The strategist's view needs to extend beyond planning to execution

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JOURNAL: Strategy & Leadership (accepted 4 May 2023)

DOI: 10.1108/SL-04-2023-0038

KEY WORDS: Strategy, Strategy Execution, Strategy Implementation, Strategic Planning

ABSTRACT

The best strategy is the one you can implement. No matter how brilliant or elegant a strategy is, it is worthless until effectively implemented. Research has found that poor execution often significantly diminishes the value management project from their strategic initiatives. Although the value of effective strategy execution has been well documented for over five-decades in academic and management practice literature, new research has found that most strategists are still short-sighted, viewing strategy as primarily planning with a limited focus on implementation. As evidence, Part One of this article summarizes the findings of the *Oxford Strategy Insights Project* that point to a serious execution problem. In support of its remediation, Part Two identifies a number of the best practices for managing strategy execution.

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The best strategy is the one you can implement. No matter how brilliant or elegant a strategy is, it is worthless until effectively implemented. John Trani, the former head of GE’s medical systems business asserted “At best the [strategic] plan is 20 percent of the game. Execution is 80 percent of it.” [1]

Supporting Trani’s prophetic comment, subsequent research has found that poor execution often significantly diminishes the value management project from their strategic initiatives. For example, 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. [2] 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 of organizational leaders are confident they will achieve most of their strategic objectives. [3]

Although the value of effective strategy execution has been well documented for over five-decades in academic and management practice literature [4], new research has found that most strategists are still short-sighted, viewing strategy as primarily planning with a limited focus on implementation. As evidence, Part One of this article summarizes the findings of the *Oxford Strategy Insights Project* that point to a serious execution problem. In support of its remediation, Part Two identifies a number of the best practices of managing strategy execution.

Part One: *The Oxford Strategy Insights Project*

The *Oxford Strategy Insights Project* was designed to assess the current approaches, aims and focus of strategists across industries and geographies. The project received input from 167 executives and managers across twenty-six industries, spanning over thirty countries, regarding their firm’s strategy process.

Profile of the respondents

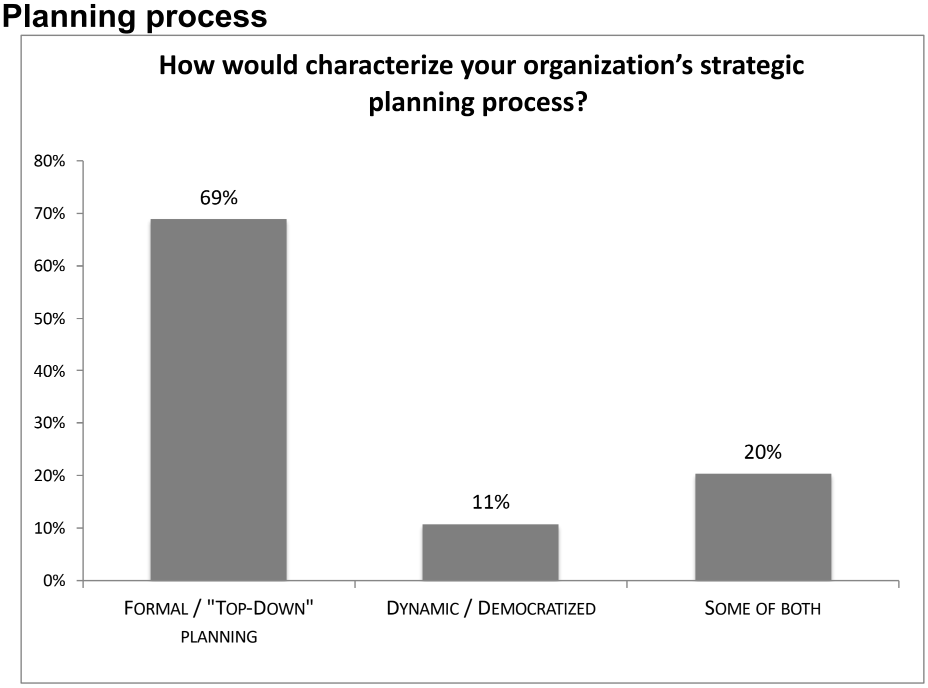
Senior executives. The 167 respondents represented seven different title categories. Most respondents (27%) identified themselves as Senior Manager or Manager, followed by Executive Vice President (VP), Senior VP or VP (23%), "Other C-Suite" executives holding such titles as Chief Information Officer, Chief Financial Officer, Chief Operating Officer (17%), Consultant (12%), Analyst (10%), Chief Executive Officer (CEO) or Managing Director (MD) (8%) and Board Member (4%).

