

WHY STRATEGY FAILS

Presented at the LBS Alumni Session 10
Lagos, 20 October 2016



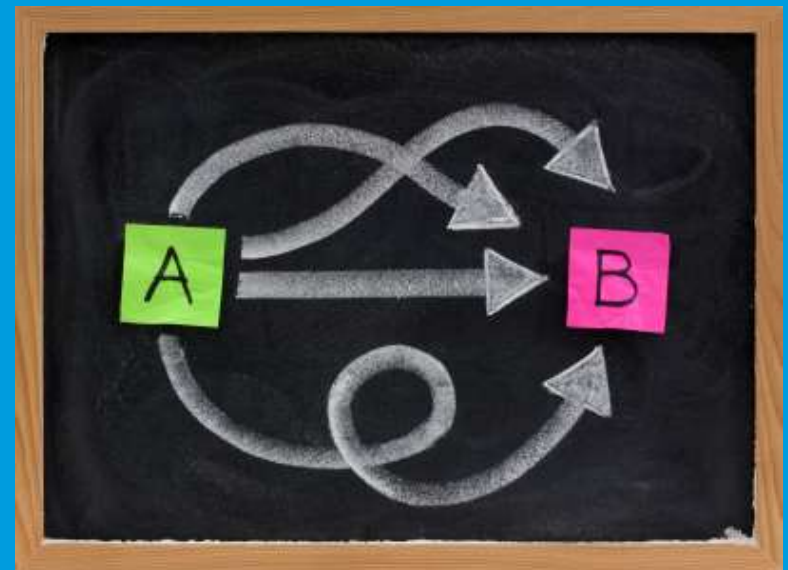
Kayode Sufianu
CEO, Balanced Scorecard West Africa

THE CONTEXT

What is Strategy?

WHAT IS STRATEGY?

“Positioning choices made (the path) and action taken (the plan) to move the organization from its current state to some future desirable state”



*- The Institute Way: Simplify
Strategic Planning & Management
with the Balanced Scorecard*

2 + 2 QUESTIONS STRATEGY SHOULD ANSWER

1. Where you we play

2. How do we win

+

1. What resources & capabilities

2. How do we sustain the strategy

*"If the choices you are making don't hurt
they are (probably) not good choices"*

STRATEGY SUCCESS EQUATIONS

Good Strategy + Effective Execution = Success

Poor Strategy + Effective Execution = Success, possibly

Good Strategy + Ineffective Execution = Failure

Poor Strategy + Ineffective Execution = Failure

Strategy is all about execution, period.

WHILST MANY ORGANISATIONS CRAFT GREAT STRATEGIES, FEW EXECUTE WELL...

- “70% of companies believe they select the right business strategy, but fail to execute it due to short-comings in their management system”
– *Accenture Report*

“...only 11% of companies employ a fully fledged strategic control system”
– *Ashridge Strategic Management Centre*

“... over 66% companies with over \$500M in revenue set targets that exceeded 9% real growth, yet less than one company in ten achieved this level of success.” – *Chris Zook, Harvard Business Review*

Source: i-nexus

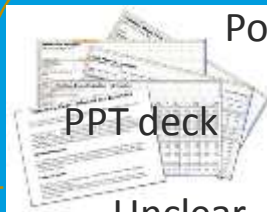
- “In the majority of cases – we estimate 70% - the problem isn’t bad strategy but ... bad execution”
– *Fortune Magazine*

“ex-e-cu-tion (ek si kyoo shun), n 1. The missing link. 2. The main reason companies fall short of their promises. 3. The gap between what a company’s leaders want to achieve and the ability of their organisations to deliver it...” – *Larry Bossidy and Ram Charan, Execution: The discipline of getting things done*

“90% of organisations fail to execute their strategy” – *David Norton, Balanced Scorecard Report*

STRATEGY EXECUTION - WHAT HAPPENS IN REALITY...

