Why companies fail to execute on great strategies, and why getting it right matters now—and later

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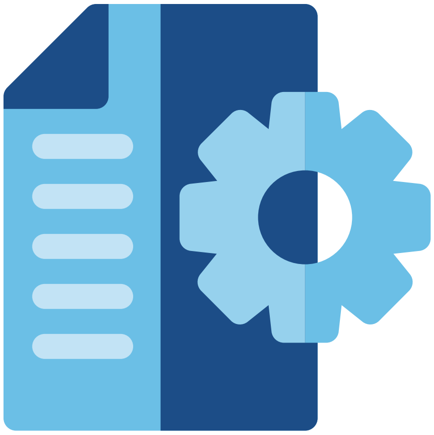
The challenge of strategy execution is all too familiar: exhaustively studied by companies, consultants, and experts alike, strategy resets prove to be frustratingly elusive in their implementation. One of the most frequently cited statistics is from The Balanced Scorecard, whose authors, David Norton and Robert Kaplan, conclude that 90% of organizations fall short in the effort. Other studies come up with a wide range of failure rates, but they average out to about 50%.

So, what is the problem?

On the face of it, it's not always clear why execution is so difficult. For some hard-driving action-biased leaders, the task still seems simple, despite those pesky failure rates. Decide to do something, they say, then do it.

But here's how—and why—so many resets go off the rails.

The initiative generally starts out with a small group of executives, and perhaps consultants, working for months to develop a complex data-driven and market-research-backed strategic shift. The plan is carefully examined, vetted, and debated to ensure that the company is headed for great success—whether that is rapid growth, a more secure competitive position, or the deployment of new, innovative products or services. When the plan is ready and the board has approved, the team prepares to launch and go live. Scripts are written, PowerPoints are built, numbers are double-checked, town halls are scheduled.



At first, the fanfare produces some energy in the organization. Conversations in the hall and at virtual meetings are sprinkled with references to the new strategy. People start using the right buzz words and adding slides from the road shows to their presentations. Some early experiments and initiatives begin to get traction and visibility. But, as time passes, people start to revert to their old ways of working. Often, it's just that they are not sure what to do next. On a broader front, the path from the early experiments to making it real throughout the organization is unclear. The effort feels both hard and confusing, and leaders and their teams are overwhelmed by too many conflicting and hazy priorities tied to unrealistic expectations.

As more time passes, the executive leadership team becomes increasingly frustrated and more insistent on the need to move faster to produce results and improve shareholder returns. They send their deputies scurrying throughout the organization to find out what's wrong. But the effect of all that attention, and the implied threat of punitive action, is hardly a good one: it propels information about the real challenges and barriers underground as the rest of the organization metaphorically avoids eye contact in hopes that, like the last big initiative, this, too, will pass.

So why does this happen again and again?

Our work with thousands of leaders and organizations has revealed a core disconnect that can undermine even the best of strategies in the most focused of companies. The disconnect is both simple and insidious: **Strategy creation and strategy execution are seen as two separate activities, rather than what they should be—an integrated, iterative process that generates a new reality over time for the company and for the people in it.**

We have seen countless leadership teams get tripped up because they don't understand the power of an integrated process for making strategies actionable and are stuck in an unproductive and eventually self-destructive two-step approach.

How can you end that cycle? The short answer is to do three things. One is to broaden the strategy—setting part of the initiative to think bigger and bolder and more flexibly, allowing for changing market conditions. The second is to more deeply engage the people who will have to implement that strategy, and to bring them into the process, and keep them there, from the earliest days to the very end. And the third thing is to marry the first two in a cohesive, seamless way. Those in the C-suite shouldn't keep the blue-sky planning all to themselves—mid-level managers and front-line workers are often the first to spot storm clouds rolling in.

The longer answer to the problem revolves around three major reasons why companies get stuck in the first place and applying the case-based, real-world guidance we have developed to break free.

Reason #1: The world is no longer predictable, yet companies still develop strategies as if markets are consistent and reliable.

Historically, strategy creation was a long, linear process with a singular plan to win, an approach that worked when product lifecycles were lengthy and technology-fueled disruptions were infrequent. The problem with that approach now is that when conditions change—and they inevitably will—an organization wed to a singular plan is left paralyzed without an alternative.