Multiple Industries. Twenty-six different industries are represented, with seven of the twenty-six industries comprising over half (58%) of the industries in the study: banking (commercial and retail) (12%), technology (software, hardware, services) (11%), financial services (10%), consulting (7%), energy (6%), pharmaceuticals (6%) and insurance (5%).

Traditional strategic planning still dominates

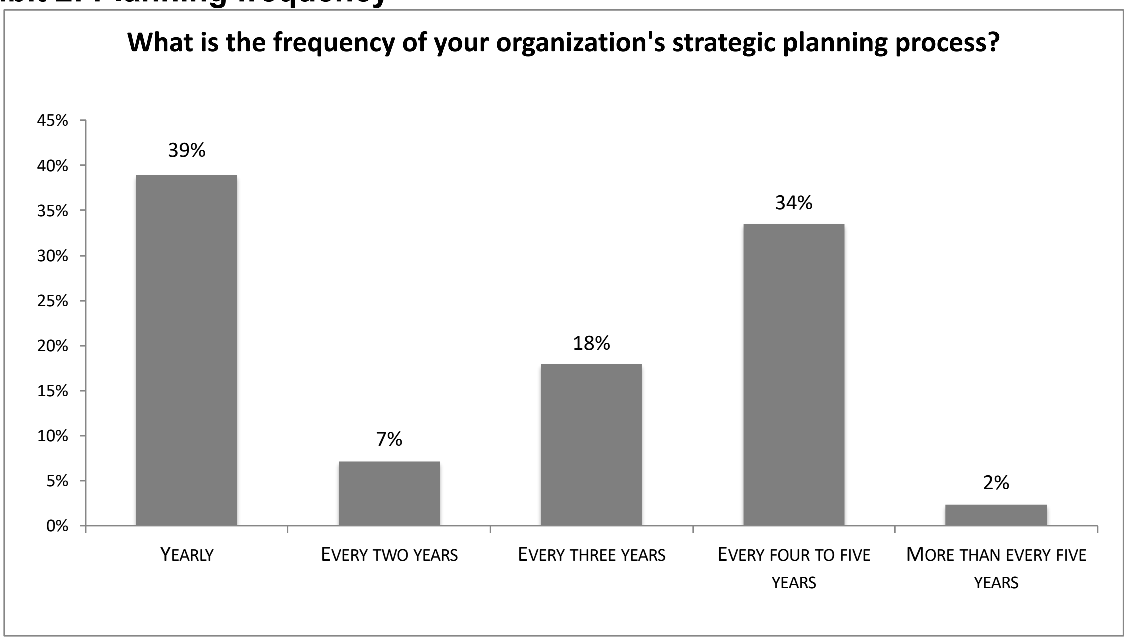
Planning process. Although a collaborative approach to strategic planning, involving at least some representatives of middle management and front-line employees, has been found to promote more effective strategy implementation [5], traditional, "top-down" planning is still by far the most prevalent approach. When asked "How would characterize your organization's strategic planning process?" over two-thirds of respondents (69%) indicated "formal/top-down planning," with only eleven percent of firms employing a "dynamic/democratized" approach and twenty percent using both "formal/top down and dynamic/democratized" (see Exhibit 1).

