# A short, practical guide to implementing strategy

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Suit the action to the word, the word to the action (William Shakespeare, *Hamlet*, Act iii. Sc. 2).

For all the energy and resources invested in the pursuit of the perfect strategy, it's surprising to consider how little effort is directed towards *implementation*. Most strategies stumble in the implementation phase, regardless of their merit. A recent *Economist* survey found that a discouraging 57 percent of firms were unsuccessful at executing strategic initiatives over the past three years, according to their senior operating executives[1]. Managing the process of implementation is often more difficult than coming up with the strategy in the first place – but ideas that cannot be translated into action serve little purpose. A consistent, straightforward methodology can help drive strategic behavior, galvanize the management team, and enhance the firm's ability to navigate.

## Common pitfalls

Many firms undertake an intensive, year-end strategy formulation program. In the best cases, rigorous analysis of industry and market dynamics, competitive position, financial performance, and internal issues culminate in a revised vision or mission statement, and a set of objectives or strategies for the firm (e.g. improve efficiency, seize market share, enhance customer service, or less helpfully, become the market leader). All too often in the planning cycle, this session represents the apex of management focus: managers debate choices, priorities are set, the CEO exhorts the team to go back and make things happen.

Managers must then re-immerse themselves into the day-to-day operational grind, where they typically lose their focus, their enthusiasm, and their way. ''Strategies'' that made eminent sense in the context of the workshop begin to lose relevance, or become untranslatable: ''improve internal efficiencies'' sounds reasonable, but all change takes time, effort, and resources, and where should you start? Who's responsible? New deadlines and stakeholder demands intercede, old commitments and priorities reemerge, and longer-term initiatives simply lose momentum. In the worst scenarios, overstretched management teams are corralled into painful follow-up status meetings, and compelled to prepare complex reports updating their progress week by week, month by month – compounding their sense that ''strategy'' really means ''more paperwork,'' at the expense of performing their ''real jobs.'' Figure 1 recaps the usual suspects.

There is, fortunately, an alternative approach that improves the chances of successful implementation and both motivates and galvanizes the management team. While the process was originally designed for mature, middle market firms (revenue $100M-$500M) suffering from bureaucratic inertia, we've applied it successfully to larger, sophisticated firms (where managers are more entrenched, and systems are more resistant to change), and to smaller firms (where conflicting systems don't exist, but distractions abound). The

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**Figure 1** Why implementation stumbles

| *Why Implementation Stumbles* |
|---|
| Need to get back to my real job |
| Can't translate ideas into actions |
| No reward for sticking with it |
| Lose track/can't easily monitor |
| Everyone's responsible/nobody's responsible |
| Reality intrudes: plans lose relevance |

approach works because it stresses simplicity, consistency, and alignment with the firm's managerial systems.

## Getting started

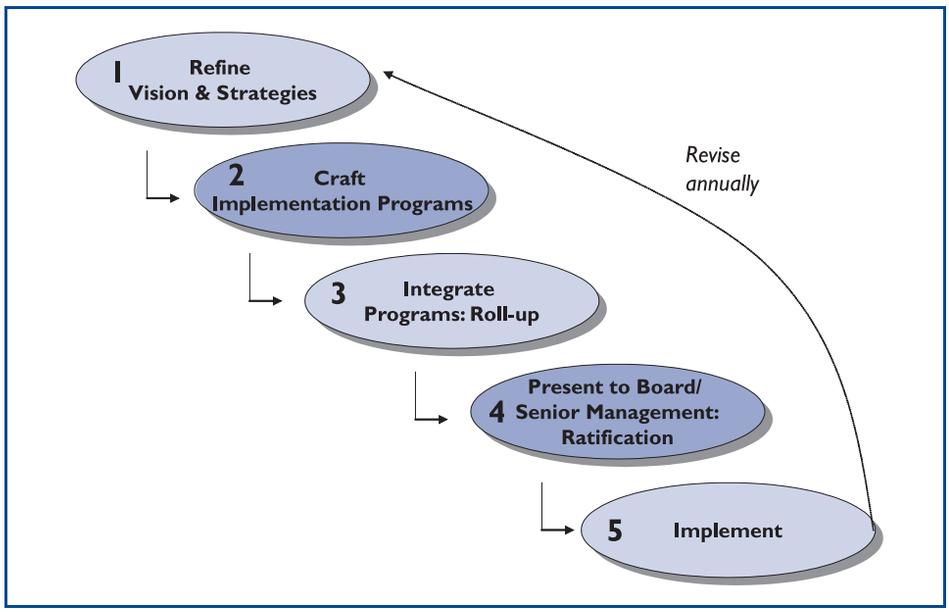
The six weeks that immediate follow the strategy development session are pivotal: this is when implementation programs are crafted, expectations set, and targets specifically identified. Figure 2 presents an overview of this period.