On either extreme, a few things happen that rapidly derail growth and progress.

Some companies march toward their long-term plan ignoring signals that it's time to shift—like lemmings off a cliff, they are unable to save themselves. Polaroid, Blockbuster, and Blackberry are unfortunate examples.

Then there are the companies that adopt a rapid reactive mode, trying to quickly pivot, without a future-focused view as their North Star. These organizations suffer from shiny ball syndrome, chasing something new with every market signal. They can't gain any solid ground and they exhaust themselves in the process.

The middle and correct course is to hold on to the tension of creating energy and excitement in setting a compelling long-term vision while also working with all the teams to figure out how to realize that goal. The "how" is the hard task and will require leaders—and their teams—to do their best thinking and most challenging work.

What to do differently:

- **Deliberately broaden your approach and strategic aperture.** When thinking through strategy, the best organizations look beyond the common or expected path, seeking not just to rely on a given Total Addressable Market or on packaged industry trends created by an in-house strategy team. To be sure, market size is important, but deliberately embracing strategy development in a different way can help teams break the common pattern of merely extrapolating current trends into the future. The best ideas and new perspectives truly come from everywhere, so engaging leaders (and the organization more broadly) to think bigger can help people break out of their current rivers of thinking, allowing them to view the business of today and the potential business of the future in fundamentally different ways.
- **Create discrete possibilities to focus thinking.** With a wide runway for strategy creation, people (and leaders) can easily produce a list of strategic alternatives a mile long, to a point that they become quickly overwhelmed. This result is driven by the same logic that makes someone lose their way in the cereal aisle, paralyzed by having so many choices. After starting with a wide approach to explore strategic possibilities outside of a given industry or against known competitors, the best organizations then intentionally narrow the list to frame a few discrete and mutually exclusive options for the leadership team to consider. Evaluating a few potential options allows leaders to better access longer-term strategic thinking.

  Take, for example, the experience of a fast-growing founder-led software company that had just gone public. Shortly after their IPO, the senior managers told Wall Street they would reach $1 billion in revenue in three years. Unfortunately, there was internal disagreement over which direction to take to achieve that target, creating unrest and confusion throughout the organization. We started by helping the senior managers gain clarity about which approaches to pursue and to define three mutually exclusive strategic plans. We then helped the executive team to better understand current state realities, to determine potential risks, and to solidify the ideal execution plan. We did that in part by leveraging the power of a quantitative model of their business to help them see the challenges and opportunities within each of the three strategic options.

- **Extend scenario planning beyond the C-suite.** Stress-testing various scenarios and pre-planning responses is a well-honed tactic for traditional strategy development. Much of the power of scenario planning is that it creates space for debate and discussion, and for placing concerns on the table in a productive way. It also builds confidence and a sense of ownership in the planning group tied to the belief that their best thinking has been considered and applied. And it leads to more resilient and adaptive strategy execution. Rather than trying to cascade and communicate a linear plan throughout the company, the most adaptive organizations define the overall direction and use scenario planning to engage employees to work together on a solution. Here's an example:

  A company in a highly regulated industry was facing a slew of new carbon regulations being debated in the state legislature. Eager to prepare a response to whatever emerged from the legislature, the executive leadership team looked to their functional and business unit leaders for a deeper understanding of the technical and business implications of the full range of likely outcomes. We helped the functional leaders assess the potential regulatory paths, use scenario planning to explain the implications of each path for the company's business, and scope out the likely responses of competitors to all of the possible changes. The cross-section of this data was then used to identify no-regret decisions that the company would make for each of the outcomes. The use of scenario planning allowed the functional leaders to suggest a menu of strategic options to the C-suite—and then provide the opportunity to continue down the various paths and "experience" the technical and business problems they would likely encounter. Overall, the approach exposed the functional leaders to the core strategic trade-offs of each decision and created a strong sense of ownership of the problem.

Reason #2: Company leaders place the burden on employees to figure out for themselves how to make the strategy actionable, rather than engage them to figure it out together.