Exhibit 1: Planning process



Planning frequency. Firms appear to use short-term planning cycles as much as long-term cycles when asked "What is the frequency of your organization's strategic planning process?" On the short-term end of the spectrum almost half (46%) of respondents indicated that their firm's strategic planning cycle is either "yearly" (39%) or "every two years" (7%). On the longer-term side, over a third (36%) indicated either "every four to five years" (34%) or "more than every five years" (2%), with eighteen percent indicating "every three years" (see Exhibit 2). The strategic planning cycle length is typically a function of a firm's industry. Those firms in more "accelerated" industries (technology) typically have shorter planning cycles, and firms in more "stable" (oil and gas) industries have longer planning cycles.

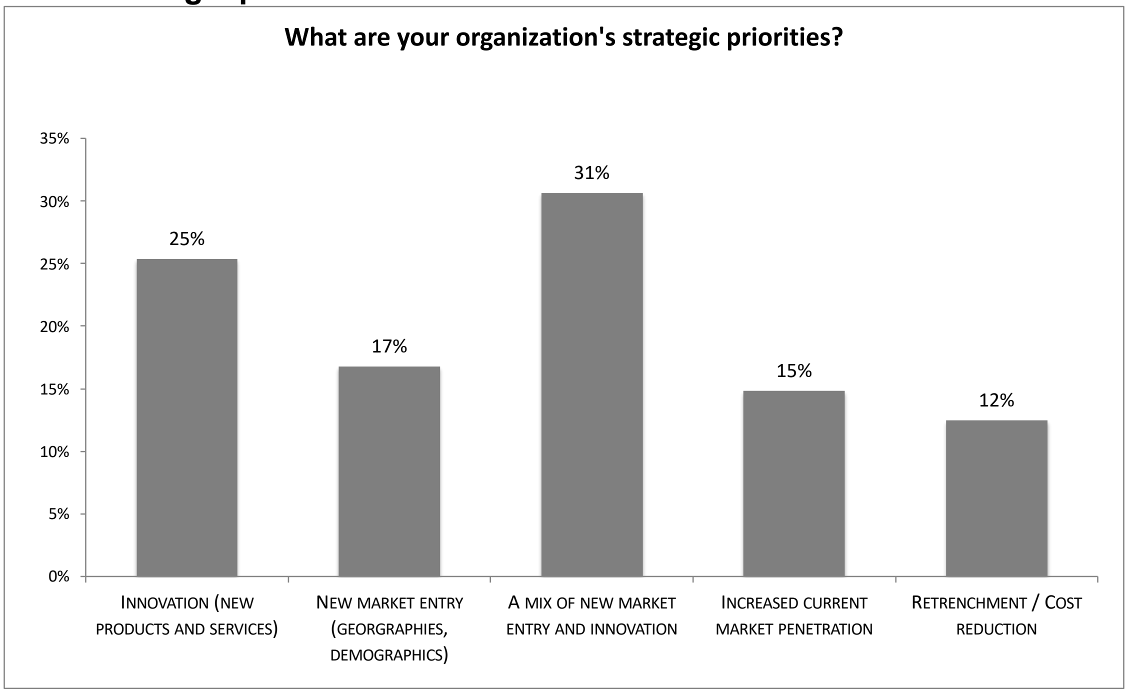
Exhibit 2: Planning frequency



Entering new markets and innovation are strategic priorities

Most companies plan to grow through a combination of entering new markets -- geographies and demographics -- and through innovation, by offering new products and services. When asked "What are your organization's strategic priorities?" About a third of respondents (31%) indicated "a mix of new market entry and innovation," followed by "innovation (new products and services)" (25%), "new market entry (geographies, demographics)" (17%), "increased current market penetration" (15%) and "retrenchment/cost reduction" (12%) (see Exhibit 3).

