STRATEGY ACTIVATION

How to Turn Your Vision into Marketplace Success

Scott Glatstein

TABLE OF CONTENTS

INTRODUCTION

WHY STRATEGIES FAIL

"Strategies are intellectually simple; their execution is not."
—Larry Bossidy, author of *Execution: The Discipline of Getting Things Done*

"If you don't know where you're going, you could wind up somewhere else,"
—Yogi Berra

There's an old Harvard Business School adage that theory stands a much better chance of success than execution. The line is as relevant now as it was 50 years ago.

All it means is that the best-laid plans can go awry once exposed to the light of day and the rudeness and ruthlessness of reality.

Former President Lyndon Johnson understood that. He often told a story of a man who had applied for a job as a flagman at a railroad crossing. The man was told he'd be handed the job if he could pass a test consisting of just a single question

The applicant was told to imagine that he was a flagman at a crossing consisting of a single track when he suddenly observed the *Continental Express* bearing down from the east at 95 miles per hour and, coming from the other direction, the *Century Limited* at 100 miles per hour. With the trains only 500 yards apart, the man was asked, what would he do under such a circumstance? Without hesitation, the would-be flagman responded that he would go and get his brother-in-law.

Puzzled, the railroad examiner inquired, “What good would that do?”

The job applicant promptly replied, “He ain’t never seen a train wreck.”

Clearly the would-be flagman didn’t understand the overarching strategy of his potential employer (prevent accidents) nor his potential role in executing that strategy. Unfortunately, this is not unlike the current state of corporate execution as evidenced by the train wrecks we see everyday in the marketplace.

How would I know? Well, my name is Scott Glatstein and I develop corporate strategy execution practices for a living. In fact, I’ve been doing so, as a corporate executive and a consultant, for 25 years.

In that time I’ve learned a thing or two about strategy execution – what works and what doesn’t. I’ve learned that organizations who have mastered the intricacies of strategy execution are, far and away, more likely to outperform competitors in key areas like revenue growth, profitability and customer satisfaction. I’ve also learned that strategic plans often fail when burdened by managers who lack the skills necessary to manage strategic execution campaigns. They also fail when there are no ingrained processes to guide strategic execution or inadequate tools necessary to enable success.

The good news is that, from what I’ve witnessed on the front lines, strategy execution can improve as executives streamline daily activities and realign them so they are in harmony with business goals.

There is more good news: after decades of neglect, top managers are becoming increasingly aware of the importance of strategy execution. According to a recent study by the Conference Board, strategy execution ranks high in the top ten "challenges" facing senior managers (strategic execution, in fact, ranked third out of 91 potential challenges, the Conference Board reported).

That mindset won't change anytime soon. *Strategy+Business* magazine reports that strategic execution is the number one issue facing senior managers over the next ten years.

THE AGE OF STRATEGY ACTIVATION

So what's all the hoopla about? Why is strategy execution the next "must have" business discipline today? How can businesses leverage solid marketplace execution of strategic vision to fatten their bottom lines *and* set the stage for future growth and prosperity?

Good questions all, and ones that I will spend the following ten chapters answering.

I'll spend a good chunk of the book examining what has gone so wrong with strategy execution practices. It's not a pretty picture. Studies show that nine out of ten business strategies are poorly implemented in the marketplace. In fact, poor execution is the number one reason businesses fail. While there are many issues that drive poor execution, they all seem to point to a common factor: a lack of preparedness to implement the strategy that has been created.

David Norton, author and professor at Harvard Business School, tells us that only 10 percent of all business strategies are effectively implemented. Companies invest so much time and energy into developing the perfect stratagem, yet 90 percent fail. This is rarely due to a strategy's inherent ineffectiveness. Poor marketplace execution of the plan is often the culprit. That should be a wake-up call for all business executives.

Fortunately, there is a solution that meets all of a strategic manager's needs, goals, and expectations, one that most people don't know about. Its name is the title that graces the cover of this book – Strategy Activation.

Strategy Activation is a business process that my company has designed to address the gap between strategy creation and marketplace implementation. It focuses simultaneously on all the key success factors necessary in creating successful corporate strategy execution programs.

