



STRATOCON

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## SMART STRATEGY EXECUTION®: ORGANIZATIONAL FOCUS ON BUSINESS STRATEGY IMPLEMENTATION

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In a globalized world where information and data are available to anyone at any time, every business is subject to the same conditions, opportunities, and challenges when it comes to developing a competitive strategy. Yet, when the time comes for companies to actually put their strategies into practice, those that possess the ability to execute them effectively and sustainably are at an advantage. The key to success is therefore not only how a strategy is devised, but also how it is actually executed.

Besides addressing the challenges associated with strategy development, discussions in recent years are increasingly dealing with problems of strategy execution.

According to a study published in the Harvard Business Review, companies realize on average only about 40% to 60% of their potential when implementing their strategies. Despite this, most business managers still concentrate mainly on strategy development, not paying enough attention to the question of how the company can ensure that this strategy is implemented. Numerous CEO surveys over the past few years reveal that the majority of respondents cite a lack of translation of their strategies into concrete activities, a lack of focus on execution, and a lack of skill at implementation as the main reasons why their strategies have not been fully carried out.

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SMART STRATEGY EXECUTION®: Organizational Focus on Business Strategy Implementation, Simone Springer-Hoppe, Managing Partner; Dr. Christian Becker, Managing Partner; Lars Hoppe, Managing Partner.

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When putting their strategies into practice, most companies take the two-step approach of development and execution applied at universities and many

consulting firms. However, the above mentioned problems with execution result from a breakdown in the link between these two steps.

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## LINKING STRATEGY DEVELOPMENT WITH IMPLEMENTATION

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The attempted solutions for systematically combining these two steps are at best rudimentary. So, that raises the question of how senior management can link these two processes in order to ensure complete and effective strategy implementation.

To answer that question, we need to find out what is missing between the steps of development and execution and what needs to be done to close this gap.

While strategy is typically formulated by senior management, implementation is the responsibility of downstream supervisors and their staff. The result of this division of labor is that those employees who have to put the strategy into practice on the job often do not understand how exactly they can contribute to its implementation.

To close the gap between formulation and implementation, senior management must ensure that strategy execution is integrated into the daily activities of every single employee. Consequently, the entire organization needs to focus on execution.

Before the company can actually implement its strategy, it must accomplish the following tasks, which are crucial to success:

» **Initialize.** The corporate strategy needs to be initialized. This is done by communicating it in such a way that every division, every department, and ultimately every employee realizes exactly how they are supposed to contribute to the strategy's execution.

» **Mobilize.** The organization must be mobilized. Every division and every department down to the individual employee must devise actions through which it expects to make its required contribution to implementation of the strategy.

» **Quantify.** Every action devised in this way needs to be quantified by setting measurable targets.

Thus, successful strategy execution requires a clearly defined intermediate stage between formulation and actual implementation. This step operationalizes the strategy by translating it into specific activities across every division and at every level of the company. Those activities are planned by the individuals who are later required to perform them. In this way, the process of strategy operationalization systematically links the development phase with the implementation phase.

So, the traditional two-step approach of development and execution needs to be expanded to three steps: formulation, operationalization, and implementation.

Only consistent application of these three steps guarantees effective execution of a company's strategy, thereby avoiding the problems mentioned above. That's why companies that routinely follow these three steps not only effectively achieve their strategic goals, but also have a competitive advantage over companies that are unable to implement their strategies consistently.



## SUCCESSFUL STRATEGY EXECUTION USING THE SMART EXECUTION MODEL®

Senior managers can systematically apply the three-step SMART EXECUTION MODEL® in their companies to ensure consistent implementation of their individual corporate strategies following a sound methodology.

### STEP 1: FORMULATION

Formulation, which involves actual development of a strategy, essentially consists of devising strategic initiatives based on the company's goals.

### Focus on Breakthrough Objectives

It is of crucial importance for senior management to first identify a limited number of strategic goals (breakthrough objectives) that are vital to the company's success and on which it should concentrate. Then it formulates the strategic initiatives that are key to implementing the strategy throughout the company. Only when a company lays out a few goals for execution of its strategy can it later focus on implementation, ultimately ensuring the strategy's success.

### Evaluating the Organization's Core Competencies

Another prerequisite for effective execution of a corporate strategy, which must be performed during formulation, is the systematic analysis of the company's core competencies.

When companies are developing their strategies, this review is often not performed at all or at least not systematically. An organization that lacks the skills to implement its strategic initiatives will be unable to do so no matter how well developed they are.

For that reason, the formulation stage needs to examine what processes, organizational structures, systems, and key qualifications are indispensable to execution. If putting the initiatives into action requires adjustments to processes or structures, then the measures necessary must be included in the strategy.

