



Translating Strategy into Action

Dr Andrew MacLennan recently completed the largest study of strategy execution ever undertaken, closely tracking organisations' efforts to implement strategic change over many years. Hr NETWORK caught up with Andrew on his findings and learned of HR's central role in making strategy work.

HrN: So, first things first – what is strategy execution?

AM: It's about undertaking activities that will together achieve strategic objectives. It involves identifying critical activities and designing the organisation, its processes and systems to support and control them.

HrN: Is it the same as strategic change or change management?

AM: No. Strategic change is about altering planned direction – a really big decision but one that must still be implemented to deliver desired performance. Change management is hugely important but not necessarily strategic. For example, changing processes might make them more efficient, but not actually implement

strategy. Many organisations have sound strategies and slick operations but no clear links between the two – their strategies have not been well executed.

HrN: How important is strategy execution?

AM: It's a key source of competitive advantage. Other things being equal, organisations that can execute strategy better, faster, at lower cost and with lower risk than competitors will outperform them. For non-commercial organisations, it offers scope to achieve objectives better and more efficiently.

HrN: How good are organisations at strategy execution?

AM: Studies are patchy but together paint a worrying picture. Around 80 percent of strategies fail to achieve stated objectives. Around 50 percent fail completely, not being implemented at all or failing catastrophically upon execution.

HrN: Why are failure rates so high?

AM: Dozens of problem areas have been identified, such as having a bad strategy in the first place, insufficient strategy breakdown, communication failures, inadequately involving staff, poor leadership, unclear responsibility allocation and misaligned performance measures.

HrN: So people issues are common barriers to strategy execution?

AM: Absolutely. About half the problems are clearly people-related, reinforcing HR's role to help managers avoid the pitfalls. HR practitioners can usefully frame people management problems in terms of their impact on strategy execution. Some apparent people problems won't have much impact on performance, whereas others are catastrophic. HR can draw attention to the critical issues with the right analysis.

HrN: With so many barriers where can you start if performance is unsatisfactory?

AM: My research addressed that issue. Lists of common strategy execution barriers are only so useful. It's more productive to examine specific situations to uncover what's constraining performance. You often find that one problem causes another. For example, it's really hard to allocate responsibilities for activities if strategy hasn't been properly broken down into activities. That breakdown process is the root of the problem and the first thing to tackle.

HrN: What else did your research focus upon?

AM: I was interested in how organisations actually identified activities to achieve strategic objectives. It sounds simple and like something all managers should be able to do, but it wasn't explored in existing research – nobody explained how to actually do it!

HrN: How did you collect data for the study?

AM: I used case studies that tracked organisations trying to implement strategy over five or six years. Initially I collected data using documents, interviewing and passive observation. As new insights from these methods waned, I used participant observation and action research – something more akin to experimentation. I was lucky to be so deeply immersed in the field for so long – very few researchers are.

HrN: What did you discover?

AM: There were several important findings. Firstly, despite widespread agreement about its importance, few organisations have a defined or systematic approach to executing strategy. Strategic planning, programme management, performance measurement and risk management are often disjointed without a strategy execution framework to glue them together.

HrN: And were organisations good at translating strategy into activities?

AM: No. In fewer than ten percent of cases was strategy properly translated into activities. Often no attempt was made to do this; where attempts were made, a range of inadequate approaches was used. A common example was matrices that mapped strategic objectives and projects using 'checkmarks'. They looked impressive at first glance, but were really too vague to explain plausible relationships between activities and objectives – they gave only the illusion of alignment.

HrN: So why is translating strategy into action so challenging?

AM: Although it sounds like an obvious thing to do, I think it is genuinely difficult. Some people are great with ideas and concepts, whereas others are action-oriented. But very few people seem comfortable straddling that divide. Rarely are people sufficiently 'bilingual' to translate between the very different languages of concept and action.

HrN: What specific mistakes do people make in this translation process?

AM: I identified eight specific problems but let's pick a couple of big ones. Firstly, in around 85 percent of cases I examined, people made big 'leaps of logic' when breaking down strategies. For example, they might plan that improving advertising will increase profit. But that relationship is not direct – better advertising might attract more new customers,

expand the size of the customer base, increase volume of sales, push up revenue and thus increase profit. Ignoring these intermediate factors means ignoring important alternatives such as reducing costs, manipulating price, cross-selling, customer retention and so on. This reduces the chances of selecting optimal methods of achieving strategic objectives.

HrN: You mentioned another common problem?

AM: Yes, this one was fascinating. In about 70 percent of cases I examined, strategies dealt only with planned changes. They didn't detail or even acknowledge existing business models, which by definition account for all existing performance. The obvious problem is that proposed changes are then not evaluated alongside or meshed together, for the purposes of implementation, with key existing activities. Is it any surprise that so many strategies fail when they ignore existing activities, processes and systems – which may or may not be compatible with them?

HrN: What are the consequences of not translating strategy into activities properly?

AM: I mentioned unclear accountability earlier. Another common consequence is poor stakeholder identification and engagement – it's difficult to know who needs to be involved in implementing a strategy that hasn't been broken down into concrete activities. Another frequent problem is poor resource allocation. You cannot budget properly for delivering a strategy – but you can budget for delivering activities that together will plausibly realise that strategy.

HrN: What advice would you give to organisations to improve strategy execution?

AM: Every organisation and situation is unique, so there's no substitute for clear-headed analysis customised around those. So first, make sure you have a well-defined strategy execution

process – many organisations don't and get tied in knots as a result. That process must involve those who will implement strategy in systematically breaking it down to concrete activities. Otherwise you wind up with strategies that can't be implemented and inadequate buy-in.

Alongside that, it's vital to develop the skills and motivation to execute strategy effectively. Organisations easily slip towards silo-based planning and fragmented, self-interested change management. Strategy execution is the glue that holds the parts of the organisation together so it has to be strong.

Finally, feedback and control mechanisms must inform how well strategy execution is working. A good question to ask is, "How effective are we at executing strategy (not just making change happen)?" If you can't answer that question systematically with good data, you face a serious risk.

HrN: How can HR help execute strategy effectively?

AM: There are lots of opportunities for HR functions. Firstly, they can contribute fully to strategy development – many HR practitioners are too shy about this. Good strategies are ones that can realistically be implemented and build upon unique organisational strengths. Any organisation's mix of people simultaneously constitutes a constraint and a capability. Both need considered early on in strategic debates and HR must ensure that happens.

Secondly, HR functions have a special role in performing good diagnosis to identify and properly comprehend performance constraints. There is a tendency to attribute performance problems to people issues, so HR often gets called in when objectives are not being met. However, many strategy execution problems originate in the complex interactions between people, processes and systems, so a wider perspective is needed to distinguish symptoms from underlying causes



and isolate the levers to pull.

Thirdly, HR must tightly align people-related activities with strategy. This is a big challenge – much of what HR does seems intangible and affects overall performance indirectly. This makes it even more important to be explicit about how activities will impact strategic outcomes. A disciplined approach to this simplifies HR's agenda by focusing on the best things to do and ditching initiatives that don't withstand scrutiny.

Finally, as guardians of organisational learning, HR should ensure that managers understand strategy execution, its importance, why it often fails and how best to

tackle it. Strategy execution capability is an important source of sustainable competitive advantage.

HrN: So what's next on your research agenda?

AM: I'm keen to conduct more in-depth case studies tracking strategy execution efforts in different settings. Working closely with practitioners facing complex challenges is the best way to ensure the science develops to inform practice.

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