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The Key to Aligning Strategy with Execution

By Pamela S. Harper

Gridlock doesn't happen only in traffic. In companies of all sizes, brilliant strategies that should have been successful are ending up stuck in "strategic gridlock"—the mysterious paralysis that occurs when persistent problems pile up during execution and grind progress to a halt. These problems include, but are not limited to: frequent organizational "fires," quality problems, slowness in developing new products and services, lack of innovation, and unusually low sales and customer retention.

The Strategic Gridlock Cycle

Gridlock builds in a cycle at strategic thinking and planning and extends through execution. The good news is that it doesn't happen overnight; the bad news is that it can be hard to detect until the organization's performance grinds to a halt. This is because the issues often grow incrementally, and with few obvious warning signs. The creep towards strategic gridlock is also hard to catch because many business leaders view problems such as unexpected changes with customers, low product sales, and acquisition integration difficulties as isolated execution issues. In fact, by looking at patterns of events, it's frequently possible to see that the problems are related, and can be traced back to common themes.

The cycle starts with a normal-enough identification of business objectives and strategies based on the company's vision and mission. However, if management launches strategies that that are based on common but mistaken assumptions about their organization's unique circumstances, capability, and willingness to execute plans, these assumptions become hidden roadblocks that divert the strategies and subsequent initiatives, and lead to unexpected problems (see diagram on next page).

The pressure to rapidly fix these visible problems leads managers to introduce more strategies and initiatives. However, if the common, but mistaken, organization assumptions remain overlooked or underestimated, the cycle takes another turn, which runs into yet more unexpected problems. This cycle keeps building until the problems are fixed one way or another, or the gridlock becomes so bad that it ultimately leads to the company's demise through collapse or acquisition.

The first step in aligning strategy and execution, then, is assuring that strategy is addressing the real challenge facing the company, rather than the problems that are immediately apparent. In many cases, these symptomatic problems are caused as much by overlooked and underestimated organizational issues as they are by problems in the business environment. Therefore, the earlier that leadership identifies and integrates these issues into strategic thinking and planning, the less likely it is that the company will be blindsided by unexpected problems going forward.

Hidden Roadblocks to Success

I've identified seven distinct categories of common, but mistaken, organizational assumptions that can snarl business performance. They can be summarized into three themes:

Assumptions regarding an organization's uniqueness. Just as no two people are the same, it is also true that no two organizations are the same. Even the closest competitors cannot duplicate the unique combination of shareholders, directors, management, employees, customers, outsource providers, alliance partners, suppliers, consultants, and independent contractors. As these different stakeholder groups take a more synergistic role in shaping direction and strategy, along with designing,

Director Summary: Failure to anticipate common problems in executing strategic visions can mire a company in "strategic gridlock." The author argues that the key to aligning strategy with execution is identifying and eliminating common assumptions that can hinder an organization's progress.

manufacturing, and delivering products and services, your organization's reality is that it extends far beyond employees on the payroll. These unique organizational considerations are seldom brought into strategic thinking and planning discussions, yet can profoundly affect the likelihood of successful execution and meeting forecasts.

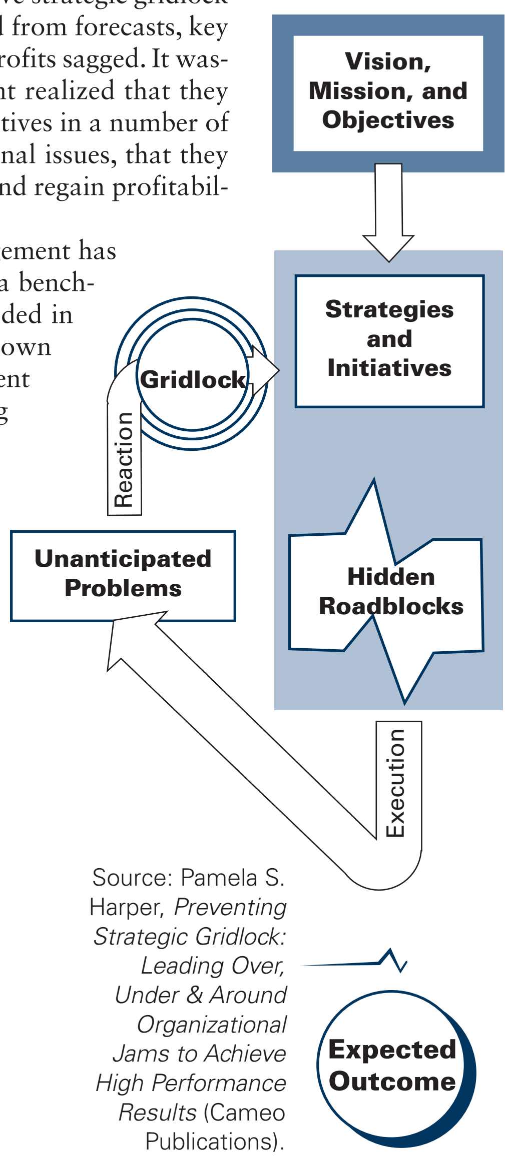
For example, in the face of slipping production quality and increasing competition, the leadership of a major international corporation spent 10 years benchmarking best practices of their competitors and customers to find a solution to their persistent manufacturing problems. Yet despite adopting best-in-class approaches, each initiative they tried left the company in worse shape than the last.

