



Five Cs for Successful Strategy Execution

Dr Andrew MacLennan, a leading expert in strategy execution, outlines five core principles for translating strategic objectives into action and ensuring high performance

In 1956 a Princeton psychologist published what became one of the most famous papers in his field. George Miller entitled his article *The Magical Number Seven, Plus or Minus Two*. He was fascinated by short-term memory span and studied people's ability to recall items in a list. As his title implies, he concluded that most of us only recall seven, give or take a couple. It's because of Miller and his study that, erring on the side of caution, I restrict myself to five things when asked about the secret to successful strategy execution. Of course there is no simple secret solving all strategy execution challenges. But there are five things that really matter and as luck would have it, they all begin with the same letter.

1 CAUSALITY Successful strategy execution relies upon organisations undertaking activities that will plausibly cause their strategic objectives to be achieved. That sounds simple; something all organisations should have mastered. But the evidence undermines this assumption: In many organisations, an enormous cognitive gap exists between ideas and actions. Reflecting more deeply, we can see why. Hypotheses about the relationships between actions and outcomes are complex to construct. Illuminating data can be difficult to find and interpret, and innovative initiatives may have no precedents to examine for clues explaining success or failure.

Take the Ford F-150 pickup truck, the best-selling vehicle in the United States for

over 30 years and the company's most profitable. Its thirteenth generation rolled off the production line this year with a radical difference: its body is largely made from aluminium rather than steel. This has reduced the weight of the vehicle by over 300 kilograms, improving its performance, fuel efficiency and emissions. But this is a bold move by Ford. Complex changes to production processes were required. Aluminium is pressed and welded differently, and materials-handling machines that rely on magnets cannot lift it. It is also much more costly than steel. All these factors mean that whilst a number of vehicle manufacturers use aluminium for one or two individual panels, such extensive use of the material has hitherto been restricted to expensive sports cars.

Ford is in part responding to legislation mandating improved emissions and fuel economy. It is also banking on buyers significantly valuing the performance, cost and environmental benefits of a lightweight vehicle. It is not a foregone conclusion that this proposition will appeal to typical truck-buyers. The company has shrewdly pointed to the use of aluminium for the bodies of mighty military vehicles such as the Humvee. Conversely, the competition has sought to seed doubt in buyers' minds about aluminium – for example using social



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media to suggest that body repairs may be more costly.

Explicit cause-and-effect reasoning can bridge the gap between conceptual objectives and concrete activities. In its search for a means by which it can achieve its goals, Ford has alighted upon the substitution of aluminium for steel. The intention is that this will increase the perceived value of the F-150, attracting or retaining more customers, driving up sales volumes, increasing revenue and thus, ultimately, growing profit. The refreshed model also comes with a significant price hike for every variant in the range, which Ford expects will further enhance revenue. The company can plausibly connect its conceptual objectives with concrete activities that competent individuals and teams can deliver. Time will tell whether the causal logic will prove correct. Will competitors come to regret dismissing aluminium?

Causality can also be used to align projects and initiatives with strategic objectives in a more emergent fashion. Not every legitimate activity emerges from strategising. Customer demands, competitor behaviour, performance problems and new opportunities cannot always be anticipated. Each of these may present means of achieving objectives that are as effective, if not more so, than grand strategies. Imagine if Alexander Fleming had disregarded his discovery of penicillin because finding such a compound was not part of his employer's strategic plan. Thankfully, he could foresee the enormous positive outcomes of its development.

Causal logic often looks obvious when laid out skilfully, but my research suggests this is illusory. There are many organisational and cognitive barriers to clear causal thinking. Managing this alignment process effectively in practice is perhaps the greatest strategy execution challenge of all.

2 CRITICALITY

Criticality is vital alongside causality because organisations undertake huge numbers of activities, making them highly complex systems. It's impossible for organisational leaders to analyse and manipulate all these activities. Successful strategy execution relies upon reducing this complexity to focus resources and attention on the activities critical to delivering strategy. Some activities

matter far more than others – they are the 'dial changers'. Isolating critical activities can resolve many dilemmas that leaders and managers face in their day-to-day work. If you're making organisation structure choices, for example, which option best supports your critical activities?

