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**ABSTRACT**

Firms that focus more on strategic planning than implementation are often plagued with execution issues. Whereas, organizations that are able to execute their strategies as a well managed, integrated process have a much better chance of realizing the full potential of their plans. A seven-step Strategy Execution Model provides a tested guide to agile implementation. Pragmatic actions, key deliverables and a case example for each of the seven steps in the model are presented.

# Realizing your strategy's potential:

## A seven-step model for its effective execution

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**A**nalyzing and planning strategy is an important component of company success, however any experienced executive understands -- and has likely learned the hard way -- that the full potential value of even the most advantageous strategy is only achieved through effective implementation. Supporting the experience of numerous management teams, research indicates that poor execution often squanders the value companies anticipate from innovative, advantageous strategic initiatives (see box “**Structured execution is key to maximizing a strategy’s full value**”).

So the process of execution needs to be a management priority. To make this point, Oxford Professor Thomas Powell compares strategy execution to climbers of Mount Everest who, “must consider strategy execution, both during the climb and while planning the climb...Success in climbing Everest does not depend on choosing the right path, but on the climber’s capacity to deal with the conditions of the actual climb.” [1] Common issues encountered during “the climb” of strategy execution include: poor execution management, a lack of management attention to execution, misalignment between strategy and organizational culture, inadequate cross-functional coordination and insufficient implementation tracking and measurement.

To minimize the likelihood of mismanagement, companies need a repeatable process that provides an integrated and actionable approach to effective strategy execution. A practice-oriented model, consisting of seven steps is presented in Exhibit 1. Managers can apply the process to strengthen the strategy execution competence of their organization and learn valuable lessons from each application. As the former Chairman and CEO of Honeywell International, Larry Bossidy emphasizes, “Execution is a specific set of behaviors and techniques that companies need to master in order to have competitive advantage. It’s a discipline of its own” [2].

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## **The seven-step strategy execution process – actions, deliverables and application**

### **1. Identify potential strategic initiatives**

To begin the process, potential strategic initiatives should be identified, along with goals for each. Example categories of strategic initiatives include: service, product, cost, business process and market improvement. Typical goals include revenue growth, cost reduction and service improvement. [4] The key deliverable from this step is a list of potential strategic initiatives and the specific goals of each.

A case in point: as a result of their strategic planning process, the senior team of a multinational petrochemical company – which will be called “Petrochemical, Inc.” -- developed more than 50 potential initiatives, including new geographic market entry, acquisitions, process streamlining and customer service improvement. Though the company revenue exceeded \$14 billion, it lacked the managerial, workforce and financial resources to implement such an over-ambitious set of initiatives. One of the executives noted that the company had always been adept at generating initiatives, but had never been very good at prioritizing them. With this in mind, management moved to step two, mapping implementation priorities.

### **2. Map implementation priorities**

Most strategic plans are comprised of multiple cross-functional initiatives, each involving high-stakes competitive challenges. [5] Because of resource limitations -- people, time and capital -- most firms cannot pursue more than three to five major strategic initiatives at any one time. For example, a study of 1,800 global executives found that 64 percent of respondents reported they have too many conflicting priorities, and 56 percent said allocating resources in a way that really supports the strategy is a significant challenge, especially when companies chase a wide set of initiatives. [6] Therefore, management must target the few highest priority initiatives and identify any others that need to be abandoned or deferred. Exhibit 2 provides a “Strategic Priorities Map” that can be used to rank the list of initiatives generated in step one, based on three dimensions: impact, level of effort and/or investment required and potential risk.

Management of “Petrochemical, Inc.” used the Strategy Priorities Map to rank their potential initiatives, triaging their list down to five priority initiatives: customer service improvement, acquisitions, new geographic market entry, sourcing and purchasing efficiency and reduction of administrative costs. By doing so, management avoided a key pitfall they had encountered in the past – having too many priorities. The prioritization exercise was not without its conflicts. As the CEO noted, “Not everyone had their favorite initiative selected as one of the priorities. This is a key learning for us – how to accept that we cannot do everything and that our personal ‘pet project’ may not be a priority for the company overall.” The next step was to establish an infrastructure to manage the execution of the five initiatives.

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### **3. Establish an “implementation infrastructure”**

As they grow, organizations quickly become beset with information and coordination blockages between functional “silos,” slowing down and even bringing some cross-functional strategic initiatives to a stop. As a rule, the larger a firm becomes the more formidable the obstacles to strategy execution become. [7] To surmount the roadblocks, a “strategy implementation infrastructure” facilitates coordination across silos, enabling the organization to implement strategic initiatives with greater speed and agility. A typical implementation infrastructure consists of three core entities:

- Steering Committee – A team of executives who provide sponsorship, implementation oversight, impasse resolution, investment decisions and the implementation plans’ go/no-go decisions.
- Implementation Program Management Team – This team facilitates daily coordination across functional silos, program management, tracking and communications.
- Implementation Task Forces – one per strategic initiative, plus a cultural alignment team, each staffed cross-functionally. They design implementation plans, coordinate with other task forces, produce deliverables and manage due dates.