The Off-site Strategy Day The Ivory Tower Exercise

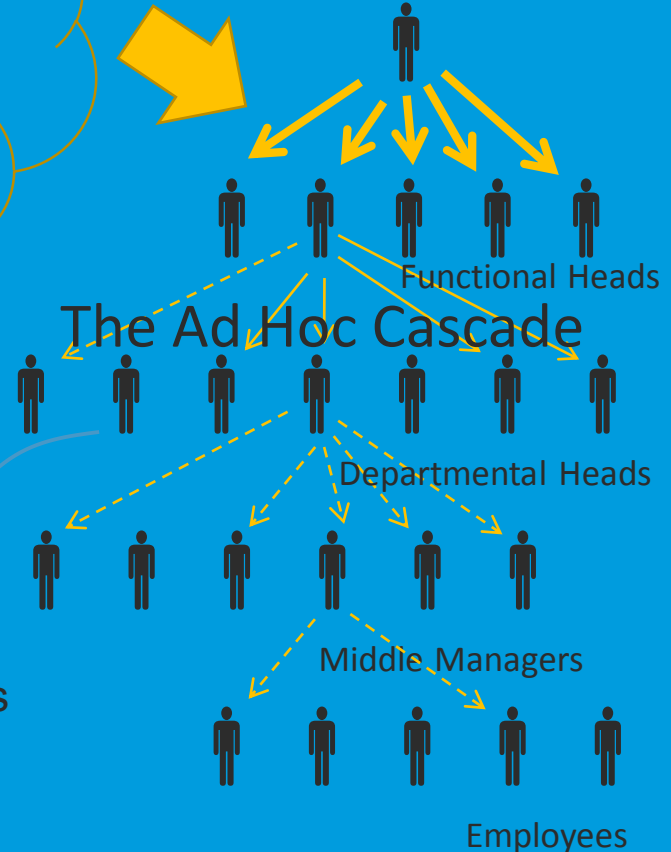


Poorly Defined Goals

Unclear Accountabilities



Divisional President



Give me your numbers...

Way too much!
Cut by 25%!

It's close enough for
Military work...



Funding Constraints



Projects

The Budget Dance

I need to include
some contingency...

If I don't include
it I'll lose it...

STRATEGY EXECUTION – WHAT DOES IT ENTAIL?

- Communication & change management
- Strategic objectives setting and assigning responsibility
- Alignment
- Performance measurement & analysis
- Strategic budget
- Strategic initiative management
- Strategy evaluation
- Strategy execution as a business domain

MEASURING THE EXECUTION GAP

1. Did you know that **companies lose between 40 to 60% of their strategy** during implementation?
Harvard Business Review
2. Do I know exactly where **my company, department or team is losing performance?**
3. What can I do to **close the execution gap?**