Long-term strategies are necessarily high level, as painting a multi-year vision for a complex organization to grow, evolve, and thrive requires a certain altitude and necessary lack of details. Most C-suites leave it to the next levels of leadership to "connect the dots," and make it real for their teams. This is often done through a "cascade" process of breaking down the activities required at each level of the organization to execute on the strategy, communicating those activities and then measuring progress. But the communication, which focuses on broadcasting a mandated case for change, typically flows in one direction—and that's a big mistake for two reasons.

First, the standard approach to communicating down through the organization is like the world's largest game of telephone, but with a fairly weak signal to start. That initial message about what to do differently is often as high level as a managers' script with talking points, which poses a real challenge to the next layer of managers, who are left to translate abstract concepts into practical, real-world changes. They often feel accountable for, but unprepared to answer, inevitable questions from their teams yet also feel ill equipped to take action to figure things out.

The second mistake is overlooking the people closest to the customer and to the actual work. These are the folks who are most likely to see potential gaps and risks in the new strategy. But these front-line workers, along with most of the rest of the organization, don't see the strategy until after it has been "approved," at which point the goal isn't to get their feedback but rather to drive execution and accelerate results. By the time the strategy is cascaded out to the last person in the field or on the floor, it's far too late to act on what they know.

The common thread is that leaders are waiting on employees throughout the chain of command to interpret and figure out what the new strategy means on a day-to-day basis, without first having brought them into a shared conversation up front. Not given a chance to wrestle with the trade-offs, test the assumptions, and participate in the dialogue, even the most enthusiastic employees are going to have a hard time figuring out what the strategic shifts mean to them personally, let alone how to execute them.

What to do differently:

- **Make the new strategy real and tangible, as change must be experienced to be understood.** Research shows that people are more committed to changes that they help create. For instance, people think that Ikea furniture that they put together is better built than Ikea furniture that others put together; they have a "cognitive bias" toward things they have created themselves. We see this bias at work in successful strategy execution as well: change-management teams that can take the conceptual and make it concrete allow people at all levels in the organization to see themselves in the strategy and feel like active players in making it real.[1] Here's an example:

  A financial services client made a commitment to double the number of customers in three years by reaching entirely new customer groups with different needs. Yet efforts had stalled as the prevailing mindset was essentially "wait until someone tells us what to do." We partnered with the client to make the aspiration real and personal for people in the organization. How? For the operations team, for instance, achieving the goal meant that they would be servicing twice as many customers in just one year. We built a visceral experience for the team to see what it would take to handle that many new customers. This way, they could consider the various scenarios of dealing with such a huge increase and debate the most critical investments and process changes. Most importantly, because the group built the new plan together, they were able to move significantly faster in implementation.

1 Oreg, S., Vakola, M., & Armenakis, A. (2011). Change Recipients' Reactions to Organizational Change: A 60-Year Review of Quantitative Studies. The Journal of Applied Behavioral Science, 47(4), 461–524.

- **Build two-way communication at scale.** Instead of broadcasting goals, project plans, and checklists, intentionally build two-way communication into your campaign for strategy alignment. This approach will help leaders source ideas and input from those closest to customers. But it will also help those on the ground feel that they are active members on the front lines of the push forward (because they actually are). Here's an example:

  A telecommunications company created a retail store strategy around selling more higher margin products such as accessories. The company told the retail managers to prioritize those sales, but revenues barely budged. The strategy didn't catch fire until the company asked the managers to become deeply involved in determining the tactics and actions that would make a difference. Once the retail side got fully engaged, sales of accessories easily jumped 20%.

- **Expect all leaders to be change leaders.** The responsibility for revamping your organization shouldn't fall on the shoulders of a small number of designated change sponsors or change champions. The scale and pace of change for most organizations requires that all managers, from the C-suite to the middle ranks to the factory floor and retail aisle, see change leadership as their first job and have a change-ready mindset. After all, it's usually the people closest to the work who have the best ideas about how to change it. The job of a change leader is to know how to engage their teams in co-creating the future together so that they can collaborate to solve problems in new ways. All leaders, not just a select few, have to bring a change-ready mindset to the task, so that they can maintain the motivation to bring their teams with them as they lead the charge.