Ryanair focuses on minimising aircraft turnaround time because it's a critical activity for the airline. Servicing, refuelling and cleaning is conducted efficiently – aircraft interiors are even designed to hasten the latter. Passengers are boarded quickly and late arrivals not permitted past the gate. This ruthless efficiency is vital to ensure on-time departure (a key part of the customer proposition) and high aircraft utilisation (through planes flying passengers, not sitting on tarmac). Ryanair has a sharp sense of all its critical activities and it executes them very well, explaining its extraordinary financial performance in an industry that overall, produces meagre profits.

3 COMPATIBILITY

It is not enough for leaders only to translate strategic objectives into apparently critical activities. They must also ensure that these critical activities will pull the organisation in a consistent direction. Activities that individually appear to support objectives may together have a different effect if they are incompatible. For example, problems will arise in an organisation that relies upon creativity and innovation but also operates a prescriptive performance management system that discourages unplanned activities. If compatibility is restored – perhaps by defining where innovation is essential and adjusting the performance management system accordingly – desired outcomes are much more likely to appear.

Many corporate scandals are catastrophic strategy execution failures that reflect compatibility problems. Organisations that rely upon unblemished brand identities are unwise to incentivise employees in such ways that they jeopardise corporate reputations. The variety of misconduct illustrates the scale of the risk: fraudulent accounting and auditing, mis-sold insurance, bribery of officials, corporate spying, horsemeat lasagne, athlete doping, Libor fixing, manipulated emissions tests and so it goes on.

CASE STUDY: THE MACALLAN



The Macallan has long been known as the Rolls Royce of whisky and a favourite of many connoisseurs of Scotch. More recently, the film *Skyfall* revealed it as James Bond's favourite dram. It's also the Guinness Book of World Records' most expensive whisky sold at auction – The Macallan M Imperiale 6-litre Lalique decanter fetching US\$628,000 in Hong Kong last year.

This super-premium brand positioning is not restricted to the finest and rarest

editions sought by collectors. A bottle of 18 year-old Macallan, if you're lucky enough to find it in stock, will typically cost you around twice that of a rival single malt of the same age. What lies behind this extraordinary strategic positioning?

Brand owners The Edrington Group recently undertook an exercise aimed at more deeply understanding, protecting and enhancing the brand's success, and the 5Cs underpinned the process. Ken Grier, the Brand Director, explained, "We were conscious that many factors had led to The Macallan's pre-

eminence. Everyone had a view as to what was most important but naturally this was shaped by individual perspective. We sought a more systematic and (crucially) shared view of the critical activities and outcomes that underpinned success."

This perceived variety of success attribution was borne out: interviews with around twenty key stakeholders in the business uncovered over 150 performance variables that helped to explain The Macallan's market leadership. A useful distinction rapidly evolved between those factors explaining historic

performance and those underpinning the product's ongoing success in a market that has widened and changed considerably in recent times.

Via workshops and a range of other exercises, a yet wider range of stakeholders explored the performance variables identified, mapping specific causal relationships and interrogating the evidence for them. The principle of criticality was applied to sharpen the emerging model and focus attention on the limited number of factors that make the biggest difference to perfor-

4 CONTINUITY

Applied effectively, causality, criticality and compatibility allow the identification of activities that will plausibly cause strategies to be realised. However, identifying critical activities is not enough; they must also be delivered, so organisational designs and systems need to be shaped accordingly. Strategic decisions are typically passed down through hierarchies. As this happens, teams and individuals must interpret organisational intentions, determine the contributions they can make and take action. Where these baton changes break down, strategic intentions are derailed. Even greater challenges exist in ensuring coordination and collaboration between organisational subunits, which must work together to deliver critical activities. If your organisation ever asks customers to "call another number" you have a problem: you're asking customers to coordinate your subunits because you can't. Continuity is also important over time, creating a threat from short-term distractions, structural reorganisations, leadership changes, budget cuts and so on. The ability to deliver critical activities needs to be baked into organisations' designs and systems.

