Why a Brilliant Business Strategy Is Not Enough

Many leaders believe that having a first-rate business strategy is the key to bolstering a company's growth, gaining a competitive edge and increasing shareholder value. But if that's true, why do so many companies with great strategies fail? And what then, is the real key to success?

by Fred Pidsadny

ACCORDING TO A STUDY by Neilson, Martin and Powers in the Harvard Business Review article, 1,000 organizations in over 50 countries reported that 60% of respondents rated themselves poor at turning strategy into action.

In his book, The 8th Habit, author Steven Covey explains some of the common road blocks to great strategy execution:

- Only a third of employees say they understand their company's direction
- Only 22% have a sight-line between their own goals and their organization's
- Only 9% are highly energized and committed

So what's missing from many organizations' strategy execution? It's clarity. Is everyone crystal clear on the actions and decisions for which he or she is accountable?

Alongside clarity are its close cousins alignment and commitment. Are your employees' objectives and plans laser-aligned with the company's strategic priorities? Are they unstoppable when it comes to their commitment levels?

To achieve success, organizations must be able to maintain clarity, alignment and commitment to achieve everything from short and long-term success, to geographic expansion, new product introduction, and productivity by site, time to fulfill orders and retention of key people.

The clarity, alignment and commitment process consists of the following five activities:

1. Align the top team. Hold a Strategic Alignment Meeting in which the top team creates focus and direction based on strategic and operational priorities. This may sound

> **“Clarity, alignment and commitment are the three ingredients missing from business strategies that fail.”**

typical, but one of the missing links in most organizations is clarity on how success will be measured, for example, for product innovation: 10% of total sales will be from two new products/year for the next five years.

In this working meeting, the leadership team reaches consensus on enterprise-wide strategic focus areas, such as:

- Operational excellence or leading-edge product innovation
- Success metrics such as incremental gross profit from the shop floor
- Goals such as increasing GP by 20% within two years
- Strategic initiatives such as lean manufacturing

2. Cascade the alignment. All teams must be aligned to the top team, layer by layer, so that everyone is clear on the company’s direction in terms of the results that their team needs to achieve. The outcome of the top team’s meeting becomes the template for cascading the alignment down through the organization, level-by-level and function-by-function with a team member at one level becoming a leader at the next. This ensures continuity and linkage of the alignment process throughout the enterprise enhanced by all levels being involved and having a voice. A provider of B2B Internet service grew from $4MM in earnings to $34MM in four years by successfully using this alignment approach.

3. Roll it back up to check the fit at each cascading level to ensure that focus areas, success metrics, goals and action plans reflect internal and external realities. The CEO of a large billion-dollar chicken processor impacted severely by imported, cheap, chicken was able to re-align the priorities of his team quickly and effectively using the strategic alignment cascade process that was already in place. As a result, the alignment was done in a matter of days rather than months.

4. Deal with any inter-team concerns. Meet with all teams to examine the perceptions, realities and challenges that, when dealt with, will increase the success of all teams. One popular discussion is who is accountable for price. This is a classic tug of war between Sales and Marketing that produces frustration and ill will between the two departments. A better understanding of their partner’s reality and accountability leads to improved team work.

5. Track results easily with software and revisit the process as necessary. There are some universal key metrics—usually financial in nature—such as Return on Sales and Return On Net Assets. Each business, however, needs to determine what is critical to them. For instance, the chicken processor tracks net bird yield every day, while an association tracks new member acquisition every month. Meanwhile, a consumer hard goods manufacturer would track on-time-delivery every week.

DO THE STEPS WORK?

A major grocery retailer saved $10MM with better alignment of its people to strategic goals. A telecom company returned 500% ROI for its private equity owners in less than four years. And a manufacturer of floor care products increased capacity by 15% and redirected the new-found capacity to product innovation. But perhaps the best response is from a CEO of an electrical utility who said, “I sleep better at night knowing that our execution capability is significantly better.”

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