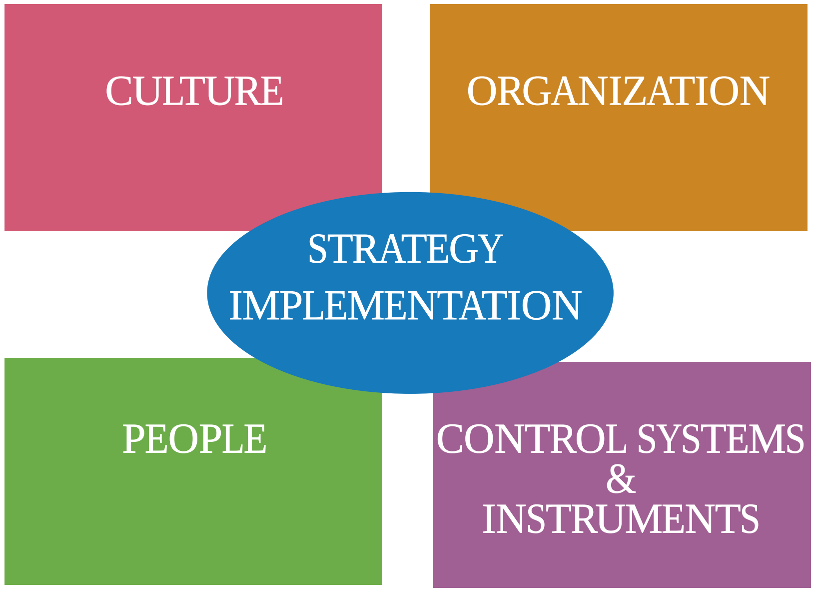
TAP INTO THE POWER OF FOUR KEY FACTORS TO DELIVER SUCCESS.

BY ANDREAS RAPS

implementing strategy

IF YOUR COMPANY HAS SUCCESSFULLY IMPLEMENTED A STRATEGIC PLAN, then you're definitely in the minority. The real success rate is only 10% to 30%. This low rate is discouraging, especially since a growing number of companies in recent years have invested considerable resources to develop strategic planning skills.

Figure 1: Strategy implementation's key success factors



Companies obviously need to improve strategy implementation activities, but the pace of these activities and the implementation itself have many problems. Primary objectives are somehow forgotten as the strategy moves into implementation, and the initial momentum is lost before the company realizes the expected benefits. The cause isn't easy to explain, but it can be attributed to a variety of problems.

Traditional strategy implementation concepts overemphasize structural aspects, reducing the whole effort to an organizational exercise. Ideally, an implementation effort is a "no boundaries" set of activities that doesn't concentrate on implications of only one component, such as the organizational structure. When implementing a new strategy, it's dangerous to ignore the other components because strategy implementation requires an integrative point of view. You need to consider not only the organizational structure, but the soft facts as well—the cultural aspects and human resources perspective. Taking into account both the soft and hard facts (like turnover, operating profit, profitability ratios) ensures that cultural aspects and human resources receive at least the same status as organizational aspects. Altogether, this integrative interpretation allows you to develop implementation activities that are realistic.

It might seem like strategy implementation is an insurmountable obstacle. It isn't. But you should concentrate on four key success factors, which Figure 1 illustrates: culture, organization, people, and control systems and instruments.

1. CULTURE

Each organization possesses its own culture, i.e., a system of shared beliefs and values. The corporate culture creates and, in turn, is created by the quality of the internal environment; consequently, culture determines the extent of cooperation, degree of dedication, and depth of strategic thinking within an organization. An important element in this context is the motivation of the employees, which determines the potential and force for a significant change within the corporation's system. Before change can occur, the organization and its cultural values have to be "unfrozen" to understand why dramatic change is even necessary. While the need for change may be apparent to the top executives, it isn't always obvious to the rest of the organization.

Top management's principal challenge in the cultural context is to set the culture's tone, pace, and character—to see that it's conducive to the strategic changes that the executives are charged with implementing. When implementing strategy, the most important facet is top management's commitment to the strategic direction itself. In fact, this commitment is a prerequisite for strategy implementation, so top managers have to show their dedication to the effort. At the same time, this shows a positive sign for all affected employees.

To implement strategy successfully, senior executives must not assume that lower-level managers have the same perceptions of the strategic plan and its implementation, its underlying rationale, and its urgency. Instead, they must assume they don't, so the executives must persuade employees of the validity of their ideas.

2. ORGANIZATION

You should consider two aspects of your organization—its structure and its decision-flow processes. Structure deploys accountabilities so the company can achieve its goals and objectives and, ultimately, its mission. The enterprise's mission and goals are the general and specific accountabilities of top management. The goals then are subdivided into objectives that are delegated to the next level of executive management. In effect, a strategy defines both the firm's direction and top management's job.

Decision-flow processes, however, are the vehicles companies use to integrate results into coherent patterns for developing, implementing, and controlling decision making. Research studies indicate that less than 5% of the typical workforce comprehends their organization's strategy. Without understanding the general course of strategy, employees can't contribute to an effective implementation. What's necessary to help reach this goal is a higher degree of transparency in the decision-making process.