*“However beautiful the strategy,
you should occasionally look at the results”*

- Sir Winston Churchill

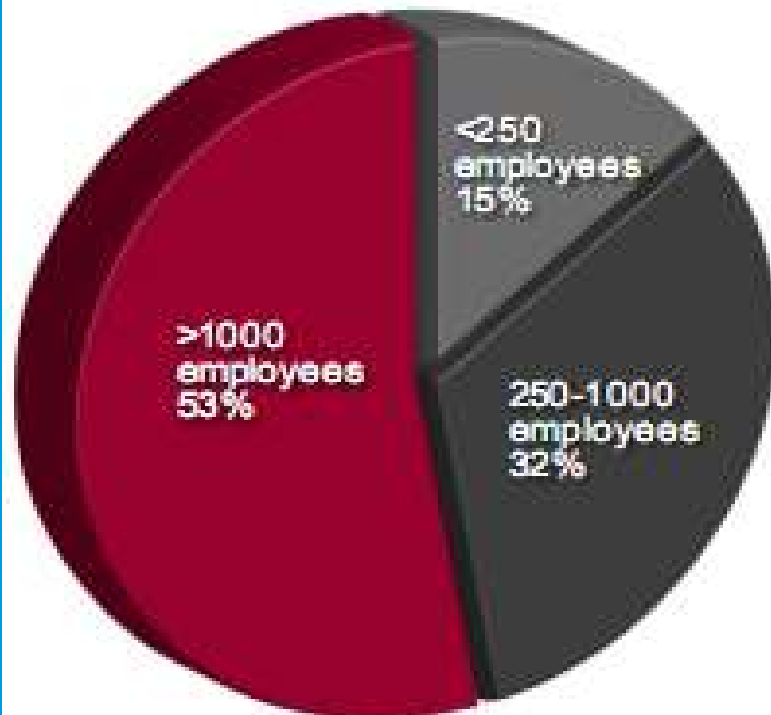
SOLUTION: THE *STRATEGY EXECUTION BAROMETER*^{TM*}

- Strategy Execution Barometer provides up-to-date information to evaluate the execution capabilities of your organisation
- Surveyed over 25,000 managers
- 1600+ companies, 36 countries and 29 sectors.

** By Performance Factory/Jeroen De Flander*

THE STRATEGY EXECUTION BAROMETER™:

