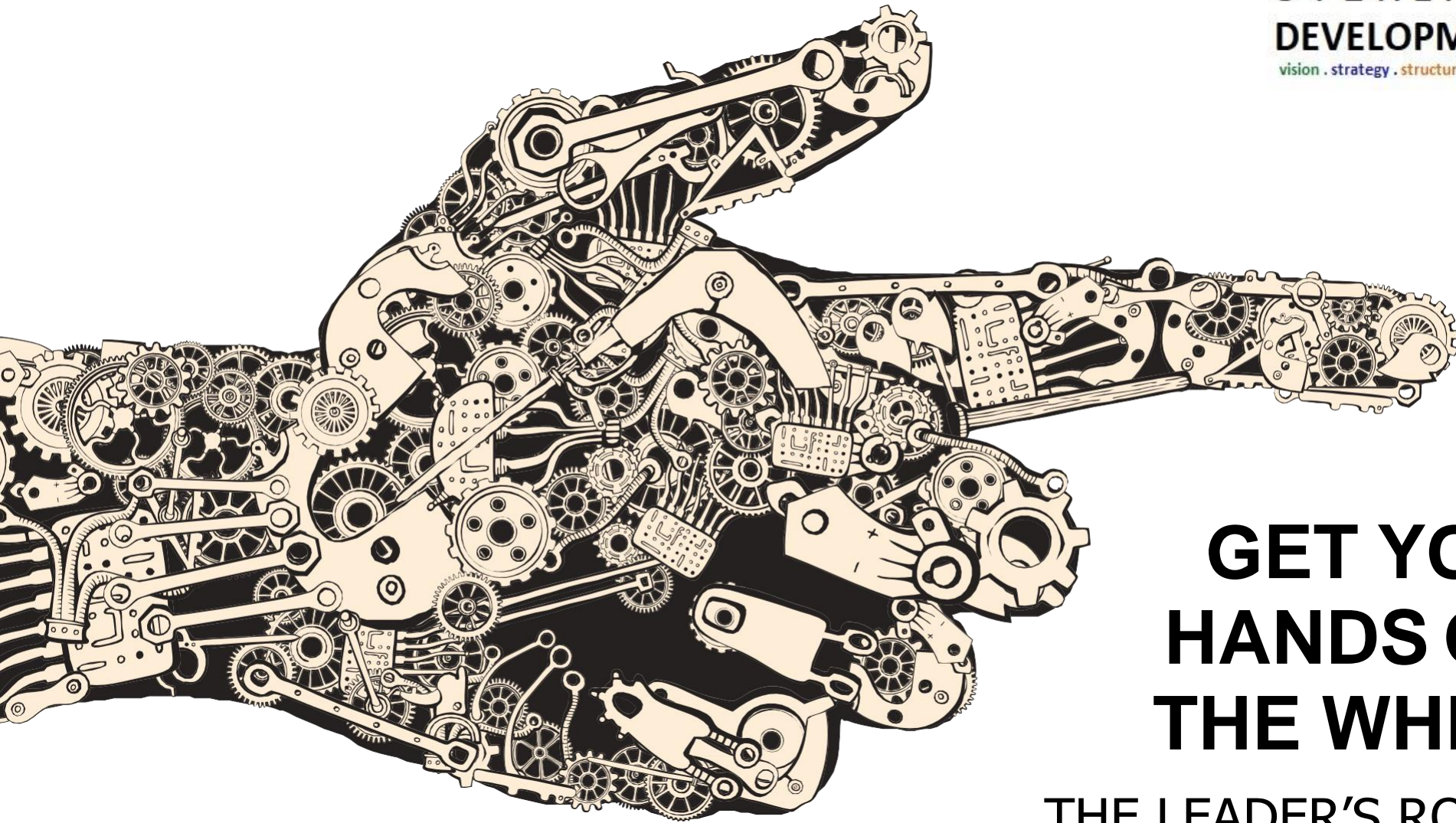


STERLING
DEVELOPMENT
vision . strategy . structure . culture



GET YOUR HANDS OFF THE WHEEL

THE LEADER'S ROLE IN
STRATEGY EXECUTION

GET YOUR HANDS OFF THE WHEEL

THE LEADER'S ROLE IN STRATEGY EXECUTION

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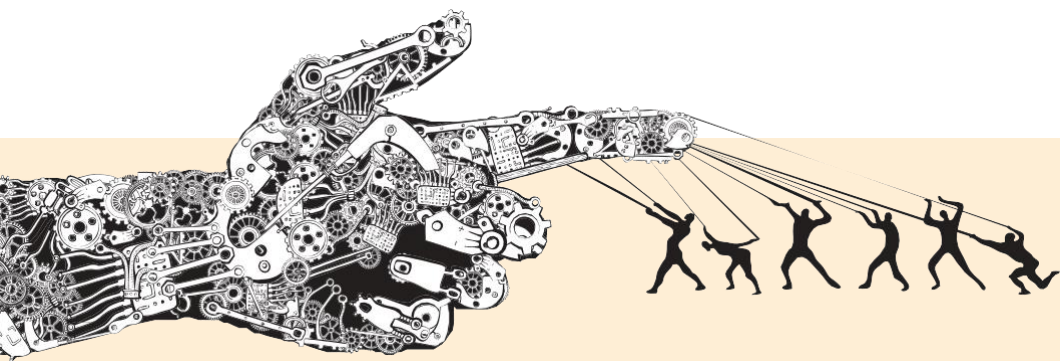
**DIALOGUE FOR PERFORMANCE – HOW LEADERS CAN INFLUENCE
STRATEGY EXECUTION 02**