Strategy Activation recognizes that your company's overarching strategy is a promise – a promise made to the marketplace and to the customers whose day-to-day experiences with the organization's products and services – determines the ultimate success of the business. Strategy Activation is the new bridge that spans the chasm between executive-level strategic intent and organization-wide marketplace execution. It takes *what* an organization wants to do and defines *how* it is going to do it. It ensures that the promise made to the marketplace is driven by every employee across every customer touchpoint every day.

WHY STRATEGIES FAIL

I'll go into greater detail later on in this book, but for background purposes, there are four primary reasons why a company can't effectively implement its strategies:

1) **The strategy fails to recognize the limitations of the existing organization.**

   Strategy makes huge demands on an organization's capabilities and resources. While an organization can certainly transform its capabilities over time, there is a limit to how far and how fast. Recognizing what the organization can realistically deliver before launching in a new direction is essential.

2) **Employees don't know how the strategy applies to their daily work.**

   Many companies don't communicate strategy broadly or effectively. If the strategy is to offer world-class customer service, what does that really mean? What does it mean to the salesperson on the street, to the customer service representative in the call center, and to the marketing manager at headquarters? When employees don't know how the strategy affects their everyday work, they aren't likely to implement it properly.

3) **The organization's business systems or processes can't support the strategy.**

   It's difficult to implement a new strategy without changing the way the organization works. Does the way in which work flows across departments and divisions support the marketplace intent? Can the systems and tools meet the demands of the new strategic vision? Pursuing a new strategy with old capabilities is a recipe for disaster.

4) **Performance metrics and rewards are not aligned with the strategy.**

   An organization may communicate, for example, that it wants to develop strong, ongoing customer partnerships, but instead it rewards short-term revenues over long-term profits (thereby giving little incentive for individual managers to place emphasis on establishing longer-term and more profitable client relationships).

A SAAB STORY

The answer to these problems lies in "activating" the strategy and thus creating an organization that is ready, willing and able to bring your strategic vision to market.

Specifically, as I'll show inside these pages, organizations need to go beyond articulating the typical strategic plan. They must translate their strategy into specific employee roles and create the infrastructure and processes that enable them to fulfill those prescribed roles.

For an exemplary example, consider Swedish carmaker, Saab. Despite a long history of industry engineering and design innovations in safety, comfort and performance, Saab's market impact was fading – to the tune of seven straight unprofitable years and a noticeable loss of market share in the crowded luxury car market. It became clear that the fabled carmaker had lost its way. Annual strategy shifts, each designed to prop up the business, left consumers, dealers and employees confused and uninspired.

At around this time, Saab undertook a robust research effort among high end car buyers and uncovered a heretofore unrecognized insight into Saab's core customers -. Saab owners are fiercely individualistic. They pride themselves on breaking from the pack and taking the road less traveled. And because of that, they demand an individualized customer experience that is unique and unconventional.

To create the new and unique experience their customers hungered for, Saab fashioned a new management position – VP, Brand Experience and Management. This elevated the importance of the holistic customer experience.

Five guiding principles were identified to provide an internal compass for the organization and drive the optimal experience. A cross-functional Brand Council was chartered to ensure that these principles were internalized and adhered to across the organization.

Saab also recognized that their new strategy required real change throughout the organization. To realign employee behavior and corporate culture Saab created internal brand workshops: All 16,000 employees were trained through *Saab Way* orientations. In addition, performance measurement systems were retooled and incentives and rewards established for meeting new customer experience objectives.

As the guiding principles took hold, many real changes in the existing customer experience started to take shape, including the following:

- Unique interior and exterior physical design cues emerged that differentiated the Saab from the rest of the luxury cars on the market.
- Lease and purchase programs were customized and tailored to individual customer needs.
- An annual Saab Owners Convention provided opportunities for loyal Saab followers to meet with corporate executives, attend special car clinics, and get a sneak-peek at new products and programs in development.
- Saab Magazine was launched, featuring lifestyle articles such as wine & cooking, travel, health & fitness that appealed to the “off the beaten path” tastes of Saab owners.
- Showrooms were redesigned and a new no-pressure consultative sales approach was developed.
- Some dealers even provided at-home or at-office test drives.

Perhaps the most visible and intriguing change came in after-sales service. To provide the individualized experience envisioned by the strategy, Saab executives conceived a whole new series of tools to enable its servicing crews and reinforce the Saab experience at this critical customer touchpoint.

