

MAKING STRATEGY WORK

Leading Effective Execution And Change

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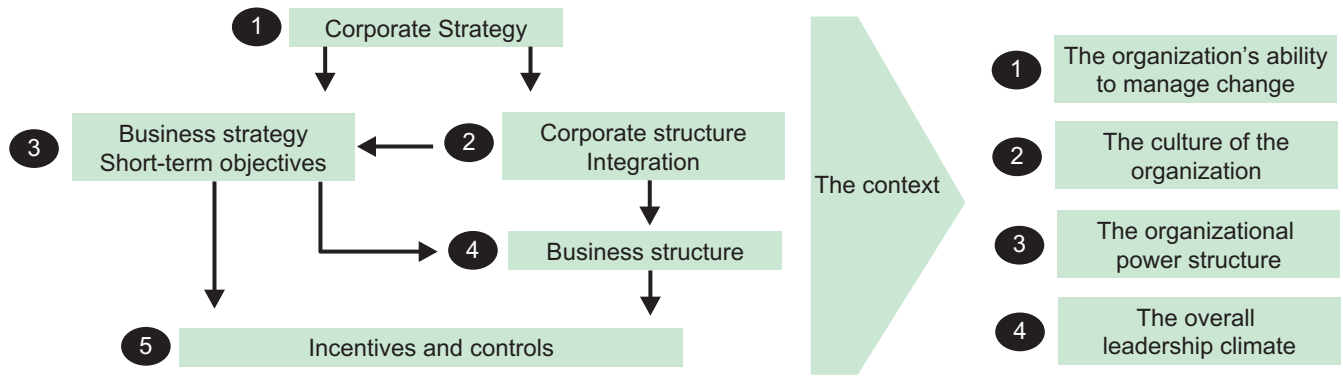
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MAIN IDEA

The key to actually executing a chosen strategy is what happens after the decision is made. If things are left to their natural path, most businesses will fail to execute their chosen strategy, and will instead continue doing what they have always done. To get an organization to implement a chosen strategy successfully, a unified and integrated approach to execution is required.

To make your chosen strategy work, concentrate on getting five key factors right as well as paying attention to the context:



Factor #1 – Corporate strategy Page 2

To be able to execute effectively, the corporate strategy must be clear and focused rather than fuzzy or vague. The corporate strategy must be designed with implementation in mind and dictates what businesses or industries should make up the corporate portfolio. The corporate strategy will of necessity specify the number of operating units in the organization and how overall resources will be allocated across these units.

Factor #2 – Corporate structure and Integration. Page 3

Once the corporate strategy is clearly defined, an appropriate corporate structure can then be determined. Execution of the corporate strategy relies on the appropriate operating structure to be put in place. Usually, this will be a case of hitting the right balance between centralization and decentralization. You want each unit to be responsive to market needs but there will be some activities and functions which should be centralized to avoid the costs of duplication. Once the correct balance is determined, coordination between the units comes through effective integration and communication.

Factor #3 – Business strategy and Short-term objectives Page 4

Each operating unit must create its own business strategy – focused on products, services and how it will compete in the marketplace. In practice, business strategy focuses on how to create and sustain a competitive advantage in the chosen industry. Business-level strategy must mesh and align with corporate-level strategy if the organization is to perform well. To execute the business strategy, strategic plans and objectives must then be translated into short-term objectives the business unit is responsible to achieve. In parallel with this, appropriate short-term metrics must also be developed.

Factor #4 – Business structure Page 5

Business-level strategy, short-term objectives and the preferred corporate structure all impact on the choice of business structure. Different businesses within the same company can and do face very different marketplaces and therefore have a need for different structures rather than complying with a decreed model. A good business structure will reflect and be driven by business strategy rather than management preferences.

Factor #5 – Incentives and controls Page 6

Execution will suffer if people are rewarded for doing the wrong things. Accordingly, an incentive program that provides individual and group rewards when the short-term objectives are achieved is essential. Of equal importance, these rewards must also reflect the desired business structure. A balance must be struck between group- and individual-rewards that makes sense. Rewards tell people what's important in no uncertain terms, and what to emphasize. Controls are the feedback loop, providing information to the organization's leaders on how well the strategy is being implemented.

Context – The four key elements Pages 7 - 8

The context within which executive decisions and actions take place will have a profound influence on making strategy work. The four contextual factors – change, culture, power and leadership – all need to be in sync before any strategy will work. To be able to make the right strategy work, you need to have the ability as an organization to manage change, a culture which values execution highly, a power structure which supports execution of the strategy and leadership which is committed to creating and following through.

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