Reason #3: People can willingly and happily change if the right conditions for success exist, yet the onus rests squarely on organizations to create those conditions.

Many leaders we work with initially view communication as the key to great execution (i.e., "If we tell people enough times what they need to do, they will do it"). However, a change in information doesn't equate to a change in behavior, as humans need more than new slogans and mantras to act in new ways and make new choices. There are reams of research dedicated to understanding what we need to do to help people change their behaviors, highlighting approaches and tools to effectively move people in new directions, yet this research is often cast aside when rolling out a new strategy.

What to do differently:

When we apply the research-backed principles of human behavior and habit formation to strategy execution, here's what we learn:

- **Purpose and identity matter, especially now.** In most companies, executives tend to focus on organizational goals and mandated cases for change, but metrics like shareholder value, profitability, and market share matter to a very small percentage. Goals are a less effective motivator for changing behavior than identity, so leaders must start by **connecting individual purpose to organizational purpose.** This is especially true right now as the rapid series of disruptions of the last few years have left people feeling unmoored and craving something bigger than themselves. The Great Resignation has also been a looming barometer of how disconnected, frustrated, and uninspired employees have been. Even as hiring starts to slow down, this situation is not changing dramatically and companies and leaders who take this opportunity to connect their people to the enterprise purpose—and understand how the strategy will reinforce that—will leapfrog their competition.

- **Organizational mindsets shape who your company is and how you do things.** Organizational mindsets are often instinctual, second nature, and bigger than any one person in the company. Outdated mindsets left unaddressed will create inertia in your company that will keep you from achieving your aspirational goals. Here's how one company made a switch:

  We worked with a fast-growing pre-IPO software organization that attributed its accelerated success to a laser focus on the customer as its North Star. In fact, that focus had become a mantra across the organization—salespeople would automatically say yes to any request and engineering would build expensive singular design changes if a customer asked for it. When we engaged with them to set a new, more scalable direction, company leaders recognized that they needed to let go of their deeply engrained beliefs and give the organization a new definition: North Star would now be about what was best for all of the company's customers—i.e., scalable platform-based changes. This shift was disruptive and set the course for an eventual unicorn IPO offering.

- **Ways of working and structures must change, too.** One of the big stumbling blocks to change is the expectation that people will somehow operate differently in the same environment. Executing on new strategies often requires employees to collaborate with different people, use different technology, sell to different buyers or in a different way, and implement other big changes in how they do their work. Yet the other structures that shape work—what meetings are held, how they are run, who connects with whom, what is recognized, what drives action in the organization—often haven't changed. It's close to impossible to move an organization in a new direction if the operating rhythms are sustaining old ways of working. Here's an example:

  An oil and gas client was undergoing a massive transformation and used quarterly business reviews as a critical measure of progress. The aspiration was to use these meetings to surface challenges and remove roadblocks to achieving strategic goals. Unfortunately, the executive team used them to pepper presenters with hard-hitting questions about performance until they found a weak spot. Preparation for this quarterly gauntlet had grown to consume entire departments, becoming a backward-looking time sink that was emblematic of the opposite of what the organization now wanted to be. So, leadership designed a new meeting that was forward-looking—focused on opportunities, co-creating solutions, and recognizing progress. The stark shift showed that the organization was serious about changing.