**MEASURING, MONITORING, MOVING –
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INTRODUCTION



We are not here to talk about strategy formation. You won't find advice about having productive brainstorming sessions on these pages.

This month we will explore how leaders can create company-wide collaboration and influence it towards executing effective strategies from the front line to the boardroom.

When we talk about strategy and execution, we talk about the leader as steering a ship. This is the wrong analogy. On a ship, the person steering is a helmsman – we need to talk about how to be a captain.

The captain will persuade, cajole and inspire all those around them. Working with the chef to ensure that crew are well fed, the captain will liaise with the quartermaster to ensure that stocks are plentiful and, of course, give impassioned speeches about capturing white whales.

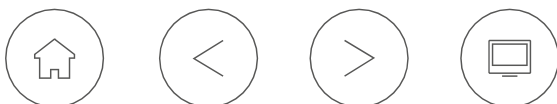


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DIALOGUE FOR PERFORMANCE – HOW LEADERS CAN INFLUENCE STRATEGY EXECUTION

Communication that leads to understanding and action towards a defined strategic goal is the primary role of a leader during the execution process.

This may seem self-evident, but it is often the area where leaders and strategies fail.

Over-complicated messaging is common. When cascading a strategy throughout an organisation, the default mode of many management teams try and cover all angles, using business speak to cloak real meanings. Real communication means understanding, and if your strategy is not understood throughout your organisation then it will fail.

What then are the methods that leaders can use to successfully communicate their strategy?



Only 14% of employees understand their company's strategy and direction

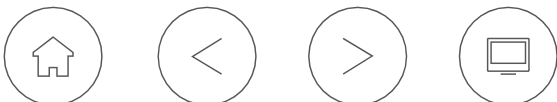
- William Schiemann, Performance Management: Putting Research into Action

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1.1 Strategies are simple. Seriously, keep them simple.

Leaders can sometimes seem to be speaking a different language. As experience grows, so do the accompanying acronyms and opaque corporate speak.

This can lead to strategies full of talk of 'pillars', 'silos' and 'key growth elements'. If your employees don't understand the strategy, they will not be able to execute it.

Leaders must define the parameters their employees can work within, allowing them freedom and flexibility within a clear structure to execute it. The best strategies can be summed up in a single sentence, much like a mission statement, from which everything can cascade from.

A 2015 survey of more than **400 global CEOs** found that **executional excellence was the number one challenge facing corporations**, ahead of innovation, geopolitical instability and top-line growth.

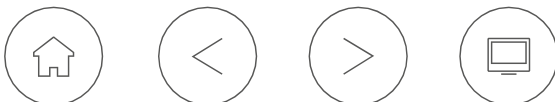
–Why Strategy Execution Unravels – and What to Do About It, 2015

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1.1 Strategies are simple. Seriously, keep them simple (cont.)

To go back to the helmsman analogy. They might shift the wheel slightly to port or starboard based on waves and wind, but because their captain has given them the general direction to go, they will always get back on course.

An excellent example of how a simple, clearly defined and communicated strategy can give a company purpose comes from one of Britain's most iconic companies – Hornby.

An iconic manufacturer of train sets and Scalextric, Hornby had been in decline for a sustained period (and was on the edge of bankruptcy at the turn of the century) until a new CEO, Frank Martin, came in and turned the company around based on a simple strategy – **to make perfect scale models (not toys) for adult collectors (not children) that appealed to their sense of nostalgia.**

This strategy gave Hornby a purpose, and it was clearly understood right through the organisation from manufacturing to marketing. In just five years, the share price went from £35 to £250.

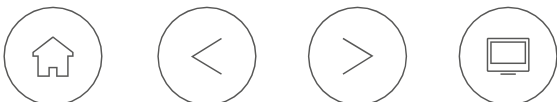
Unfortunately, Hornby has abandoned this strategy over recent years resulting in numerous profit warnings and dire predictions for its future.

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1.2 Influencing People: The Magic Question

Zoe Chance, Yale Professor of Management proposed a simple tactic for leaders (and others) to create buy-in for their challenges in the people around them. It is to ask the question ...

'What would it take?'

The reality is that the leader's role in strategy execution is to create buy-in for change, empower people to carry out the strategy, and influence the process at it shapes and re-shapes. The magic question is a method of bringing someone on board willingly and getting them to think strategically about your (now shared) challenge.