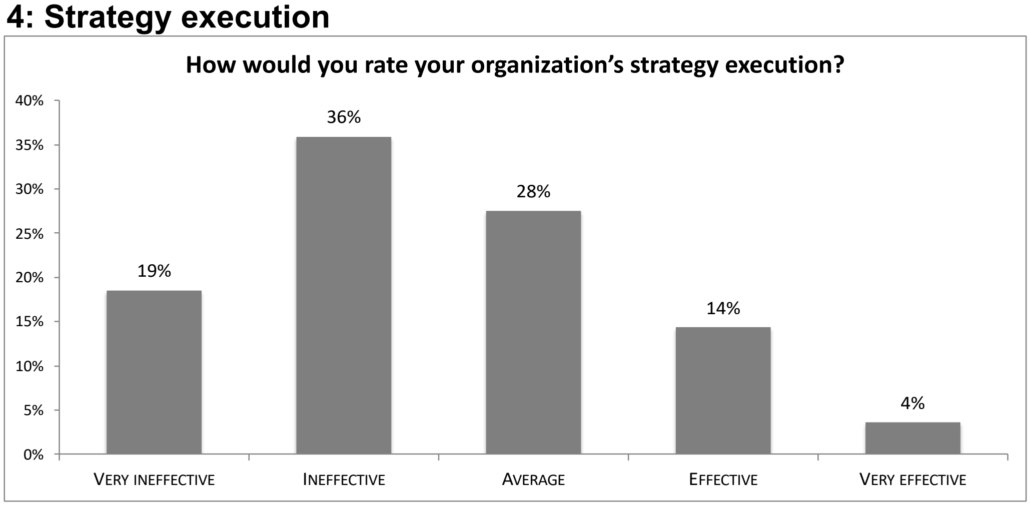
Exhibit 3: Strategic priorities



Execution is the biggest gap

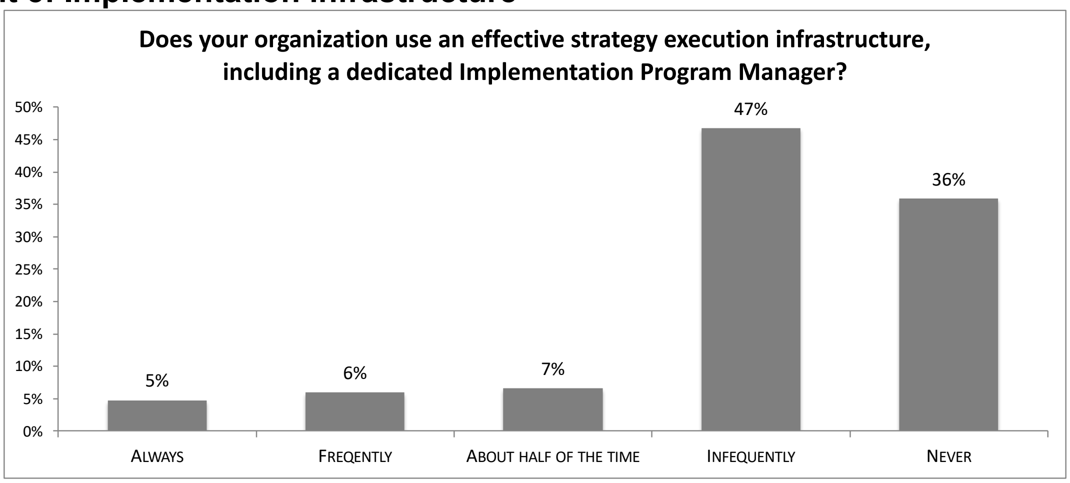
Effective execution is severely lacking. As planning entails forecasting and setting targets for future value creation while implementation is where value creation occurs, it is concerning that the biggest gap in the strategy process is in execution. When asked "How would you rate your organization's strategy execution?" a vast majority of respondents (83%) indicated "very ineffective" (19%), "ineffective" (36%) or average (28%), with only eighteen percent of respondents indicating "effective" (14%) or "very effective" (4%) (see Exhibit 4).