Conclusion

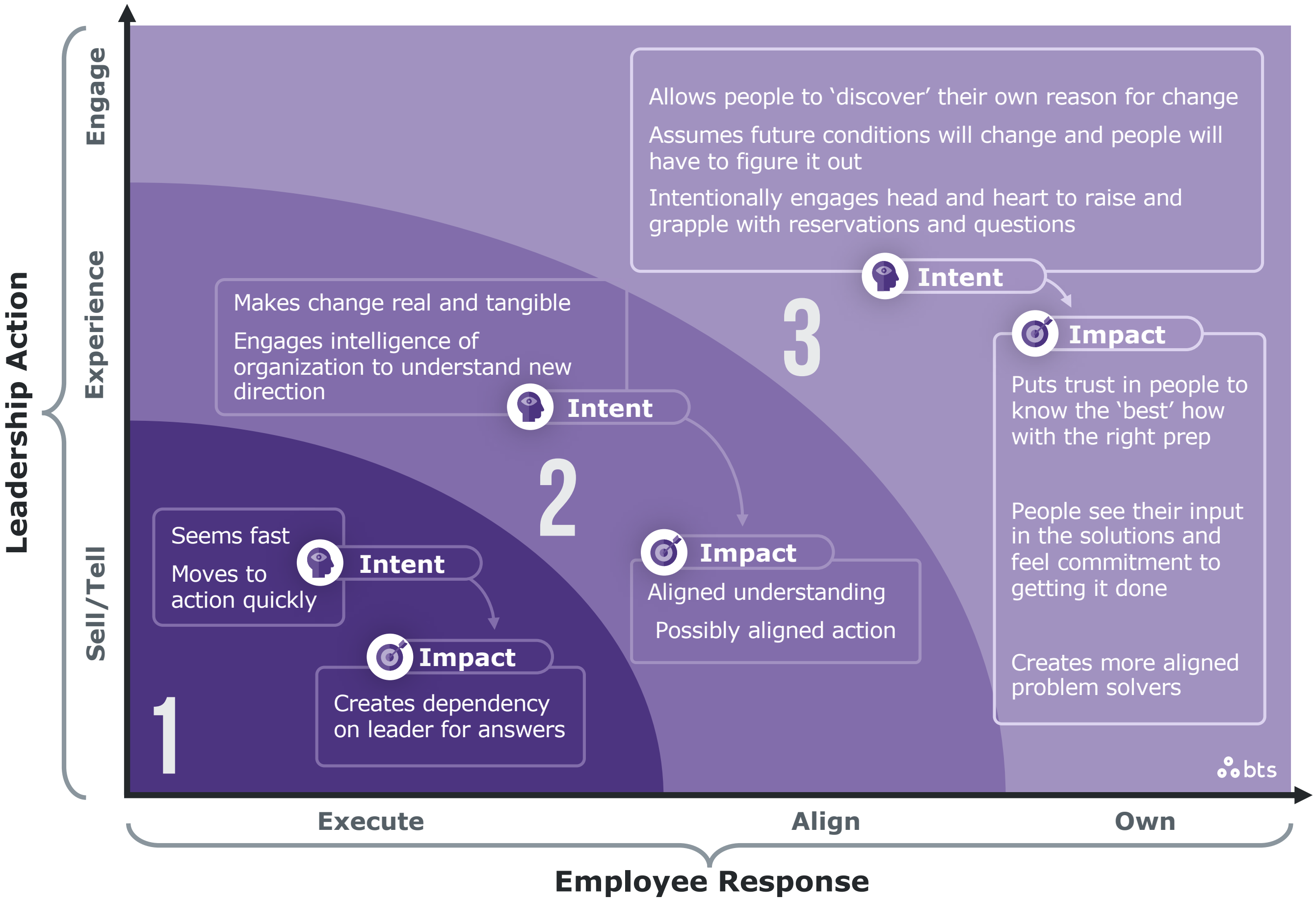
Actionable strategy is about engaging the organization in an integrated process of defining the future state, making that future believable and real to the touch, enabling people to change to make the organization ready for its changes, and creating the environment to assess and pivot along the way. Our work and research have shown that people can and will change—happily—and it's our role as leaders to provide the conditions for their success.

No doubt, each strategic plan is different from every other, in details large and small, and the challenges each presents differ, too. Companies vary in size, structure, and purpose. A strategic shift may be all encompassing, regional in scope, or surgical in intended impact—or a combination of all three.

But whatever its defining characteristics, a strategic shift will likely sputter and fail if leadership doesn't take into account the need for flexibility in a continually changing business world—and be committed to engage everyone in the organization in the entire effort (See the figure below, "BTS Actionable Strategy Maturity Model.").

BTS Actionable Strategy Engagement Model™

Actionable strategy is an **integrated process** that generates a new reality for the company and for the people in it.



Done right, through an integrated, iterative process, the new strategy will quickly find its footing and start to pay for itself. Otherwise, one new flawed and unsupported strategy will give way to another, and then another...