Company Size



Functional split respondents

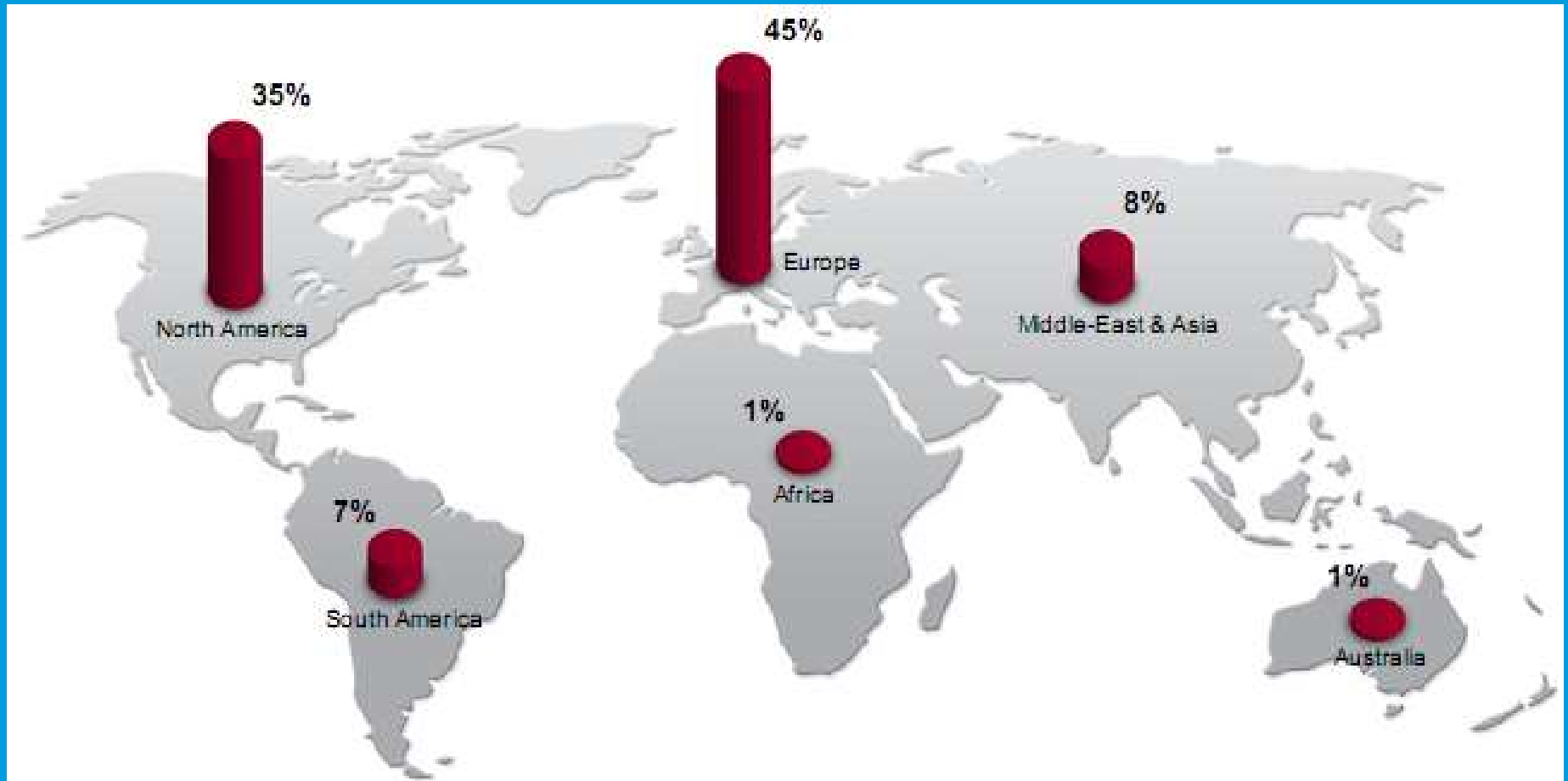


1600+ COMPANIES FROM 39 INDUSTRIES

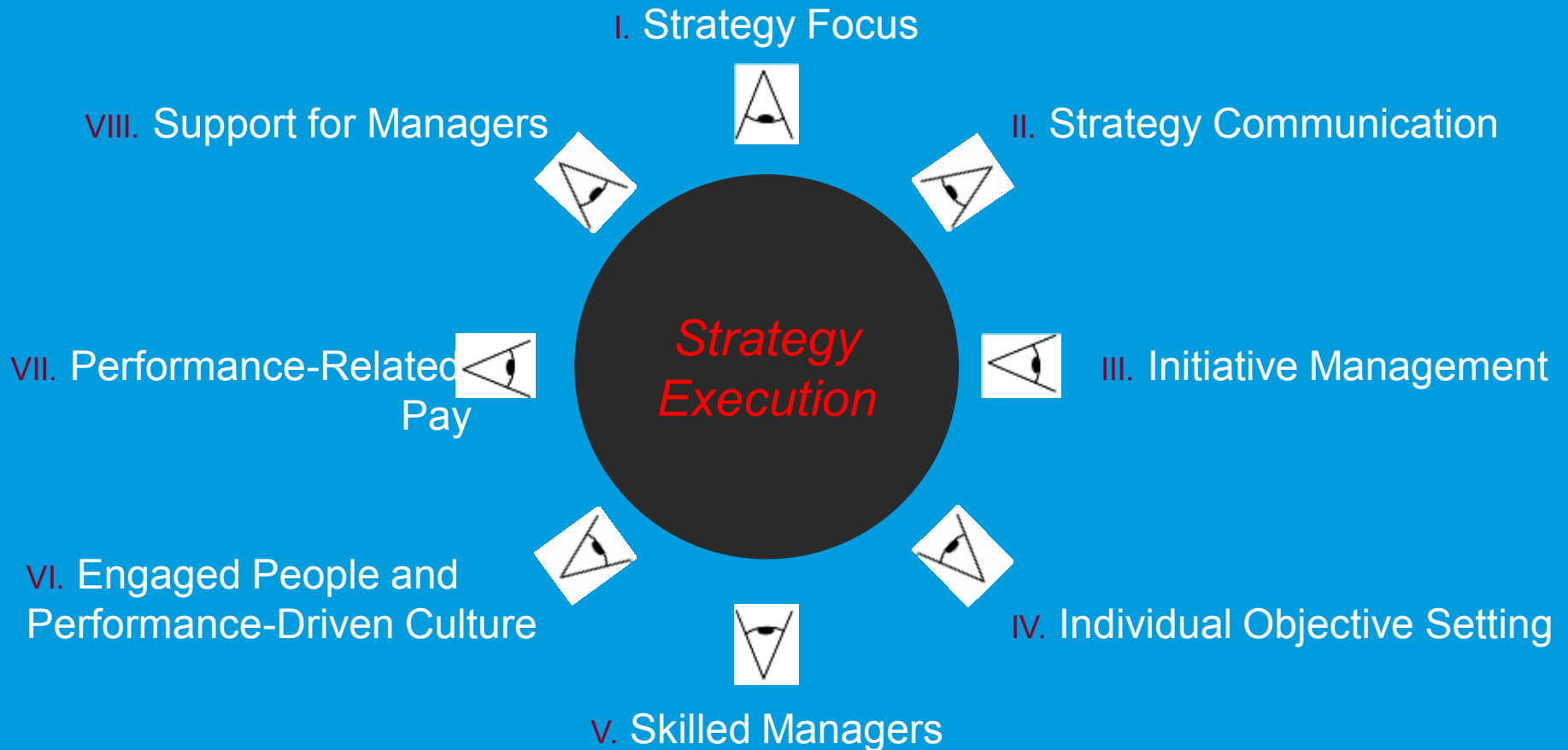
Sample



WHERE ARE THE HEADQUARTERS LOCATED?