## STEP 2: OPERATIONALIZATION

As outlined above, operationalization is absolutely essential to strategy execution. Operationalization goes beyond the usual cascading of objectives. It incorporates the strategic initiatives into the organization, synchronizes them with the operational tasks, and focuses the organization on their actual

implementation. If this step is omitted, the company will fail to meet important requirements that are absolutely essential to the complete realization of its strategy.

### Cascading Strategic Initiatives to Every Part of the Company

A company's senior managers are in charge of setting its strategic goals and devising its strategic initiatives. They determine what is to be accomplished.

However, the initiatives then need to be communicated in such a manner that every employee understands his or her contribution to executing the strategy. To do that, the company must initialize its strategy and define what actions will be taken to implement the strategy.

The first step is to communicate the strategic initiatives to the next management level. It will be responsible for developing the measures required to implement the initiatives, as well as assigning responsibilities. The actions defined in this way are then approved by senior management.

The measures are then cascaded down to the next divisional, departmental, team, or employee level. This enables every single employee to understand what he or she should and must do to put the strategic initiatives into practice. It is then the job of the employees to devise specific actions for executing the measures and determine responsibility for each action.

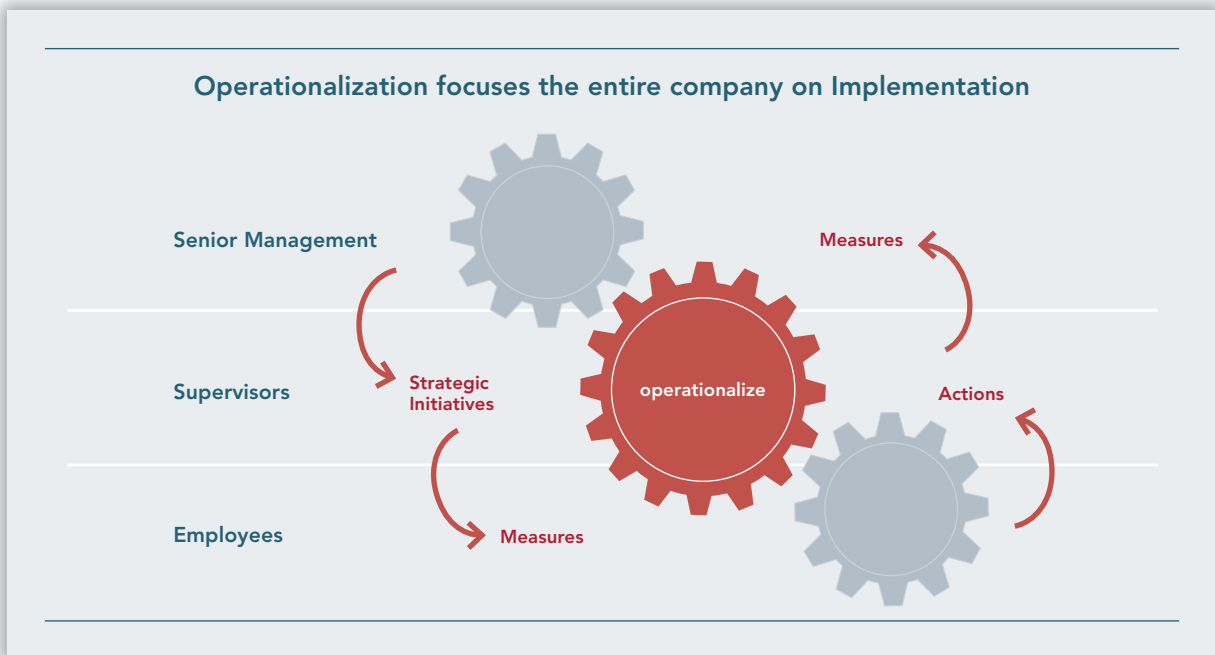
This process of cascading measures and actions encompasses every level and unit of the company, down to individual teams. This is how the employees themselves translate the strategic goals into their day-to-day activities.

**Horizontal and Vertical Alignment of the Organization**

The strategic initiatives, measures, and actions that trickle down in this way achieve horizontal and vertical alignment between all business divisions. At the end of the cascade, it will be clear to every employee exactly how the goals set by the senior managers can be attained.

This gets every employee involved in the process of strategy implementation early on, prior to actual implementation, giving them a clear understanding of their daily contribution to it. This therefore mobilizes and

motivates the entire organization, and ensures that all employees know how their individual performance can help make the company successful. In this way, each employee concentrates on implementing the strategy. Strategy execution becomes everyone’s everyday job.