Executives of “Petrochemical, Inc.” having experienced missteps and coordination issues in their previous strategy execution efforts, put this three-part infrastructure in place. They established five cross-functional Task Forces to oversee, coordinate, plan and manage the implementation of the company’s priority initiatives, along with a sixth Task Force to manage the alignment of the company’s culture. There was some grumbling by several members of the executive team who felt that the company already had a sufficient day-to-day management structure in place to run the company, and that all the relevant parties would coordinate with one another during implementation. When presented with data and examples from past strategic implementation efforts that struggled with missed timelines, poor communication between teams and budget overruns, the skeptics accepted the new coordination approach. The next stage was to incorporate practices that promoted agility throughout the new infrastructure.

### **4. Apply “agile implementation management”**

Successful strategy execution requires an “agile implementation management” process, which includes on-going coordination between teams, issues identification, decision-making and course corrections. [8] Without frequent coordination within and between strategic initiatives chaos becomes more likely, implementation will quickly lose momentum and grind to a standstill. Each of the implementation teams -- Steering Committee, Program Management and Task Forces -- must work in concert to keep the execution process on track. Weekly review meetings between the Task Force heads, and lead by the Program Management Team, should:

- Review progress from the previous week.
- Identify any obstacles encountered.
- Address cross-functional coordination required.
- Identify decisions needed from the Steering Committee essential to implementation progress.

Effective agile program management incorporates five key principles:

- 80/20 rule for decision-making – Managers spend 80 percent of their time trying to get 20 percent more information, therefore “80 percent information” is sufficient to decide, implement and adjust.
- Push most decisions down to the Implementation Task Forces. More “material” decisions – large capital expenditures or major personell impacts -- should be raised to the Steering Committee for rapid resolution. The longer decion-making takes, the greater the chance of losing implementation momentum.
- Staggered implementation – To build momentum, achieve “Quick Wins,” publicize them and congratulate the successful teams.
- Simplify tracking and reporting – Develop and install a streamlined implementation tracking “dashboard,” including one-page summaries for each task force and for the overall program.
- Apply implementation learning to future planning and on-going execution – Continuous customer and employee feedback is essential to adapt implementation actions as needed.

The implementation infrastructure at “Petrochemical, Inc.” was managed using these agile principles. Cross-functional implementation coordination meetings were held weekly, which included the Program Management Team and the leader of each Task Force. The meeting agenda focused on four key items for each Task Force to report: progress made since the previous week, any obstacles encountered, cross-functional coordination needed and key decisions required from the Steering Committee. After each weekly meeting, any major decisions required to keep the execution process moving -- large capital expenditure, significant systems or operational changes -- were taken by the Program Management Team to the Steering Committee for rapid decision within 72 hours to either approve, disapprove or request modifications. At “Petrochemical, Inc.” the process went smoothly and one of the executives commented, “I thought this process was going to be much too cumbersome and administrative. But, because of all the cross-functional coordination requirements we’ve identified already, without the process we would already be off track and behind schedule.” As the agile process progressed, detailed implementation action plans were developed.

## **5. Develop implementation action plans**

Consistency of program management tools helps streamline the implementation process and maintain a focus on priorities, including on-going decision-making, customer and employee feedback and required implementation modifications. [9] An organization’s toolkit should include program-planning and coordination software, issues logs and budget tracking templates. While adjustments will inevitably need to be made

throughout implementation, using a shared set of program planning and management tools across teams to develop detailed implementation plans provides a visible roadmap to guide the direction of strategy execution. These plans include: key actions, timelines, budgets and accountabilities.

A number of effective project management tools and templates were in use at “Petrochemical, Inc.” However, the company’s application of those tools and templates was not uniform. So, a key role of the Program Management Team was to ensure the tools and templates were applied consistently by the Implementation Task Forces to develop their action plans.

From their past experience, the senior team of “Petrochemical, Inc.” had learned that culture can derail even the best managed initiatives. So, in addition to the agile management process and consistent program management approach, they needed a pragmatic method to align the organization’s culture with the strategic initiatives.

## **6. Align organizational culture with strategy**

The often-repeated phrase “Culture eats strategy for breakfast” is attributed to the late management guru Peter Drucker, who believed that organizational culture is the key determinant of success or failure for firms’ strategies. [10] To address this, an actionable culture-management model is essential.