### *Step 1: refining vision and strategy*

Good implementation naturally starts with good strategic input: the soup is only as good as the ingredients. If we assume the management team has done a reasonable and thorough job formulating strategy, the critical output from the annual strategy session is a transcript capturing:

- a draft vision statement;
- a set of broad strategies;
- preliminary performance measures;

**Figure 2** Implementation process



> **"A recent *Economist* survey found that a discouraging 57 percent of firms were unsuccessful at executing strategic initiatives over the past three years, according to their senior operating executives."**

- preliminary resources required and expected results;
- critical issues; and
- the underlying (strategic) rationale for these decisions.

Most firms emerge from the strategy development session with a set of three to five strategies (five strategies is typically the upper limit, as implementation hinges on discipline and focus). Before concluding the session, it's important for the group to assign a strategy manager to each strategy to spearhead the creation of detailed implementation plans and shepherd the overall process of bringing these strategies to life.

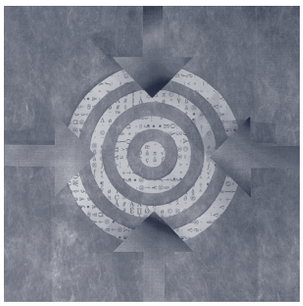
### *Step 2: crafting individual implementation programs*

What's next? We advocate a carefully managed process that moves swiftly from the general to the specific and preserves the management team's momentum. The CEO (usually with input from key managers) must hone the firm's vision, making it more specific and relevant, ideally identifying what the firm ''looks like'' in three years, the markets to be served, and the source of competitive advantage.

Implementation only works when there's a clear and shared understanding of who does what, when, at what cost. During the two- to four-week period immediately following the workshop, the strategy managers collaborate with their colleagues and staffs to put meat onto the bones of each strategy, track down missing data, resolve dangling issues, and begin to shape general goals into actionable, measurable next steps. Collaboration among strategy managers is critical, as they'll often be competing for the same resources (people, money, equipment); programs are often interdependent, and tradeoffs are to be expected. A straightforward format for capturing this information appears below (Figure 3).

### *Step 3: integrating implementation programs*

Once each strategy manager has fleshed out his or her respective programs, the strategy managers convene to compare notes. This critical juncture involves rolling up the programs, resources required, performance metrics, and issues, and assessing the overall shape of the sum: Is it all feasible? Can we afford it? Are we keeping our eyes on the original, strategic goals? Can the firm manage the timing or sequence of activities described? Typically, something has to give, and the strategy managers negotiate the tradeoffs. The fruits of their efforts will be captured in a presentation by the entire strategy team to the board (or management decision-makers), described below.



### *Step 4: ratifying the strategies and implementation programs*

Within six weeks of the strategy development session, the strategy team reconvenes to present their plan to the CEO and board for discussion, debate, and ratification. This kind of formal forum, and punctuation, reinforces the importance of what lies ahead. It explicitly underscores the firm's priorities and issues: management and the board share perspectives and a direct dialogue. When ratified, the managers are ready to roll.

### *Step 5: implementation*

Immediately following the formal ratification of the firm's vision and set of strategies, implementation can begin in earnest.