### Leading Indicators as the Basis for Later Implementation

To track the defined measures and actions as they are being executed, objective metrics need to be devised for every activity. The performance indicators are also set in coordination between every level and unit. Only quantified activities allow transparent monitoring during the implementation stage.

Unlike typical data used in controlling, these performance indicators function as leading indicators and provide operational transparency into the progress of the strategy's implementation. Whether actions are achieving their objectives allows forecasts to be made about the measures being implemented. This paints a clear picture of the status of the measures' execution, enabling predictions to be made about whether the initiatives are being implemented according to plan.

Only by defining these kinds of early indicators can the organization respond quickly to deviations from the plan and effectively counteract them at every level and in every department.

### STEP 3: IMPLEMENTATION

Successful implementation requires continuous monitoring and early response when activities get off-target. The only way to ensure accuracy in achieving the designated goals is to first define objective metrics with the aid of which the respective degree of accuracy can be continuously calculated. That's why strategy operationalization as described above is an absolute prerequisite for successful execution.

### Monitoring Implementation

The company requires an activity-based system of monitoring that clearly indicates the level of execution and the success achieved through the measures and actions being taken at every level of the company.

This operational transparency enables senior managers, supervisors, and their staff to detect deviations from the plan at any time, at every corporate level, and in every department.

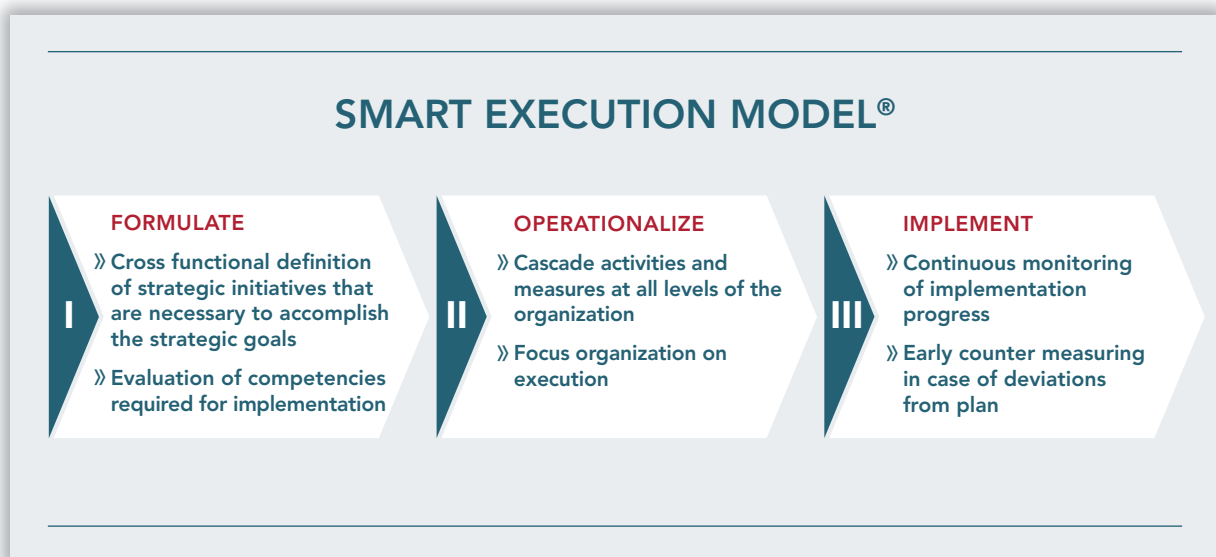
### Counter measuring Deviations

When specific goals are not being met, a standardized procedure can help identify the cause of the deviation. Based on this root cause analysis, corrective measures are developed at the level of the affected division or department, and coordinated with the next higher level.

The focus of this discussion is on finding a team-oriented solution, and not on scrutinizing the individual responsible. This procedure and the integration of the entire organization in controlling the execution of the strategy sharpen its strategic focus, expand its problem-solving skills, and establish a culture of learning.

## RÉSUMÉ

The SMART EXECUTION MODEL® helps companies close the gap between strategy development and execution. By consistently applying the SMART EXECUTION MODEL®, businesses ensure that these two steps are linked – thanks to the intermediate stage of operationalization – and the entire organization is focused on implementing the strategy. This way, strategies can be completely executed. The result is a distinct competitive advantage and success for your company.



### THE AUTHORS

The authors are Managing Partners at STRATOCON. They have more than 15 years of management and consulting experience. With their broad expertise they have designed and successfully implemented numerous strategic initiatives.



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STRATOCON is a management consultancy firm specializing in the execution of corporate strategies and strategic initiatives in the areas of operations and supply chain, marketing and sales, growth and innovation, leadership and organization and strategy management.



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