It matches with the simple strategy approach of having guiding principles for people to follow. For example, if you are a food company and a guiding strategy was 'we want to bring the freshest ingredients to our customers in the quickest time possible', you can ask your transport operators 'what would it take to do that?'

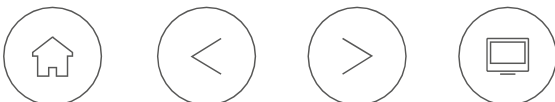
They would understand the challenge, why the challenge exists and what their role in carrying out the strategy would be. What's more, they would reach that understanding themselves and not through the information being repeated at another company-wide meeting.

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1.3 Empowering Your Employees

When hundreds of companies were asked by a group of researchers how strategy was executed in their firms, there was a remarkable degree in which their answers matched up – they aligned activities to strategies up and down the chain of command. In their minds, strategy equalled alignment.

However, altering the structure of a company to fit the strategy is only one part of a successful strategy execution. In reality, execution is the result of thousands of independent individuals making thousands of independent decisions based on the information they have (or been given) and their own self-interest.

For leaders then, it is vital to 1) make sure that the right people in their organisation are empowered to make decisions, and that the company knows who's responsible for making those decisions and 2) make sure the information flows correctly throughout the organisation, allowing for management to make informed strategic decisions and to ensure collaboration across departments.

We can categorise these two goals into 'Decision Rights' and 'Information Flow' (Source, The Secrets to Successful Strategy Execution, 2008).

Those who know WHAT they do tend to work harder.

Those who know WHY tend to work smarter.

- Simon Sinek

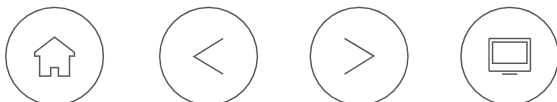


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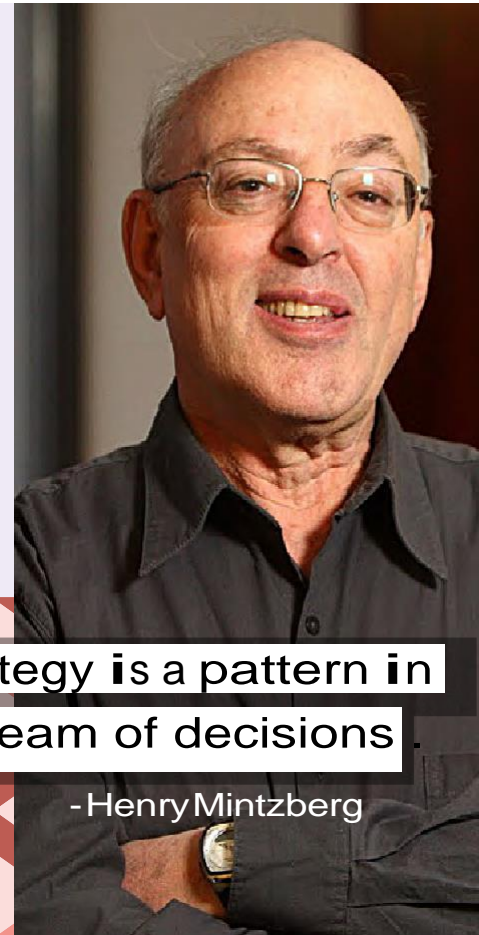
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1.3.1 Decision Rights

In the typical start-up or SME, communication flows freely. In an open-plan office, people will often directly see what is happening in other departments, the conversations going into major decisions, and it will be clear who is deciding what. In multinationals this is rarely the case beyond one's own department, and the layers of complexity can soon create an environment where competing and conflicting decisions are being made by managers at all levels.

This can lead to a situation where no one feels responsible for results below the CEO level. Managers may try to have total control over operational functions and not delegate non-strategic tasks correctly, decisions are routinely overridden at different stages of the command chain, and employees at all levels are generally left adrift from a central mooring.



Strategy is a pattern in
a stream of decisions

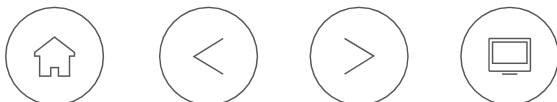
- Henry Mintzberg

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1.3.1 Decision Rights (cont.)