5 CLARITY

The fifth ingredient for successful strategy execution is clarity. We've all heard apocryphal but resonating stories about people who saw meaning in their work through its contribution towards much bigger goals. There is the tale of a man chipping away at a stone with hammer and chisel who, upon being asked what he was doing, said he was building a cathedral. 'Line of sight', as this is known, is of enormous importance to strategy execution for several reasons.

First, and unsurprisingly, there is strong evidence that understanding *why* activities are undertaken motivates those responsible for them. We derive *meaning* from the *means* by which we contribute achieving important outcomes. We only have to look to the huge numbers of volunteers who energetically support

charitable organisations and good causes, to gain a sense of the motivating effect such awareness can have.

Second, if people are to take good decisions in their roles, they need to understand strategic priorities and the trade-offs inherent in them. People need to see how their own actions will plausibly cause overall objectives to be achieved (causality) and what the most important performance drivers are to prioritise their time and effort (criticality). They must not be pulled irreconcilably in different directions (compatibility) or made unproductive and disengaged by failing structures and systems (continuity). Clarity over all of these increases goal congruence.

Third, perhaps the subtlest point: When organisations develop strategy and plan its execution, they often run the risk of 'elite bias' – involving only senior people and using only the information and viewpoints these leaders can offer. The evidence is that strategy execution is far more likely to succeed when planned with involvement of people from a range of levels and subunits across organisations. Leaders need to 'get all the brains in the game'. This task is much easier when individuals recognise the salience of the information available to them, and so can flag up when they discover something that matters. 'Line of sight' provides that awareness.

Ensuring compatibility, continuity and clarity seems a huge challenge, given the sheer magnitude and complexity typical in large organisations. Where do you start? Again, by focusing on *critical* activities, ensuring they are compatible, managed for continuity and clear. That is a feasible challenge and a central role of leaders.

Strategy execution is not easy: Research confirms that the majority of strategies do not achieve intended objectives upon execution. But these 5Cs, applied thoughtfully, offer the scope to avoid the pitfalls and create lasting competitive advantage. ■

mance. With an explicit and detailed model emerging from much teamwork, a shared view of both the past and the future was formed. Many valuable insights emerged.

There was strong compatibility between critical activities and outcomes. Edrington had been innovative in finding ways for strengths in one area to reinforce strengths in another. For example, the heavier, oilier spirit produced by the famously short stills at The Macallan's Speyside distillery is ideally suited to being aged in former Oloroso sherry casks, which

can overpower lighter whiskies. These short stills and sherry casks together contribute to The Macallan's distinctive natural colour and flavour profile. Natural colour and the spirit's rich flavour have, in turn, been central to product development and brand positioning.

Another important insight from the work was clarification of where collaboration was essential between the teams involved in supporting The Macallan – principally operations, marketing and sales. Indeed, the group has since reshaped itself partly to optimise the

critical activities for which these teams are responsible.

The exercise has also provided a solid framework for identifying strategic risks and performance measures, as well as a rich means by which to communicate and explore the brand's strategy and its means of execution – providing essential clarity for all stakeholders.

The custodians of The Macallan brand are hopeful that in using the lens of the 5Cs to analyse the brand and plan its future, its unrivalled success will continue for years to come.



Ken Grier, Brand Director, The Macallan

HOW EFFECTIVELY DOES YOUR ORGANISATION EXECUTE STRATEGY?

Select the answer most closely reflecting the situation in your organisation:

- 1** How systematically are strategic objectives translated into concrete actions?

 - (a) We don't define strategic objectives systematically
 - (b) We craft a strategy but don't translate it into activities as part of a systematic process
 - (c) We try to translate strategic objectives into actions but it's difficult
 - (d) We systematically translate strategic objectives into activities as part of our strategy execution process
- 2** How clearly defined are critical activities?

 - (a) If you ask 100 senior managers which activities are critical, you'd get 100 different answers
 - (b) We clearly define critical areas of performance but not at an activity level
 - (c) Critical activities are defined clearly in places, but not in an integrated fashion across the organisation
 - (d) Anyone working here knows what activities are critical – they are clearly defined
- 3** How carefully are activities checked for their compatibility?