One reason strategy implementation processes frequently result in problems or even fail is that the assignments of responsibilities are unclear. Who's responsible for what? To add to this problem, responsibilities are diffused through numerous organizational units that tend to think in only their own department structures. That's why cross-functional relations are critical to an implementation effort. Bureaucracy makes this situation even more challenging and can make the whole implementation a disaster.

To avoid power struggles between departments and within hierarchies, you should create a plan with clear assignments of responsibilities regarding detailed implementation activities. Through this approach, responsibilities become evident, and you can avoid potential problems before they arise.

3. PEOPLE

Human resources represents a valuable intangible asset, and recent research indicates that it is progressively becoming the key success factor within strategy implementation projects. In the past, one of the major reasons why strategy implementation efforts failed was that people were conspicuously absent from strategic planning. This just doesn't work. Employees have to be considered part of strategy implementation in general. Implementing strategic change requires the confidence, cooperation, and competencies of the organization's technical and managerial people, so the continual development of a company's vital asset—human resources—is a very high priority.

Another priority is managing change. It's a great challenge to deal with potential barriers to change because implementation efforts often fail when you underestimate these barriers. Experience shows that barriers against the implementation of the strategy can lead to a complete breakdown of the strategy.

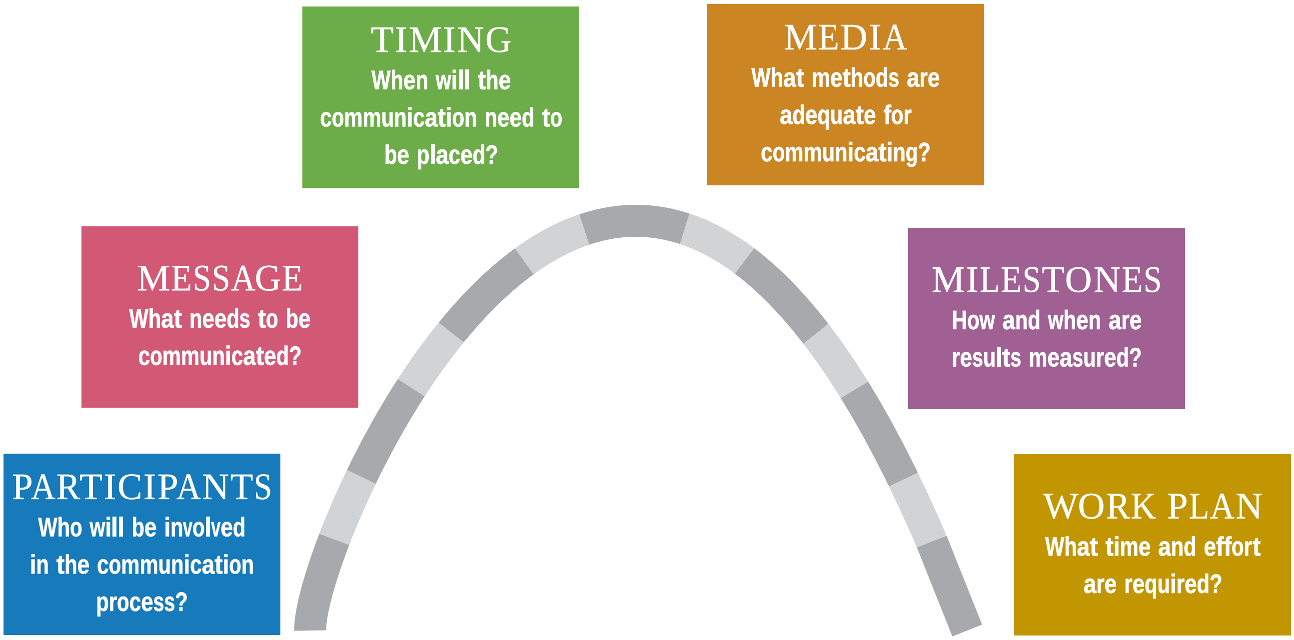
These barriers are psychological issues, ranging from delay to outright rejection, and companies need to pay more attention to them. After all, strategy implementation consists mostly of psychological aspects, so by changing the way employees view and practice strategy implementation, senior executives can effectively transform change barriers into gateways for a successful execution.

Communication should cover the reasons employees are performing new requirements, tasks, and activities because of the strategic implementation.

Since change is part of the daily life within an organization, you need to emphasize communication regarding the changes to push the implementation process forward. One problem: The required communication with employees about the strategy implementation is frequently delayed until the changes have already crystallized. My recommendation? Focus on two-way communication because it solicits questions from employees. In addition, communication should cover the reasons employees are performing new requirements, tasks, and activities because of the strategic implementation.

This type of communication about organizational developments should take place both during and after an organizational change. It's essential to communicate information to all levels, and don't forget that the way you present a change to employees greatly influences their acceptance of it. To deal with this critical situation, you

Figure 2: Issues to be addressed in the communications plan



must develop an integrated communications plan. Such a plan is an effective vehicle for focusing employees' attention on the value of the selected strategy. Figure 2 illustrates a communications plan that will market the implementation in such a way as to create and maintain acceptance. It's indeed a big challenge to communicate this plan effectively and in a way that everybody understands it.