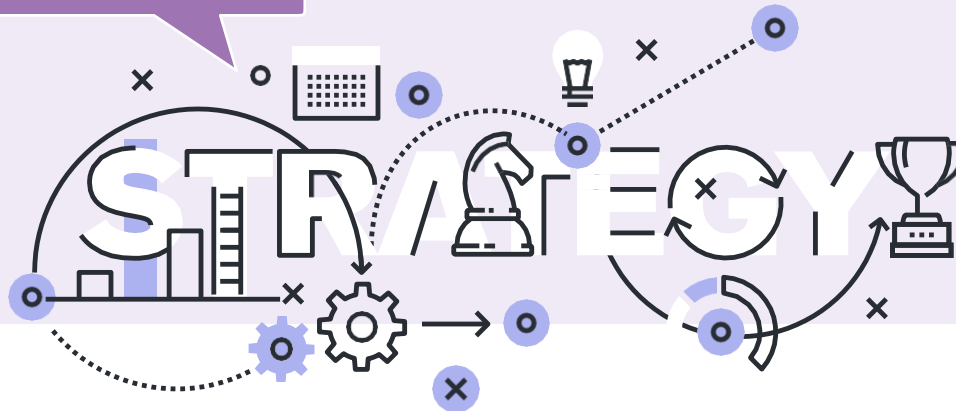
In a survey of thousands of organisations around the area of strategy execution, 71% of individuals agreed with the statement 'everyone has a good idea of the decision and actions for which they are responsible' for those companies that were strong on execution versus 32% agreement in organisations with weak execution.

How would your employees respond to the same query?

Decision rights are important because creating clear roles and responsibilities for managers, along with corresponding risks and rewards, will empower them to not routinely pass the buck or search for approval where it is not required.

Returning to the simple strategy philosophy, it's your role to give them guiding rules by which to follow, not stand behind them at every decision.

How can a leader unpack this complexity?
How would they even know if it has gone wrong?

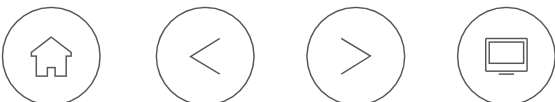


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1.3.2 Information Flow

Information flow is heavily related to decision rights in that it both informs management of where the rights to a decision should reside, but also ensures that they (and other relevant stakeholders) get the right information to adjust strategies based on real-world facts.

Information flow is heavily related to decision rights in that it both informs management of where the rights to a decision should reside, but also ensures that they (and other relevant stakeholders) get the right information to adjust strategies based on real-world facts.

This is particularly crucial for multinational operations while strategies are being executed.

If a central multinational HQ is not being fed the right information by its regional operations during the execution process, any reformulations that flow out of HQ will not be based on market realities.

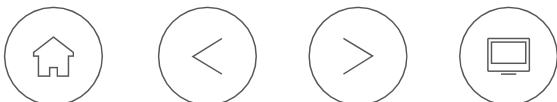
The question then is, how do leaders ensure that information is flowing correctly throughout their organisation?

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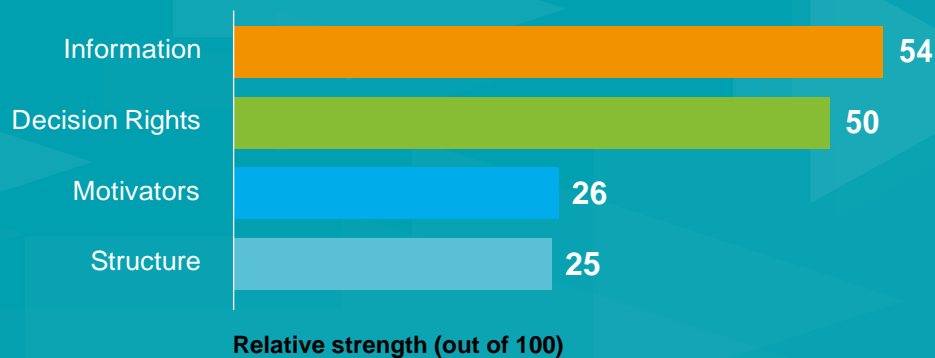
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1.3.2 Information Flow (cont.)

The answer, as is so often the case, is so simple that it is almost invisible. You listen.

What Matters Most to Strategy Execution



(Source: The Secrets to Successful Strategy Execution, 2008)

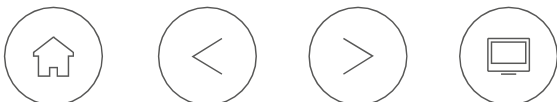
A real challenge for senior leaders is to get unvarnished, truthful information from the front line of their business. As information moves up the command chain it can become more and more whitewashed, stripped of any real meaning. It's often why management can come up against the hurdle of everyone internally telling them that everything is great, but the numbers do not match the story.

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1.3.3 Information Flow – Getting the Facts



Collaborate with the Front Line

Tensions within an organisation while executing strategy will appear most prominently on the front line of the organisation. It is incumbent on leaders to communicate regularly with all areas of the organisation, and this should be part of a formalised process to ensure recurring touchpoints. Simple strategies, like regularly having lunch with employees and spreading the leadership team amongst employees during company meetings, are effective in achieving this.



Give the Facts to Everyone

Secondly, leaders should arm decision-makers with the facts. For example, setting parameters for salespeople on how they can customise deals, and giving them clear indications of the financial impacts of those deals. This should then be extended to empowering them to make those decisions independently and collaborate across departments more effectively.



Communication, Collaboration, Communication

Finally, communication should not just go up and down – it should go laterally too. Having cross-department meetings and projects will help information flow, inform decision-makers of the impacts of their decisions, and create the trust needed for further collaboration.