**Figure 3** Implementation template

| **Strategy** | *Strategy Manager:* | | |
|---|---|---|---|
| **Key Programs** | Responsibility | Start Date: | Complete By: |
| **Metrics** | **Resources Required**<br>***People:***<br>***Investment/expense:*** | | |
| **Milestones** | **Critical Issues** | | |

Perhaps the greatest challenge managers face when translating ''strategy'' into actions is communicating and monitoring implementation in terms that everyone can understand. (Only half of the respondents in the recent *Economist* survey report that their firms are successful in communicating strategic initiatives to front-line employees)[1]. A viable process clarifies the context for a strategy, spells out the rational sequence of events required to effect the strategy, and most critically, provides managers with the tools they need to track progress along the way. Accordingly, we've developed a short list of ten practical guidelines, including a simple example format, that help managers get the job done.

## Best practices for implementing strategy: ten practical guidelines

### *1. Keep it simple*

Implementation of even the most straightforward strategy tends to be a complex affair, requiring the intricate and dynamic interplay of people, resources, and market forces. Paradoxically, one of the most effective management tools is ''simplicity'' – the distillation of disparate elements into a single, coherent document and game plan. Unfortunately, keeping it simple is easier said than done: the leader's challenge is to edit, refine, and prioritize so that his team can pay attention to the right things at the right time.

An important first step is to break down the basic logic of how a broader strategy is to be implemented into shorter-term actions, each with a defined start, middle, and end (we call these actions ''*programs*,'' described below). In fact, even the process of articulating the

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rational steps to solving a problem can be enlightening and motivating for the team as it grounds them in the ''big picture,'' and reinforces their connection with the firm's overall strategy. It's important to remember that while no one has a crystal ball, reasonable judgments can be made with imperfect data: managers can describe in general *how* they'll go about implementing a strategy without having all the answers up front.

A second step is to identify specific *metrics* that managers will invoke to monitor progress/success in implementing the strategy. Good metrics help focus the team, and provide an early-warning system if implementation goes awry.

A third step is to exert discipline in the way implementation is communicated – paying close attention to the format and language used. A streamlined template that compels managers to update each other in a *single page* goes a long way towards sustaining momentum. All too often, managers serve up the equivalent of first drafts to their colleagues, smothering them in details as a way to share the burdens or anxieties of managing complexity; managers compelled to reduce their programs to a single sheet, however, must organize their thoughts, separate the wheat from the chaff, and take a more systemic view. Clear language, featuring simple action verbs, helps enormously to spell out the logic, and maximizes the potential for other managers to collaborate. Figure 3 presents an example format.

In the implementation game, less is more: teams that flawlessly and thoroughly execute a small set of plays put far more points on the board than those struggling to wield a thick playbook.

### *2. Establish a common language*

One man's ''market'' is another man's ''industry''; one group's ''customer'' can be another group's supplier, partner, or co-worker. In the metrics department, language is even more dangerously wielded. At a $75MM automotive parts supplier, for example, the management team discovered that even ''profit'' had different meanings for different constituencies within the organization. For the sales team, profit meant gross margin, while for the production group, it meant operating margin; the finance team, meanwhile, was managing for free cash flow (operating profit less capital expenditures). One result of these different definitions was that each manager made choices that got them closer to their perceived goal – sometimes, at odds with their colleagues. Salesmen brought in new high volume customers who appeared profitable, but who required extensive engineering support, reducing eventual operating margins. Program engineers seeking to enhance margins ordered new tooling, which improved piece price but impacted free cash flow. Different interpretations of the language used to describe strategy hopelessly confound implementation efforts. Before implementation starts, strategy managers should carefully define and review the key terms used to drive implementation to help ensure that everyone's singing from the same choir book:

- *Strategy*: the longer-term, broader set of actions undertaken to secure competitive advantage. Example generic strategies: improve efficiency, align managerial systems, enhance technology.
- *Programs*: the shorter-term set of actions required to implement the strategy. Example programs for a market diversification strategy: identify and assess adjacent market segments; profile key competitors; evaluate target customer needs and demand; create prototype/pilot program; measure results/proof-of-performance; refine program; rollout to more market segments.
- *Metrics*: the yardsticks employed to measure progress or success in implementation. Example metrics are revenue growth, customer satisfaction, new customer penetration rate, quality performance.
- *Milestones*: the major events that punctuate significant advances in implementation (typically no more than five). Examples include: securing a patent, launching a new product, or achieving breakeven – by a specific date.