Beyond change management and communication, you have to consider the behavior of individual employees. Individual personality differences often determine and influence implementation, and different personality types require different management styles. For the purpose of strategy implementation, you should create a fit between the intended strategy and the specific personality profile of the implementation's key players in the various departments of the organization.

Next is teamwork. Teamwork plays an important role within the process of strategy implementation. When it comes down to implementation activities, however, this is often forgotten, even though it's indisputable that teams can play an important part in promoting the implementation.

To build effective, cohesive teams within strategy implementation, you should consider using the Myers-Briggs typology, which has proved to be a useful tool in determining personality differences. Recognizing different personality types and learning how to manage them effectively is a skill that you can learn. In fact, more than one million Myers-Briggs Type Indicators (MBTI™) surveys are performed each year in corporate settings for team building and management development. More than any other field of activity, implementation is the area that benefits most from a trained and personality-sensitive management team.

To generate acceptance for the implementation, middle managers must help formulate the strategy. More often than not, however, middle managers and supervisors have important and fertile knowledge that's seldom tapped in strategy formulation. As long as these managers are a part of the strategy process, they will be more motivated because they see themselves as an important part within the process. You need to make sure that happens.

As a result of involving managers and supervisors, you can increase your chances for a smooth, targeted, and accepted strategy implementation. That's why involving employees is an important milestone to making strategy everyone's everyday job. Without understanding the general course of strategy, employees can't contribute to an effective strategy implementation. That's exactly why the involvement of middle managers seems to be appropriate—to increase the general strategic awareness. At the same time, it promotes an integrative understanding of the strategic direction and helps to accomplish a strategic consensus.

4. CONTROL SYSTEMS AND INSTRUMENTS

An essential question for managers is how to assess performance during and after the implementation. This assessment or control function is a key aspect of the implementation processes.

In order to provide top management with reasonable assurance that strategic initiatives can be executed and are, indeed, being implemented as intended, a control system is required to develop and provide the necessary information. Such a control system focuses on critical issues. For example, one of the most critical points within strategy implementation processes is time restrictions. The problem? Many executives underestimate the amount of time needed and don't have a clearly focused view of the complexities involved when implementing strategies. Basically, it's difficult enough to identify the necessary implementation steps and even more difficult to estimate an appropriate time frame, so you have to determine the time-intense activities and harmonize them with the time capacity. One way to figure this out is through fine-tuning with the affected divisions and the managers responsible for them. In addition to the probable time frame, you should calculate an extra buffer for unexpected incidents.

To facilitate the implementation in general, you should use tools to support the processes adequately. Two implementation instruments help here: the balanced scorecard (BSC) and supportive software solutions.

A popular and prevalent management system, the BSC considers financial as well as nonfinancial measures to translate a company's strategic objectives into a coherent set of performance measures. When it comes to meeting the criteria of a strategy-implementation instrument, it's an excellent fit. The individual character of each balanced scorecard ensures that the company's strategic objectives are linked to adequate operative measures. As a consequence, it provides even more than a controlling instrument for the implementation process—it offers a comprehensive management system that supports the steering of the process. A strategic planning system can't achieve its full potential until it's integrated with other control systems like budgets, information, and reward systems. The balanced scorecard provides a frame to integrate the pieces of the strategic planning initiative and meets the requirements that the strategic planning system itself can display.

In the context of implementing strategies, companies neglect software solutions. IT support is becoming more and more important because information tools must be available and adequate to allow strategic decision makers to monitor progress toward strategic goals and objectives, track actual performance, pinpoint accountability, and—most important—provide an early warning of any need to adjust or reformulate the strategy. Unfortunately, this seems to be limited to enterprise resource planning (ERP) systems, which are prevalent in the operating environment of a company's day-to-day business.

The strategy implementation perspective demands systems with criteria different from those of conventional systems. How well the system can monitor and track the implementation process should be the center of interest. In the past, implementation-related activities were tracked manually or launched on an ad hoc basis so that there was a lack in mandatory installed business processes. The supportive application of adequate software solutions can be more than helpful to improve the quality of strategy implementation. In addition, a software solution is a starting point to define clear assignments of responsibilities throughout the organization's implementation processes. The advantage is that the responsibilities can be defined within a software solution and the responsible managers have to commit themselves to specific goals. Basically, this is an excellent approach to track the progress of the implementation and the individual managers' achievement of objectives.

STRATEGY IMPLEMENTATION—AN ENIGMA?

Curiously, some managers consider strategy implementation a strategic afterthought. Although creative chaos can help formulate strategy, a more administrative strategy implementation demands discipline, planning, motivation, and controlling processes. The implementation process normally demands much more energy and time than mere formulation of the strategy.

It's worth the effort. An efficient strategy implementation has an enormous impact on a company's success. Basically, a well-formulated strategy can only generate a sustainable added value for the company if it is implemented successfully, so regardless of the intrinsic merit of a particular strategy, it can't succeed if an effective implementation procedure is missing. The four key success factors can serve as your guide. ■

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