THE *STRATEGY EXECUTION BAROMETER*[™] LOOKS AT STRATEGY EXECUTION FROM 8 DIFFERENT PERSPECTIVES



Skilled Managers



Engaged People & Performance-Driven Culture



Strategy Focus



Individual Objective Setting



Support for Managers



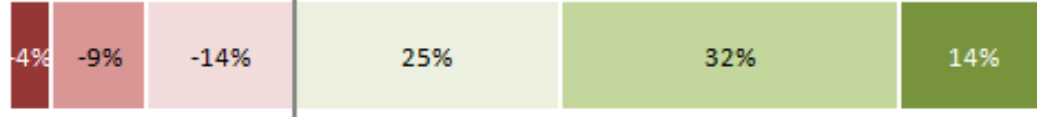
Performance-Related Pay



Strategy Communication



Initiative Management



INITIATIVE MANAGEMENT, 3 STRIKING CONCLUSIONS

*“Initiative management is the spot
where strategy translates into practice
or remains on paper forever”*

INITIATIVE MANAGEMENT, **FIRST** STRIKING CONCLUSION

1. Strategic initiatives: poorly staffed and budgeted
 - _ 49% of all strategic initiatives are poorly budgeted and staffed
 - _ 92% of all managers are unhappy with resource allocation
2. Strategic projects lack transparent accountabilities
 - _ 1 in 4 managers: responsible for key strategic projects
 - _ 79% of all managers find the project accountabilities unclear
3. Mismatch between project portfolio and strategy
 - _ 1 in 5 projects fail to support the strategy
 - _ 85%: mismatch between project portfolio and strategy

INITIATIVE MANAGEMENT, SECOND STRIKING CONCLUSION

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“Initiative management is the fleet of trucks that you use to deliver your strategy to its final destination. They are your main strategy transporters.”

STRATEGY COMMUNICATION, 3 STRIKING CONCLUSIONS

*“Look beyond the send button and shift
your focus to the receiving end”*

STRATEGY COMMUNICATION, **FIRST** STRIKING CONCLUSION

1. SM: know (care?) if managers understand the strategy?
 - _ 33% of all managers are never actually asked the question
 - _ worst score of all communication elements surveyed
2. Managers lack information on their colleagues' goals
 - _ 83% is unhappy with the strategy info from colleagues
 - _ 24% don't receive anything at all
3. Managers: no clear view on SE process
 - _ 44% receives no information
 - _ Comes in last after strategy understanding (point 1)

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LEARNINGS FROM LOCAL EXPERIENCE - GOVT. REGULATORY AGENCY

LACK OF LEADERSHIP ENGAGEMENT

- Non-participatory
- No visible engagement
- Not managing with performance data

LEARNINGS FROM LOCAL EXPERIENCE - A MEDIUM-SIZE COMMERCIAL BANK

ALIGNED ORGANIZATION

- Translated strategy to employee scorecards
- Accelerated and shortened appraisal cycle

INITIATIVE MANAGEMENT

- Centralised initiative management for enterprise-wide projects

LEARNINGS FROM INTERNATIONAL EXPERIENCE - A MULTILATERAL TRADE FINANCE INSTITUTION

ACCOUNTABILITY FOR RESULT

- Enterprise objective ownership

LEARNING THROUGH EXPERIENCE OF OTHERS

– A CENTRAL BANK

INTERNSHIP WITH OTHER FINANCIAL INSTITUTIONS IMPLEMENTING BSC

- Unique solution to understanding strategy execution challenges
- And solutions that have worked for adaptation
- Input into new strategy formulation

ENSURING CONTINUOUS IMPROVEMENT – THE THREE PHASES OF STRATEGY