Exhibit 4: Strategy execution



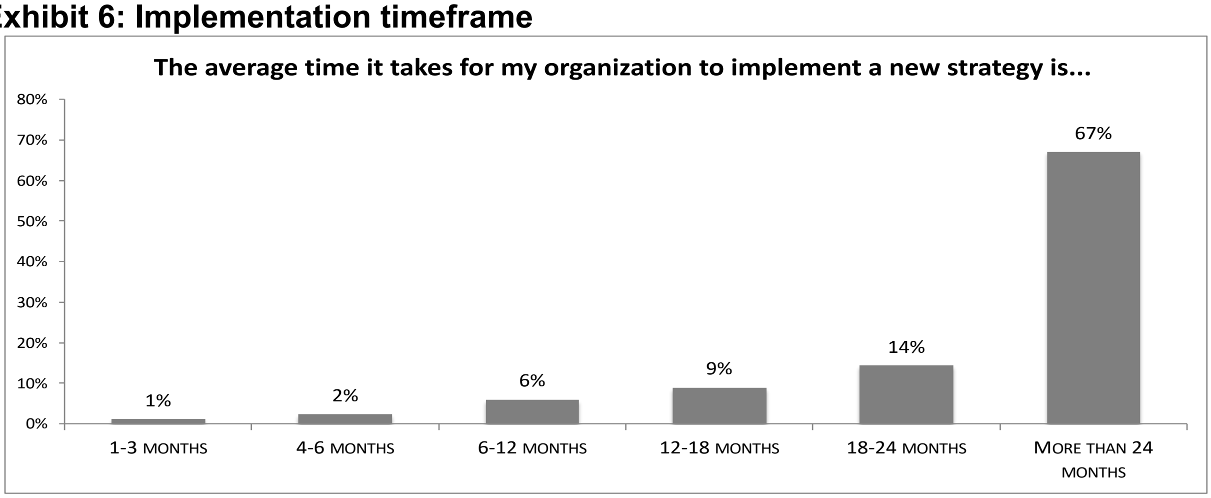
Little use of an implementation infrastructure. A best practice of effective strategy execution efforts, which are most often cross-functional undertakings, is to establish an implementation management infrastructure including a Program Manager who manages and coordinates the implementation effort. [6] However, when asked "Does your organization use an effective strategy execution infrastructure, including a dedicated Implementation Program Manager?" most respondents (83%) indicated "infrequently" (47%) or "never" (36%), with just seventeen percent of respondents indicating "always" (5%), "frequently" (6%) and "about half the time" (7%) (see Exhibit 5).

Exhibit 5: Implementation infrastructure



Time is not of the essence. Firms should strive to accelerate their strategy execution efforts to dimmish the inevitable productivity drop organizations experience during strategic transformation efforts. [7] Yet, when asked to respond to the question "The average time it takes for my organization to implement a new strategy is..." over two-thirds of respondents (67%) indicated "more than 24 months," with the remaining thirty-three percent indicating a timeframe less than 24 months (see Exhibit 6).

Exhibit 6: Implementation timeframe



Measurement is the bright spot

A key component of many firms' strategy process is measurement, which has been found to facilitate effective strategy implementation. [8] When asked "How would you rate your organization's strategic measurement and reporting?" almost half of respondents (46%) indicated "effective" (30%) or "very effective" (16%), with just under a third (32%) indicating "very ineffective" (13%) or "ineffective" (19%) (see Exhibit 7). However, it is unclear whether respondents were considering both main categories of strategic measurement: process measures -- progress against key implementation milestones such as tasks, budgets and timelines -- and outcome measures -- achievement of projected strategic benefits including financial, customer, business process and organizational learning.

Exhibit 7 Strategic measurement

Implications for strategists

The *Oxford Strategy Insights Project* found that traditional, "top-down" planning is by far the most prevalent approach, with firms using as much short-term planning cycles (yearly) as long-term cycles (every four to five years). Most companies plan to grow through a combination of entering new markets -- geographies and demographics -- and through innovation -- offering new products and services. However, strategic growth priorities will likely change if economies around the globe go into recession. making retrenchment and cost reduction a primary focus for many firms.