 - (a) It has never occurred to us to check for this
 - (b) When conflicts arise between activities we review them
 - (c) Our organisation design is intended to reduce the scope for conflicting activities
 - (d) We systematically examine critical activities to ensure they drive things in the same direction
- 4** How well defined is accountability for delivering activities and strategic outcomes?

 - (a) It's generally muddled – things 'fall between the stools'
 - (b) It's clear for delivering activities but not strategic outcomes
 - (c) It's clear for activities and outcomes but these don't explicitly relate to our strategy
 - (d) It's clear, as a result of our strategy and execution process
- 5** How clear is strategy and its execution to staff?

 - (a) There is no attempt to communicate strategy and how it's being executed to staff
 - (b) We tell our staff about the strategy but it probably has little significance for them
 - (c) Our staff can generally explain the strategy and how we're executing it
 - (d) Our staff know our strategy, how it's being executed and how their day-to-day work contributes – we've checked
- 6** How are key projects and initiatives aligned with strategic objectives?

 - (a) We typically launch projects and initiatives without considering their impact on strategy
 - (b) We categorise projects and initiatives under strategic 'work streams' to ensure alignment
 - (c) Projects and initiatives must be shown to contribute to strategic objectives, but it's a bit of a 'leap of faith' that they really will
 - (d) We systematically articulate and test the alignment of projects and initiatives with strategic objectives before approving them

continued ►

7 How are resource allocation decisions made where there are conflicting priorities?

- (a) It's a case of 'whoever shouts the loudest' gets the resources they need
- (b) They are largely influenced by negotiation – a fair bit of 'horse trading' goes on
- (c) We judge each business case on its merits when allocating resources
- (d) We systematically prioritise resource decisions to deliver critical activities defined in our strategy process

8 How does the organisation generally respond to apparent performance problems?

- (a) We typically go for a quick fix – speed is usually the priority
- (b) We implement a swift solution but try not to introduce lasting complexity in doing so
- (c) Stakeholders are usually engaged to help solve the problem together
- (d) We always re-evaluate the definition of the problem and diagnose underlying causes before acting

9 How sustainable are major organisational changes once implemented?

- (a) We're always chopping and changing organisational structures, processes and systems – it's a bit chaotic
- (b) Every time there's a leadership change everything is thrown up in the air
- (c) We make good changes but improvements are lost over time and through staff turnover
- (d) Major organisational changes are carefully planned and deeply embedded in our systems and processes

10 What are the major motivators for people?

- (a) People here work mainly for the financial rewards
- (b) People enjoy the social aspects of their work the most
- (c) People are highly motivated by their leaders, who get teams working well towards common goals
- (d) Above all, people are motivated by how their work makes a difference and helps the organisation succeed

RESULTS

For each question score: a = 1, b = 2, c = 3, d = 4

10-15 Strategy execution is highly ineffective – significant performance increases could be achieved by improving it

16-25 Strategy execution is somewhat ineffective – marked performance increases could be achieved by improving it

26-35 Strategy execution is somewhat effective – moderate performance increases could be achieved by improving it

36-40 Strategy execution is highly effective – limited performance increases could be achieved by improving it

Dr Andrew MacLennan is a leading expert in strategy execution. He conducted the largest study ever undertaken in the field. He is an educator at London Business School and Duke Corporate Education. He is Managing Director of Strategy Execution Ltd and has worked on engagements with some of the world's best-known brands. His latest book, Strategy Execution: Translating Strategy into Action in Complex Organizations, is published by Routledge.

INFO/ GRAPHIC

It is well known that the Sharing Economy has exploded in the last few years. It presents a whole new raft of contexts with which marketers have to grapple, not just in terms of the areas that it is touching which as you can see now includes Goods, Food, Services, Transportation, Space, Money, Health & Wellness, Logistics, Corporate, Utilities, Municipal, and Learning, but also in terms of the nature of the proposition in each case and how business models operate. Each area presents a new a different challenge but on the basis of rapid mass-adoption of services like AirBnB and Uber this approach seems destined to grow quickly in the near future as new areas open up and new ideas are formulated.

We would like to thank Jeremiah Owyang, the Founder of the Crowd Companies Council in Silicon Valley for the permission to reproduce this graphic. It is ever-evolving so please track new additions and access a template where you can create your own version at www.web-strategist.com.