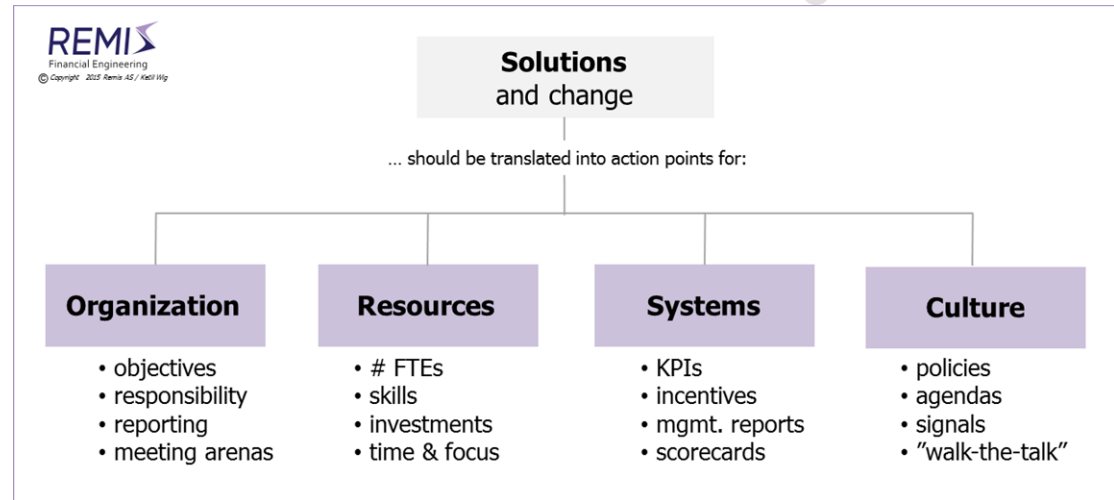


Illustration #2: From Strategy to Implementation – a Model for “Making it happen”

3. Involve *necessary cross-functional resources across organizational boundaries* and decide participation based on the need for operational coordination when implementing the improved way to compete.
4. Translate the solutions into the correct action items within the four tool sets: *organization, resources, systems and attitudes/culture* – and act with these four tool sets *simultaneously*.

... Then watch your strategy coming to life with lasting impact!

“When all is said and done, much is said and nothing is done”

Peter Drucker

“Making it happen” ... is realized by using four simultaneous tool sets to achieve change: *organization, resources, systems and attitudes/culture*

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