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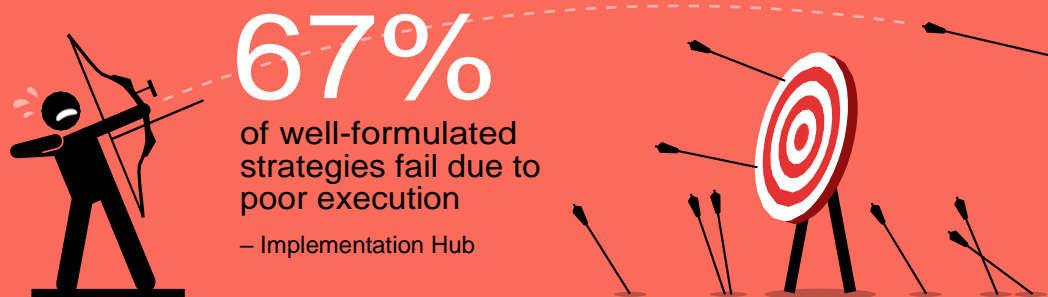
1.4 Creating the Right Amount of Tension

The 'Yerkes-Dodson Law' examines the relationship between stress and individual performance and shows that stress increases performance up to a certain point and decreases beyond that point. Similarly, strategic stress can improve your overall company performance, but only up to a point.

An organisation needs the same type of tension.

Structuring your company to allow for this strategic stress means that problems will be seen quicker, information will flow to you quicker, and decisions can be made with a greater degree of flexibility.

For the CEO, what level of strategic stress should your organisation have to execute strategies effectively and improve overall performance?

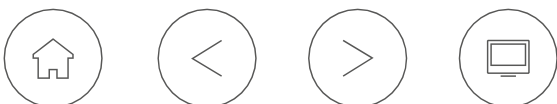


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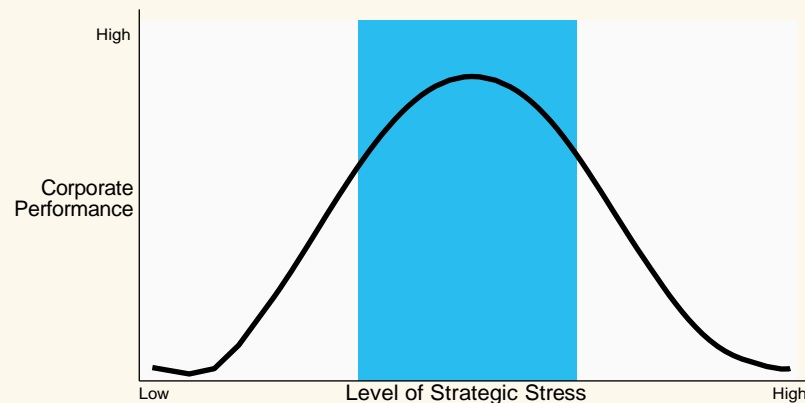


1.5 The Strategic Stress Sweet Spot

Strategic stress can be broken into three zones – 1) Strategic Boredom, 2) Strategic Burnout and 3) the Strategic Sweet Spot.

The Strategic Stress Sweet Spot

Finding it requires challenging your strategy moderately and achieving the right balance of projects and the people to manage them.



(Source: Pederson and Ritter, Great Corporate Strategies Thrive on the Right Amount of Tension, HBR, 2017)

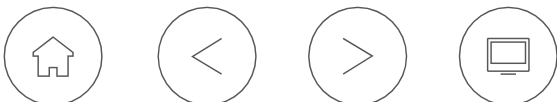
At an individual level, we know this instinctively by how we react to deadlines: realistic and they are a motivating factor, unrealistic and they are detrimental to performance. But how do organisations react on a macroscale, and how can you categorise your own organisation's current 'stress levels'?

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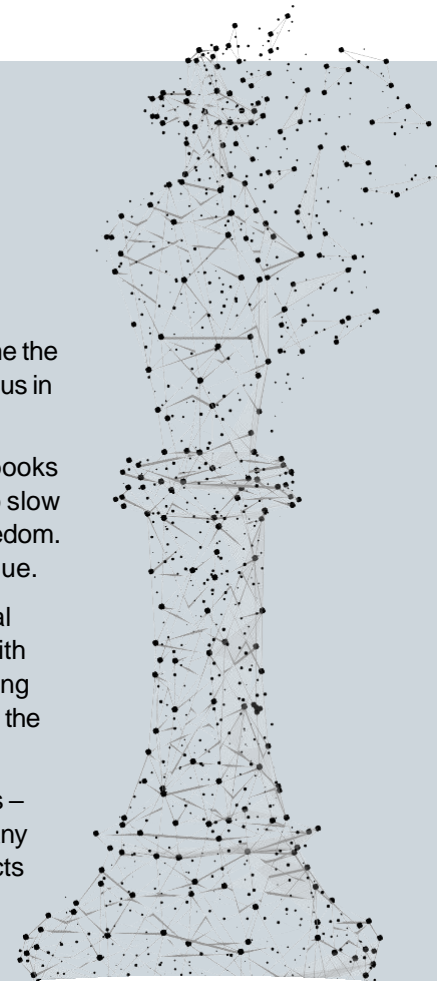
Recognising the Wrong Kind of Strategic Stress

- > **Strategic boredom** occurs in organisations where strategy execution aligns perfectly with strategic plans. It often occurs in industries where ‘we’ve always done it this way’ has become the norm. When this happens, the organisation drifts into complacency, and is particularly insidious in large multinationals where responsibility for success can seem diffuse beyond the CEO.