It began at the point of manufacture. Each new Saab rolling off the assembly line received a unique bar code placed in the windshield of the car. This bar code linked to a master database that maintained the car's ownership data and servicing records. Many dealerships (those focused on customer service and retention) were equipped with handheld units that read the bar code, accessed the database, and displayed the car's record.

As a customer drove his or her car in for servicing, the waiting technician scanned the bar code. Before the customer exited the vehicle, the handheld unit displayed the customer's name and recent service record. Thus the technician could greet the customer as follows:

> *"Welcome back, Mrs. Smith. How is your day going so far? I see the last time you were in we adjusted your brakes. Did that clear up the issue you were having? It seems today you're here for an oil change and lube.*
>
> *"Are there any other concerns you'd like us to look at while the car is here?"*

Not only did this interaction create the individualized *experience* that Saab owners yearn for, it minimized the distrust that typically exists between car owner and mechanic. This personalized treatment helped solidify the bond between the customer and the dealership, thus increasing customer loyalty and retention. This service would not be possible, however, without the technology and tools Saab provided to its service technicians.

Saab recognized that developing a compelling marketplace promise is just a first step. It all comes down to the customer's actual experience with the organization. That's what determines the ultimate success of a strategy. Thus, before launching a new strategy, whether it is service-centric, price-driven, luxury-focused, or some other viable approach, an organization must align the people, the processes and the systems to the customer experience it seeks to achieve.

In the first year post-implementation of their new strategy, Saab saw unit sales increase 55%. Awareness of the Saab brand increased 30%. Consideration among potential buyers increased 72% and inquires per month rose 179%. All of this was accomplished as incentive spending declined 67%.

That same year its competitors experienced flat or negative sales growth resulting in a nice share bump for Saab.

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That, as I prove in this book, is where Strategy Activation comes into play.

Inside these pages, I'll take you on a journey, one where as you come out the other side, you'll realize that the relationship between theory and execution has been changed forever – and that Strategy Activation is the reason why.

In short, you'll recognize that having the knowledge and capabilities essential to create, implement and manage your own Strategy Activation initiatives aren't a luxury.

They're the new business imperatives.

CHAPTER ONE

TURNING GOOD INTENTIONS INTO PROFITS

[Alice came to a fork in the road and saw the Cheshire Cat in a tree. Alice asks the cat:]

"Would you tell me, please, which way I ought to go from here?"

"That depends a good deal on where you want to go," said the Cat.

"It doesn't much matter where," said Alice.

"Then it doesn't matter which way you go," said the Cat.

– From Lewis Carroll's *Alice in Wonderland*

Okay, let's get the bad news out of the way first.

Nine out of ten business strategies fail.

Surprised? Don't be. Statistics point to the hard truth that even strategies diligently planned around the latest trends and reports, fashioned with the most obvious market opportunities and solid competitive analysis in mind, don't often equate to market traction and an improved bottom line.

That's daunting news, but it's also a tremendous wake-up call.

Bringing strategies to life is not an easy task, but it is what makes all the difference. In this chapter – indeed in this book – we'll examine the many reasons why business strategies fail and what distinguishes higher performing companies from lower performing ones.

When many companies look to improve their value proposition or upgrade their product line, they think hard about how they will communicate those goals, but forget about how they will actually achieve them. So, designing strategies is only the first step in a series of necessary actions.

Think about it this way: business strategy directly communicates a company's intent to the public. The intent of course must be meaningful or attractive to the audience. If you follow through on delivering valued intentions, you will create profits, reinforce your brand, and, most importantly, persuade customers that you will make good on your word. But if you fail to come through, you're communicating the opposite message to the marketplace.

Strategy Activation *means the difference between keeping your strategies locked on track versus losing your way.*

ROOTS OF STRATEGY ACTIVATION

The American Management Association (AMA) commissioned the Human Resource Institute (HRI) to conduct a literature review and a global survey focusing on the execution of strategy. Within this study, the research team defined *strategy* as "*a major plan that an organization makes to attain a defined and positive business goal*," and it defined *strategy execution* as "*The process of implementing such plans and achieving such goals.*" Of course, getting from strategy to successful implementation requires more than simple intent.

The key translation process called *Strategy Activation* must be inserted between a firm's conceptual strategic designs and the actual execution in order to succeed in the marketplace. Strategy Activation is about transformation (of a strategy) into identifiable, desired activities and alignment (of the organization) to enable those activities to be realized. Properly applied, it both prepares and leads an organization to successfully implement its plans. In short, Strategy Activation takes "what" an organization wants to do and defines "how" it is going to do it.