Repeatedly blown deadlines and a high rate of defects caused "firefighting" to become the norm and put the company on the path towards massive strategic gridlock as performance continually deviated from forecasts, key customers withdrew business, and profits sagged. It wasn't until the company's management realized that they needed to adapt benchmarked initiatives in a number of ways to address unique organizational issues, that they were able to break out of gridlock and regain profitability a few years later.

When boards ensure that management has uncovered assumptions about why a benchmarked strategy or initiative succeeded in another company and how their own organization is similar to and different from the organization they're trying to emulate, it enables management to more accurately identify the scope of changes that would be required for best practices to produce the results they require.

This level of oversight minimizes risk by reducing the chances of being blindsided by unexpected problems, and increases the likelihood that the strategies and initiatives will actually lead to projected performance.

Assumptions regarding an organization's capability. As companies engage in major strategic transformations such as entering new markets, mergers, acquisitions, alliances, and outsourcing business functions, many boards and managers set expectations for results while leaving undetected the common but mistaken assumption that their organization can handle a large number of simultaneous changes in priorities, people, processes, systems, policies, and procedures.



Source: Pamela S. Harper, *Preventing Strategic Gridlock: Leading Over, Under & Around Organizational Jams to Achieve High Performance Results* (Cameo Publications).

One of the most difficult challenges for boards and management to anticipate is how seemingly different strategies or initiatives can tie up the same resources. This is because conflicts often happen far down in the organization, away from the executive suite. To compensate for this limited perspective, boards need to ensure that management has developed their strategy based upon sufficient input from employees, customers, outsource providers, and alliance partners regarding current operational challenges.

Many times, this level of due diligence turns up competing priorities, the need for new competencies, systems and processes, as well as additional capital to fund improvements necessary to deliver on expectations. In addition, the company may need time and resources to find replacement outsource providers and alliance partners if the new strategy or initiative will be out of alignment with their company's priorities and capabilities.

Uncovering assumptions about an organization's capability before committing to a course of strategy significantly reduces risk. It also aligns strategy and execution by creating a realistic plan that enables the organization to move from current performance to expected performance at maximum speed and effectiveness.

Assumptions about the organization's willingness to execute strategies. Even when an organization has the capability to execute a strategy or initiative, persistent problems build when company leaders expect that the organization will instantly make changes happen, and overlook or underestimate the natural level of resistance that comes with change.

For example, when two major manufacturing corporations merged as "equals," the deal made tremendous sense in theory. Each of these companies was a leader in their respective markets, and the projected synergies made it appear that integration would happen quickly

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and that the merger would give the combined company a substantial edge in newly emerging markets. However, almost immediately, problems began to build in the new global organization as management struggled with the best way to integrate two vastly different business cultures and product lines. Persistent clashes and unusually high turnover at all levels of the organization blocked progress despite extensive plans to achieve projected goals. Over five years later, the anticipated synergies have yet to happen, and continuing struggles for integration have made it harder for the company to cope with unexpected changes in their marketplace.

Many leaders assume that changing policies, procedures, or systems will lead to desired results because "this is the way it is." However, apparent agreement may mask hidden defiance. In reality, stakeholders seldom resist changes outright. Instead, they'll outwardly agree with the changes and it appears that they've adapted their ways. Meanwhile, they quietly continue to do what they've been doing all along, knowing that there's a way to get around every policy or system while still adhering to the letter of the law. Committing to new strategies and assuming that alliance partners, outsource providers, and other external stakeholders are willing to immediately make significant changes happen in their operations can also place a company at risk.

When boards ensure that managers uncover their assumptions about which stakeholder groups and individuals are critical to the success of a strategy or initiative, and the likelihood of their willingness to execute plans, management can begin to address the sources of resistance and adapt strategies so that they include realistic plans, timelines, and expectations for results.

How Boards Can Provide Oversight on Alignment

A fundamental challenge that boards face in providing oversight on aligning strategy and execution is to keep from getting them tangled in micro-management. The key is for directors to emphasize their role as providers of perspective based upon the fact that they are external to the daily operations of the organization.

To increase the chances of uncovering the most common but overlooked organizational assumptions, it is essential for directors to develop a series of questions that address the organization's unique circumstances, capability, and willingness to execute plans. Samples of these questions include:

- Is this a benchmarked strategy or best-in-class practice? What are the similarities and differences between this organization and those that have successfully used this approach?
- What other initiatives are going on that could overtax internal and external stakeholders?
- Who really are the key internal and external stakeholders to execute this strategy? What is the likely level of their buy-in? What are the risks if a particular stakeholder group resists?
- Which aspects of the organization's culture are likely to advance or block this strategy or imitative?

The answers that come from these and similar questions will enable the board and management to more realistically evaluate the benefits and level of risk that they face, and whether the strategy under consideration is likely to provide the return on investment necessary within the timeframe that they require. It will also provide management with the necessary insights and information to take control of overlooked and underestimated issues as early as possible so that they do not become hidden roadblocks to progress.

Maximizing Speed and Effectiveness

Successfully aligning strategy with people, processes, and systems requires more than ensuring that the "who, what, why, where, and when" of an action plan are in place. It is critical for boards, as well as management, to evaluate and monitor strategies in a way that uncovers the common but mistaken organizational assumptions that can stall progress.

By conducting this level of oversight, everyone can move beyond focusing on what *should* work to what *will* work for their company, as it exists in reality, and boards can help management maximize both top- and bottom-line results. ■

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