Seventy-five years ago the eminent psychologist Kurt Lewin asserted that, “There is nothing more practical than a good theory,” [11] and two basic theories underlie the shaping of behavior – personality theory and behavioral theory. Personality theory suggests that the sources of a person’s behavior are characteristics of the person themselves – their values, beliefs and attitudes. [12] However, behavior theory is vastly more practical when applied to aligning organizational culture with strategy. Behavioral theory asserts that rather than being driven by a person’s attitudes and beliefs, individual behavior is driven by a person’s environment. [13] As illustrated in Exhibit 3, appropriately altering the firm’s internal environment can incentivize the desired workforce behaviors/organizational culture. [14] Several “cultural levers” are available to management to align the organization’s internal environment with strategy, including: staffing and selection, communication, training, goals and measures, rewards and recognition, decision-making and organizational structure. [15]. Exhibit 4 presents a Cultural Alignment Model, grounded in behavioral theory, comprised of twelve cultural levers that can be used to align organizational culture with strategy.

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Using the principles of behavioral theory, through the deliberate design of the various culture levers identified in Exhibit 4, management of “Petrochemical, Inc.” was able to effectively foster workforce behaviors that supported implementation of the five priority strategic initiatives, including improved teamwork across functions, enhanced customer service and better cross-cultural communications during international acquisitions. Initially during the cultural alignment process employees pushed back when key elements of their environment, such as goals, metrics, pay and rewards were altered. The senior team at “Petrochemical, Inc.” persevered when faced with resistance to required changes to the “cultural levers,” and once results began to materialize and early successes were communicated, employees embraced the new culture.

## **7. Build momentum and continually adjust**

Two key activities have a major impact on building and maintaining momentum for successful strategy execution – visible “quick wins” and continuous communication. Initially implementing quick win actions – those that can be put in place within 30 to 60 days of execution launch – demonstrates early progress. The quick wins should be closely followed by staggered implementation of medium (six to twelve months) and long-term (one year and beyond) actions. However, momentum from quick wins and on-going execution is only achieved by making implementation actions visible through continuous communication, via multiple channels to all stakeholders, including board members, customers and employees. [16]

As implementation begins and momentum builds, adjustments need to occur. No implementation goes exactly according to plan, and unforeseeable events – economic shifts, competitor actions and technology changes – will create the need for continual course corrections. [17] As a consequence, an agile program management approach is essential to address on-going implementation adjustments along “the climb” of strategy implementation.

“Petrochemical, Inc.’s” management took advantage of “quick wins” achieved – such as the early streamlining of processes, a small acquisition and consolidating fragmented customer service activities into one function – to build momentum for longer-term actions. Moreover, through the weekly progress updates and decision-making process, the company was able to continually adjust implementation actions, aligning them with inevitable market and economic shifts. “Petrochemical Inc.’s” strategy execution efforts were not without issues. However, as implementation progressed, management at “Petrochemical Inc.” grew confident that the carefully coordinated work of structured strategy execution was worth the effort. The entire execution process took place over five-years, with the measures used to track and report progress all showing positive impact across the four key areas of the balanced scorecard used by “Petrochemical, Inc.” – financial, customer, business process and organizational learning and development. [18]

## **Takeaway**

Organizations that are able to execute their strategies as a well-managed, integrated process improve the likelihood of realizing the full potential of their plans.

### **Structured execution is key to maximizing a strategy's full value**

A survey of senior executives from 197 companies worldwide, with sales exceeding \$500 million, found that companies typically lose well over a third (37 percent) of their strategies' potential value because of poor execution. [19] While another study involving interviews of over 130 executives found that 80 percent of leaders feel their company is good at crafting strategy but only 44 percent at its implementation, and only 2 percent are confident that they will achieve their strategic objectives. The same study found that only 10 percent of organizations achieve at least two-thirds of their strategic objectives, 36 percent achieve between 50 percent-67 percent, and 54 percent achieve less than 50 percent. [20]