The process defines each employee's roles and responsibilities and ensures he or she has the necessary training that will yield success within the context of proposed strategies. It also matches rewards systems to the behaviors the organization must reinforce. Finally, it requires ensuring that the tools and the workflow processes enable employees to accomplish their defined goals. In short, your employees need clear direction and the infrastructure to support them. These are the levers that will "activate" your strategy.

A Fortune Magazine study has shown that seven out of ten CEOs who fail do so not because of bad strategy, but because of bad execution.

So, let's get back to the statistic; why do so many business strategies fail to achieve their goals? Who or what gets in the way of building an industry-leading, go-to-market strategy or a winning new product strategy?

While companies might find it tempting to place the blame on the strategy itself or fault its employees, such scapegoats are merely symptoms of a systemic disease.

The fault has far more to do with *how little* businesses strive to align their new strategies with the internal systems they already have in place. Those systems include internal staff goals, business systems, and everyday processes. Consequently, that's exactly what Strategy Activation entails – rethinking goals and business systems in terms of the proposed strategy.

Historically, work has been divided into two parts: strategy and execution. Top executives wrote the strategy (which always looked good on paper) and everyone else was supposed to execute it. However, many necessary steps and important questions were usually skipped over in between theory and actualization. Can the company execute its strategy within its existing culture, reward system, or fundamental workflow processes? Would employees be able to implement the strategy given the new expectations placed on their performance?

To further demonstrate the point, think about the following scenario: Would it seem logical to have one person plan a dinner party menu while another person is responsible for both the food budget and the shopping? What if they didn't coordinate their activities beforehand? You can imagine the implications if the first person invited the neighbors to a gourmet meal, while the second person simply shopped for beer and cold cuts as usual. This simple example demonstrates what happens when planning and execution aren't linked together. It is not simply a communication issue. Perhaps the first person has no idea of the costs and time required to actually create such an extravagant meal. Maybe the second person does not even know what gourmet food looks like or lacks the requisite cooking skills. In either case, it makes no sense to invite the neighbors (or even decide which neighbors to invite) until you know what kind of dinner can realistically be provided or what changes both people need to make in order for the gourmet dream to become a reality.

In more recent years, authors like Ken Bossidy and Ram Charan (*Execution: The Discipline of Getting Things Done*) and Lawrence Hrebiniak (*Making Strategy Work*) have helped break down the historical wall that exists between strategy and execution. However, in most organizations, the gap between strategy development and strategy implementation still remains.

WHY STRATEGIES FAIL

As a business culture, we have planted the seeds for imbalance early on, often in some of our most important institutions. Take business schools. Even prestigious schools like Wharton or Harvard tend to overemphasize strategy development at the expense of formal training on how to make strategy successful. As a result, many managers learn about strategy execution in the school of hard knocks. Even then, some managers never learn why their strategies continue to fail. We further validate this emphasis on strategy by promoting the best "strategic thinkers" over those who merely execute well in the marketplace.

The good news is that things are changing, helped by thorough examinations of why things go awry. What we've seen is there are a few fundamental reasons why strategies fail. In understanding them we can build a better, stronger platform for success.

With that thought in mind, let's take a look at the four primary reasons why strategies might not be living up to their full profit potential.

1) **The strategy fails to recognize the limitations of the existing organization.**

   Marketplace strategy makes huge demands on an organization's capabilities and resources. While your organization can certainly transform its capabilities over time, there is a limit to how far and how fast. Recognizing what your organization *can* realistically deliver before crafting a new direction is essential to your business success.

2) **Employees don't know how the strategy applies to their daily work.**

Many companies don't communicate strategy clearly or effectively enough to their employees. If, for example, your strategy is to offer the best service, what does that really mean? What does it mean to your salesperson on the street, to your customer service representative in the call center and to your marketing manager at headquarters? If your employees don't know how the "go-to-market" strategy affects their everyday work, they aren't likely to implement it properly.

3) **The organization's business systems or processes can't support the strategy.**

It's difficult to implement a new strategy without changing the way the organization works on a daily basis. Does the way in which work flows across your various departments and divisions support your marketplace intent? Can your systems and tools meet the demands of the new strategic vision? Remember that pursuing a new strategy with old capabilities is a recipe for disaster.