For example, the digitisation of so many of our entertainment products – movies, music, books – has seen established players brutally thrown out of new markets because they were too slow to react to emerging threats. Success led to complacency which resulted in strategic boredom. At the time of writing, Netflix has surpassed both Disney and Comcast in stock market value.

- > **Strategic burnout** happens when strategy execution moves too far away from the initial strategy. Throughout their career, leaders have seen when strategies get out of hand, with department heads implementing their own agendas autonomously, unrealistic plans being made with no relation to budgets or resources, and strategies and plans spawning across the organisation with no central mission or guiding principles.

Lego is a prime example here. The company began expanding into multiple product areas – such as theme parks – and overly complex projects which pushed the company in too many different directions. It was only by a strategic turnaround of eliminating unnecessary projects and re-focusing on their core business that Lego bounced back.

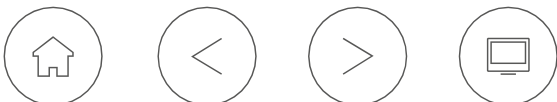


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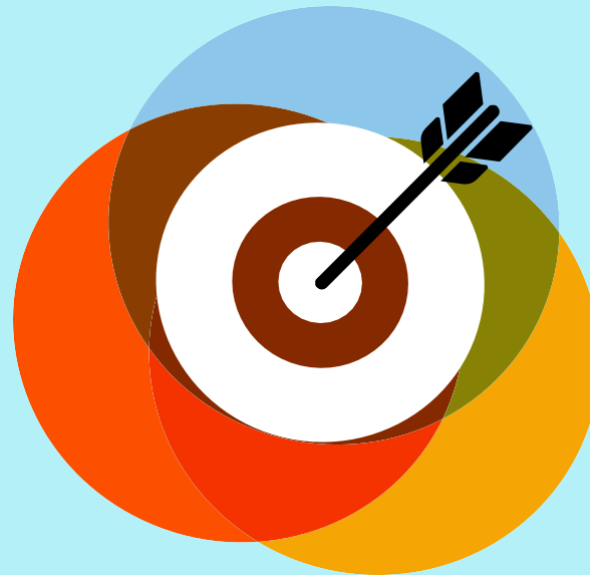
The Sweet Spot

Simply put, **Strategic Sweet Spots** happen when organisations have the right amount of anarchy.

When execution differs from the original plan, it may be an indication that you've hit the sweet spot. It often occurs because individuals within the organisation spot issues, communicate it to management, get further directions, implement again, and this feedback loop continues.

In other words, they don't wait for approval, they act independently based on guidance already given to them.

Leaders can control this anarchy by implementing, and continually communicating, an overarching strategic mission. Through their communication, they've empowered people to make executive decisions in line with the overall strategy and have engendered enough trust so that both parties can communicate the facts to each other without sugar-coating it to soothe egos.

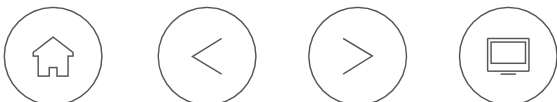


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MEASURING AND MONITORING – GETTING THE FACTS, AND CHANGING THEM

Execution is an ongoing, constantly evolving, process. It will be incredibly rare (if not impossible) to have a perfect flowchart of actions on how to execute a strategy. Thus, it is up to leaders to give a roadmap of rules for employees to follow, allow them to change the strategy within that roadmap, and be made aware of the challenges in their true light and in enough time to act upon them.

Often, the most difficult thing a leader must do is say ‘no’ in order to curtail a project with a great deal of enthusiasm behind it, and where a lot of work that has gone into it.

To do this, you must have a) a logical process to spot where this is necessary and b) a method of justifying the decision to all stakeholders.

We’ve talked about good communications in strategy execution, but what should leaders be considering when they come up against these challenging facts? And, beyond just considering the challenge, what should they do about it?

High-performing
teams spend

20%

more time (compared to low-performing teams) defining strategy, i.e. translating a high-level vision into clear actionable goals



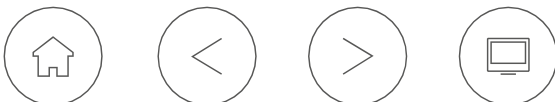
– How the Most Successful Teams Bridge the Strategy-Execution Gap, 2017

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2.1 Create Collaborative Teams

One way to ensure correct information flow is to ‘democratise’ the information. By creating collaborative teams across departments, information won’t be as jealously guarded.