### **Notes**

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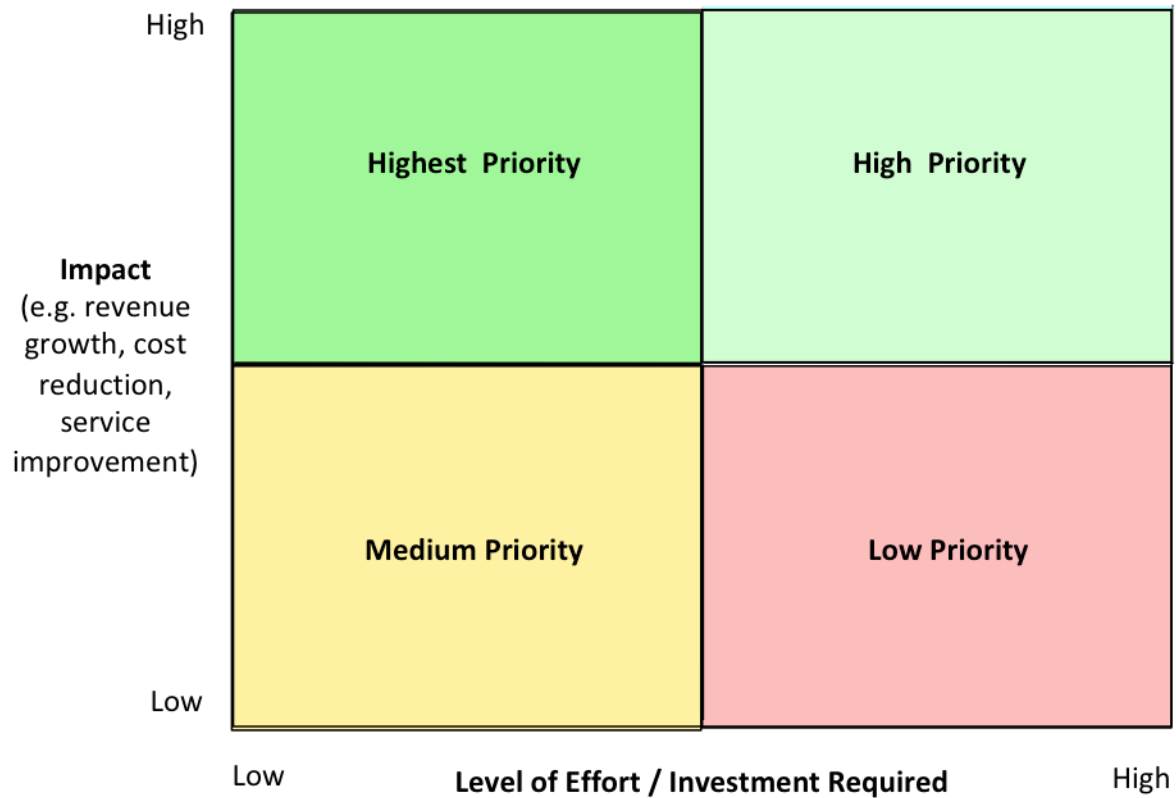
## Exhibit 1: Seven-step Strategy Execution Model



### Origins of the Strategy Execution Model

An early version of the Strategy Execution Model in Exhibit 1 originated some 30 years ago as a framework to improve strategy implementation at several UK firms. In the ensuing decades, following the principles of action-based research [3], the model has been applied and refined in numerous organizations across various industries and geographies.

**Exhibit 2: Strategic priorities map**



**Key:** Circle size indicates level of risk (service, operational, financial, reputational, etc.)



**Exhibit 3: Aligning organizational culture with strategy based on personality theory versus behavioral theory**

Personality Theory	Behavioral Theory
Aligning employee <u>attitudes and beliefs</u> , leads to aligning workforce behaviors/organizational culture with strategy.	Aligning the firm's <u>internal environment</u> , leads to aligning workforce behaviors/organizational culture with strategy.
<ul style="list-style-type: none"> <li>• Attitudes</li> </ul>	<ul style="list-style-type: none"> <li>• Environment</li> </ul>
<ul style="list-style-type: none"> <li>• Beliefs</li> </ul>	<ul style="list-style-type: none"> <li>• Processes</li> </ul>
<ul style="list-style-type: none"> <li>• Values</li> </ul>	<ul style="list-style-type: none"> <li>• Systems</li> </ul>
<ul style="list-style-type: none"> <li>• Shared meanings</li> </ul>	<ul style="list-style-type: none"> <li>• Actions</li> </ul>
<ul style="list-style-type: none"> <li>• Invisible</li> </ul>	<ul style="list-style-type: none"> <li>• Visible</li> </ul>
<ul style="list-style-type: none"> <li>• Difficult to manage</li> </ul>	<ul style="list-style-type: none"> <li>• Easier to manage</li> </ul>
<ul style="list-style-type: none"> <li>• Difficult to measure</li> </ul>	<ul style="list-style-type: none"> <li>• Easier to measure</li> </ul>

**Exhibit 4: Cultural Alignment Model – Twelve “cultural levers” to align organizational culture with strategy\***

<b>Cultural Levers</b>	<b>Current Focus and Design</b>	<b>Required Focus and Design</b>	<b>Redesign Actions (Short, Medium, Long-term)</b>
1. Staffing and Selection			
2. Communications			
3. Training			
4. Rules and Policies			
5. Goals and Measures			
6. Rewards and Recognition			
7. Decision-making			
8. Organization Structure			
9. Physical Environment			
10. Leadership Behaviors			
11. Customs and Norms			
12. Ceremonies and Events			

\*Alignment of organizational culture with strategy based on behavioral theory – Aligning the firm’s internal environment, leads to aligning workforce behaviors/organizational culture with strategy.