4) **Performance metrics and rewards are not aligned with the strategy.**

If your organization strives to be a service leader but is instead rewarding its customer service reps for keeping calls short (whether or not this leads to the resolution of a customer's problem), there may be a disconnect between performance metrics and the communicated strategy. Do reward systems and business strategies make sense in terms of the strategy and overall goal? Are you creating measurement tools that make employees feel good about their performance but don't really gauge the company's key success factors? Metrics and rewards must always be aimed at the specific employee behaviors sought – behaviors that support your company's strategic vision.

In a London Times study of 1,000 companies, 80 percent of directors said they had the right strategies but only 14 percent thought they were implementing them well.

All four of these issues share one common theme: your organization's preparedness to implement the "go-to-market" strategy you have just created. Strategy has to be more than a feel-good presentation shared with your managers, shareholders and the media. It has to be woven into the fabric of your organization.

If, for example, a company publicly unveils a new and improved customer service leadership strategy, it is making a concrete promise – a promise that conveys what the organization intends to deliver to its customers and the marketplace. Strategy execution determines whether an organization can turn good intentions into real profits.

In the study I mentioned earlier, the AMA/HRI team specifically wanted to find out what drives execution. They also wanted to isolate significant differences in how higher performing and lower performing organizations execute their strategies. Therefore, they sought to identify which companies – based on self-reports – are best at strategy execution and which excel in the areas of revenue growth, market share, profitability, and customer satisfaction. Although it is impossible to fully attribute causality in any survey, the data suggest that some approaches to execution are more valuable than others and that higher performers use those strategies to a greater extent than lower performers.

So, what distinguished higher performers from lower performers? Higher performers exhibit the following characteristics:

- **Execute Strategies Better.** That is, companies that enjoy higher performance (based on the aforementioned four factors) also tend to be better at executing strategies (based on two different survey indicators).
- **Provide Clarity.** Out of the top six major areas of difference between higher and lower performers, three of them (clear strategy, clear goals, and clear focus) deal with clarity. "*Creating a clear strategy*" was ranked as the single most important action for companies implementing strategies. What's more, out of 57 different approaches to strategy execution, "*defining clear goals to support strategy*" was ranked second in importance, ("*ensuring clear accountability*" was fourth, and "*having a clear focus on implementing/executing strategy*" was sixth). Clarity facilitates and enables organizational alignment.
- **Utilize Alignment Strategies.** Specifically, higher performers are more likely to tie organizational objectives to strategy and to analyze and subsequently align processes, people and tools to enable their successful completion.
- **Exhibit Superior Speed and Adaptability.** The practice revealing the largest difference between higher and lower performers is "*demonstrating the ability to quickly and effectively execute when new strategic opportunities arise*." Another strategic action showing a distinct separation between companies is "*having an adaptive organizational infrastructure*". These two items suggest that adaptive organizational infrastructures – in combination with an emphasis on clarity – help organizations react more quickly to new strategic opportunities.

In summary, devising strategies is more than a linear exercise. It requires an understanding of the organization's current capabilities given its existing people/culture, workflow processes, and tools/systems. Once both the potential and the limits of the organization are identified, then a realistic direction and set of goals can be established, and a clear vision for the company and its particular promise to the marketplace emerges. Strategy Activation then defines that vision and aligns the organization's internal mechanisms to most effectively achieve it.

KEEPING PROMISES: QWEST COMMUNICATIONS

Smart companies also need to know how to make wine out of vinegar. That is, they not only need to practice flexibility in devising new strategies, but also work within their given circumstances. Richard Notebaert realized that his company urgently needed a shift in policy and a brand new strategy when he took the reins as CEO of Qwest Communications. He discovered that over a period of eight years (from 1994 through 2002) Qwest's customer satisfaction ratings plunged 27 percent. Qwest needed to build a strategy that would reverse how it was increasingly being perceived in the marketplace.

In the past, Qwest approached the marketplace as a technology leader leveraging its DSL advantage. While Qwest concentrated on the strategy of delivering superior technology, its customer satisfaction ratings plummeted. Ultimately, the Colorado state attorney general sued Qwest for violating that state's consumer protection law, alleging fraudulent billing practices, high-pressure sales tactics, and improper issue resolution procedures. It was time for a change.