It is incumbent on the leader to create an atmosphere of openness and experimentation, engendering team leaders with the confidence to question the prevailing wisdom and challenge results.

Collaboration also leads to more innovative thinking, bringing diverse voices into the room. This is particularly key for company-wide strategy execution. For example, having the finance teamwork with the sales team can allow for better customisation of deals while a new product or service is being tested and launched.

The danger, of course, is collaborative overload, where responsibility and accountability have been lost, high-performing individuals become too stretched out as they are ‘poached’ by other collaborators, and information leaks outwards rather than getting to the decision-makers.

**30% of
managers**

cite failure to coordinate across units as their greatest challenge to executing their company’s strategy



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MEASURING AND MONITORING – GETTING THE FACTS, AND CHANGING THEM

2.2 Treat strategies like bets you can ‘cash out’ of

One of the challenges with strategies is the plan itself. Often written in consultation with senior leadership teams and boards, they can be seen by middle-managers as tablets of stone that cannot be deviated upon.

Beyond the communication problems you will have (discussed elsewhere), this will lead to inflexible execution that doesn't react to marketplace realities. Even worse, it may mean that the managers responsible on the front line will fudge reports on what is actually happening to fit into the original plan. Leaders need to engender a spirit of experimentation and realism within their organisation to ensure that this doesn't happen. This will include rewarding people even when strategies fail.

Alphabet has been incredibly successful in using this strategy. CEO Larry Page has been quick in dropping unsuccessful projects and doubling down on successful ones. While, for example, Google Glass was an undeniable failure, Alphabet did not send troops into a losing battle and moved their capital into other projects where they saw growth.



Do not be afraid to make decisions.
Do not be afraid to make mistakes.

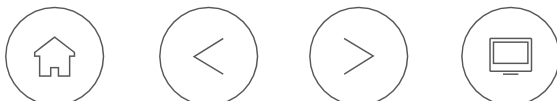
- Carly Fiorina, First female CEO of a
Fortune 20 company

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2.3 Create Early Response Mechanisms

In the late 1970s Caterpillar sold around 1,400 machines each year in South America. Between 1981 and 1983, they sold 4 ... in total.

A result of the Latin America debt crisis, the experience gave the executives at Caterpillar a glimpse into what a worldwide downturn would look like. As a response, in 2005 Caterpillar forced their divisional leaders to create plans if demand plunged by 20pc.

For a cyclical business like Caterpillar it was vital that the strategic planning for a big downturn was carried out over a number of years, and by different leadership teams, allowing for a coherent and effective response mechanism to the crisis.

In 2009, months after the financial crisis hit hard, Caterpillar (under a new CEO) took those plans off the shelf and began executing them. Hard decisions were made – 35,000 people left the company – but by creating a response mechanism Caterpillar emerged stronger than ever. While everybody else was responding to the crisis and drawing up strategies, Caterpillar was executing them.

By 2010, it was the best-performing stock among the 30 companies in the Dow Jones industrial average, with cash reserves to support an aggressive worldwide expansion.

Let's say you're running mining and sales drop 80% in two years. How are you going to react to make money? Well, you can imagine how popular that was in 2005. Nobody wanted to talk about it. But we forced them through the exercise.

Doug Oberhelman, Former CEO, Caterpillar

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2.4 Test, Learn, Test Again

It is remarkable how many organisations will launch a major strategy without putting in place any measuring or test procedures to see how effective it was. In fact, it is probably the norm.

The effort it takes to set up and accurately measure an execution of a strategy cannot be underestimated, but over time it could have profoundly positive effects on your organisation.

Consider the number of product launches you may regularly do, or the ramping up of marketing campaigns on a seasonal basis or discounting campaigns at times of low marketplace engagement – do you have accurate information on even one of these campaigns as to their effectiveness beyond the bottom-line results?

Creating a test-and-learn approach to your strategy execution will allow you to 1) predict future campaigns with a much greater degree of accuracy, 2) decide on which strategies are not creating real value versus the resources required to implement them, and 3) create an institutional knowledge that will not leave the building with a single executive.

**The price of inaction
is far greater than
the cost of a mistake.**

- Meg Whitman, first female to run two large U.S. public companies, eBay and HP

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2.5 Create Strategic Leaders

The ideal situation for any strategy execution is clear communication from a leader outlining the parameters of the strategy, a clear organisation-wide understanding of the strategy and an empowering of employees to make choices to meet real-world situations while executing the strategy.

The final piece of the puzzle is the ability of those employees to think strategically themselves. In other words, an almost self-sustaining strategic organisation. To achieve this, you need to create the next generation of strategic leaders.

There are several ways a leader can do this, including providing strategic information and context to managers, connecting those managers with more senior mentors, sharing information across boundaries and business functions, rewarding people for strategic thinking and doing (including failure) and incorporating strategic thinking into your training and development.