Implementation needs to be managed, coordinated and accelerated

The biggest need highlighted by the *Oxford Strategy Insights Project* is effective strategy execution. An overwhelming majority of respondents indicated that their organization's strategy execution efforts are ineffective and slow, with accelerated implementation being the exception rather than the norm. Comments by respondents support these findings, with one respondent commenting, “The biggest area for improvement in our strategy process by far is execution,” and another declaring, “Strategy is nothing without implementation, that is where we are lacking the most.” In line with these findings, few firms appear to be applying the best practice of establishing an implementation management infrastructure including a “Program/Transformation Manager” tasked to manage and coordinate the firm’s strategy implementation efforts.

The one positive element related to strategy execution is that most firms seem to have an effective strategic measurement and reporting process, which helps facilitate effective strategy implementation.

Part Two: Managing strategy execution -- an overview of the best practices

Prioritize. Before implementation can be effective, strategy execution needs identify management priorities. Most strategic plans are comprised of numerous initiatives. [9] But because of resource limitations – people, time and capital – most organizations 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 broad set of initiatives. [10] Therefore, management must target the few highest priority initiatives and identify any others that need to be abandoned or deferred. A “Strategic Priorities Map” can be used to rank a list of potential strategies based on three dimensions: impact -- financial, market share, customer-- the level of effort and/or investment required and potential risk -- service, operational, financial or reputational risk.

Coordinate. Most strategic initiatives are cross-functional -- new market entry, launching new product or services. Often, however, organizations are plagued by information and coordination obstacles between functional “silos” that slow down and bring many strategic initiatives to a stop. As a rule, the larger a firm becomes, the more formidable the obstacles to strategy execution. [11] To overcome the roablocks, a “strategy implmentation infrastructure” can facilitate speedy coordination across silos. A typical implementation infrastructure consists of three core entities:

- Steering Committee – A team of executives who provide sponsorship, iimplementation 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.

Plan. To promote planning “strategy execution,” an organization’s strategy execution toolkit should include program-planning and coordination software, issues logs and budget tracking templates. Using a shared set of program planning and management tools across teams to develop detailed implementation plans provides a graphic roadmap to guide the direction of strategy execution. [12] Detailed implementation plans include key activities, timelines, budgets and accountabilities. Implementation planning and management tools help to:

- Streamline the strategy implementation process.
- Maintain a focus on implementation priorities.
- Accelerate on-going implementation decision-making.
- Gather customer and employee feedback about implementation progress.
- Facilitate required implementation modifications.

Adjust. Unforeseeable events – economic shifts, competitor actions and technology changes – will create the need for continual adjustments to the execution plan. An “agile implementation management” process, which includes on-going coordination between teams, issues identification and decision making, facilitates regular course corrections. [13] 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 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 maintain implementation progress.

Align. The often-repeated phrase “Culture eats strategy for breakfast” is attributed to the late management guru Peter Drucker, who recognized organizational culture as the key determinant of success or failure for firms’ strategies. [14] To address this, an actionable culture-management model is essential. Several “cultural levers” are available to management to align the organization’s internal environment and resulting workforce behaviors with desired strategies, including staffing and selection, communication, training, goals and measures, rewards and recognition, decision-making and organizational structure, the physical environment and ceremonies and events. [15].

Build. Once strategy execution begins, building and maintaining implementation momentum ensures that chosen strategies “stick.” Two key activities have a major impact on building and maintaining momentum – 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 progress and achieving results, [16] and making them visible through continuous communication, via multiple channels to all stakeholders, including board members, customers and employees. [17]

Takeaway
Organizations that can execute their strategies increase the likelihood of achieving projected results. However, the main finding of the *Oxford Strategy Insights Project* is that effective strategy execution is severely lacking across many firms. Strategists need to become more foresighted, with a much greater focus on implementation. Leaders who can execute their chosen strategies as a well-managed, coordinated process improve the likelihood of realizing the full potential of their strategic plans.

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