Qwest launched a new customer-centric strategy in October 2002. Replacing its old strategy of technology leadership (encapsulated by "*Ride the Light*") with a new strategy – world-class customer service (described as the "*Spirit of Service*") – Qwest changed its logo and launched an aggressive ad campaign. Qwest's employees spoke directly to the viewer, promising change and emphasizing the organization's renewed commitment to its customers.

A sampling of the messages the company conveyed are listed below:

– *"Watch us now"*
– *"Now we're going to change Telecommunications for the better."*
– *"It's the right thing for the customers."*
– *"[We're] putting the customer first."*
– *"This is the spirit of service."*

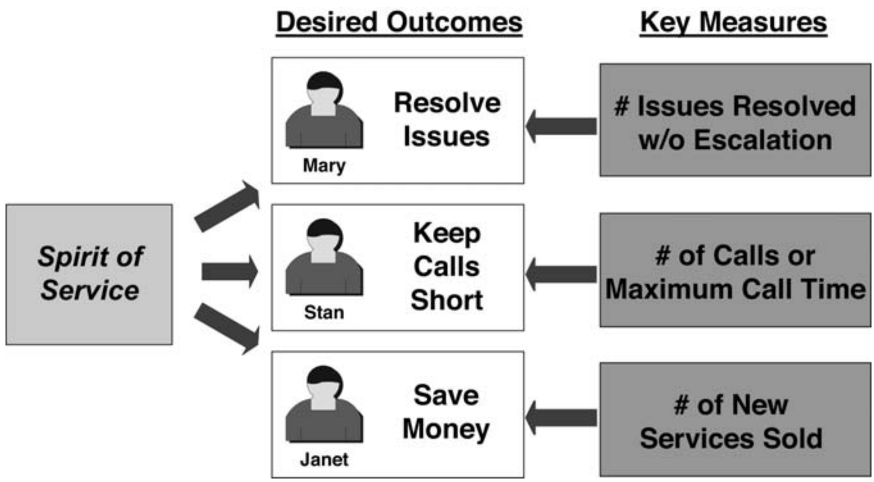
Qwest did a fabulous job communicating its new strategy to the market and showing clear intent. It made a promise to change and put the customer first.

In order for Qwest to keep its promise, the company would have to translate its marketing pledge into new employee responsibilities and actions. This process is exactly what Strategy Activation enables organizations to accomplish.

Let's contemplate the role of a Qwest CSR (Customer Service Representative), who must now provide the new *"Spirit of Service"* when answering customer calls. First of all, what does that term specifically mean? How does one define good service? Defining and aligning strategic goals within the context of everyday work is essential. It means that every CSR must understand what types of behavior will be expected (and rewarded).

As illustrated in Figure 1.1 below, CSR Mary thinks good service involves personally resolving an issue in real time no matter how long the call takes. CSR Stan decides that good service means helping as many customers each day as possible. Finally, there's CSR Janet who feels that good service means saving her customers money on their bills.

Figure 1.1—Hypothetical Interpretations of the Spirit of Service



Each of these CSRs makes a legitimate interpretation of putting the customer first – "*the Spirit of Service*". In this hypothetical example, the customer experience would vary dramatically from one CSR to the next. If customer Mike gets CSR Mary, she could keep him on the phone forever, but if he gets CSR Stan, Stan might rush through a resolution without really addressing the problem. CSR Janet may try to sell Mike new products that can save him money without even considering the issue he originally phoned in about.

To create a consistent, unified implementation, an organization must convert the strategy – in this case, "*Spirit of Service*" – into clear roles and responsibilities for each individual, defining what he or she must do on a daily basis to support and implement that strategy.

How performance is measured and rewarded (whether on issue resolutions, call time, or services sold) will determine how CSRs behave with customers. Of course, it is human nature to look to maximize rewards. Accordingly, the measurement and reward systems must tie directly back to the employee behaviors the organization wishes to encourage.

Many companies fail to relate business strategies to the realities of their daily business practices. By ignoring the details, they often end up moving too fast into areas they cannot hope to succeed in and subsequently break the promise communicated to their customers. Strategy Activation helps companies avoid this dangerous pitfall. By looking closely at each strategy *before* it launches and making the appropriate adjustments required to align people, workflow processes, and tools/systems, companies have a much better chance of keeping every promise they make. My promise to you is that, in *Chapter 2,* we'll begin to show you how Strategy Activation makes that happen.