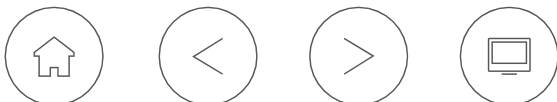
Ultimately, successful strategy execution is the result of leaders being able to correctly influence the millions of decisions being made in their organisation each day.

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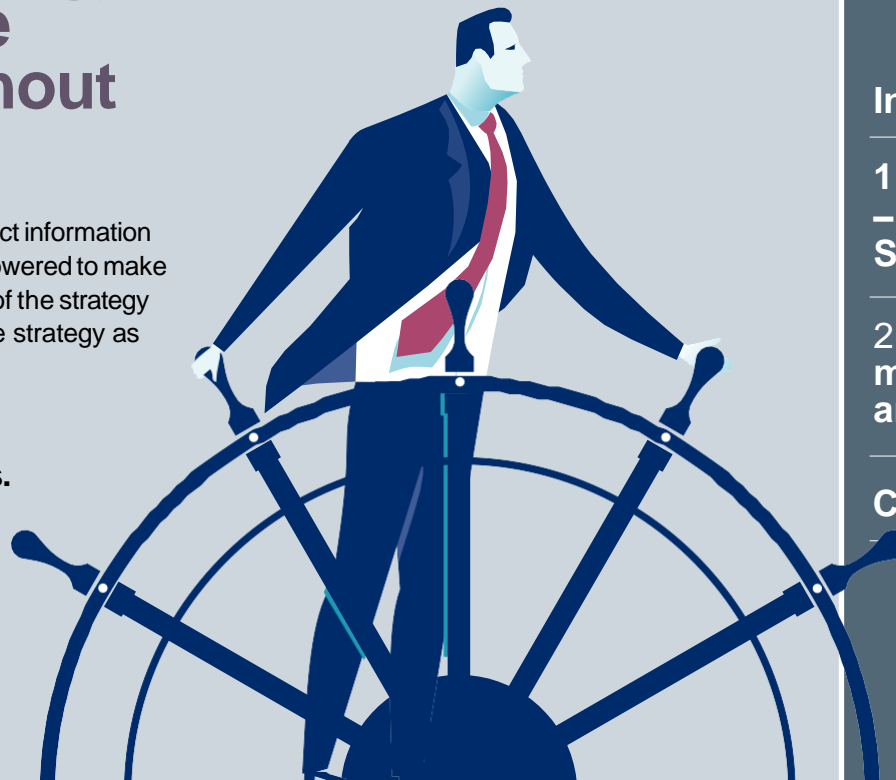
CONCLUSIONS

A leader's role in strategy execution is to be the guiding hand throughout the organisation.

They should be able to create an environment where correct information flows freely to the right people, where individuals feel empowered to make their own independent judgements within the parameters of the strategy and have the power and ability to shift the direction of the strategy as reality unfolds.

Clear communication that leads to understanding is key. This works both ways.

To be a captain of a ship is not to learn how to man the mainsail or swab the decks, it is to ensure that everyone knows what their role is, why they are doing it and, unlike the days of pirates and merchant navies, give them the ability to suggest to the captain how to do things differently.

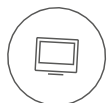


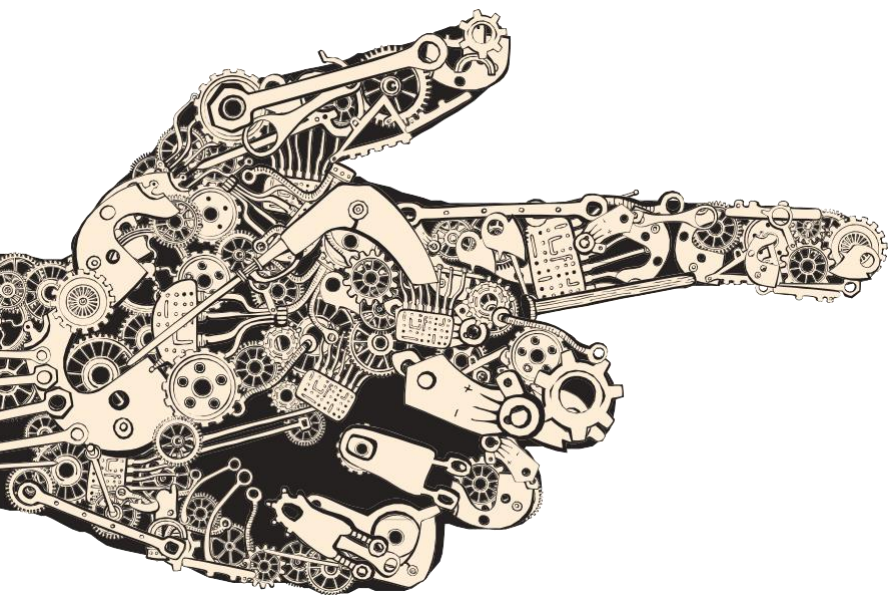
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