- *Resources required*: the incremental human, capital equipment, and expenses required to implement the strategy, above and beyond normal operating expenses. Examples would be the addition of a new technology engineer, engaging a certification firm to validate product safety, sample and demo product expense, and extraordinary tooling investments.
- *Critical issues*: the primary risks, vulnerabilities, or concerns that may impact the implementation of strategy (and therefore deserve scrutiny and surveillance). Examples would be increased governmental regulation, competitor response, or internal political tensions.

Figure 4 illustrates how one company utilized the template to portray their approach to expanding a particular service.

### *3. Delineate roles, responsibilities, timeframes*

The format shown above asks the strategy manager to identify the five to seven major programs required to implement strategy. While this manager is responsible for guiding the overall process, he is not intended to be the sole implementer; rather, each program is likely to have its own designated steward (who may in turn count on additional staff to help him).

Implementation often calls for cross-functional support and collaboration. It's not unusual, therefore, to find the same program appear within several strategies, or to assign program managers from other functions or departments. Teamwork lies at the heart of successful implementation.

Each program should also have a clearly delineated time span (sequencing is clearer when managers expand this column to incorporate start and end dates). Little gives more satisfaction to an implementation team than successfully crossing a program off the list – proof of traction, and momentum! Conversely, failure to meet target schedules prompts discussion about conflicts and potential repercussions to other programs.

### *4. Devise straightforward quantitative and qualitative metrics*

It's not unusual to find that a firm's sole formal measurement system is the budget and forecast. But strategic programs may deliver results that are not immediately quantifiable (or

**Figure 4** Example implementation template

| **Strategy** | **Grow & Diversify Service Business** | *Strategy Manager:* | | *Lucky Luke* |
|---|---|---|---|---|
| **Key Programs** | | Responsibility | Start Date: | Complete By: |
| | Confirm current penetration: existing customers | peter | 7/15/2005 | 8/15/2005 |
| | Identify target customers and service product offerings | paul | 9/1/2005 | 9/15/2005 |
| | Develop formal program, delineating services, scope, pricing, budget | mary | 9/15/2005 | 10/15/2005 |
| | Develop marketing mix, including pilot promo materials & website | peter | 10/15/2005 | 12/15/2005 |
| | Convene & train task force: launch pilot program in MW region | paul | 2/15/2005 | 3/15/2006 |
| | Review and measure hit ratio, customer satisfaction, projected ROI | service team | 3/15/2006 | 6/15/2006 |
| | Refine program, rollout to Top 250 | luke | 9/1/2006 | 3/15/2007 |
| | Expand program by broadening product line and target segments | mary | 12/15/2007 | 1/15/2007 |
| | Assess results, re-convene team, revise strategy | luke | 6/1/2007 | 6/15/2007 |
| **Metrics** | | **Resources Required** | | |
| | Hit ratio: target 35% for pilot | ***People:*** | | |
| | Penetration rate, core customers: 25% by 4Q05, 50% by 2Q06 | *National Sales Mgr @* | | $100K |
| | Customer satisfaction: 90%+, via survey | *Sales spif fund* | | $150K/annum |
| | Revenue: $100K by 4Q05, $1M by 2Q'06 | ***Investment/expense:*** | | |
| | Gross margin: 40%+ target | *Calibration service catalogs* | | $50K/annum |
| | Incremental sales ($250K/annum) via audit results | *Competitive product training* | | $50K |
| | | *Customer survey consultant* | | $35K/annum |
| | | *Ad & promo materials:* | | $50K/annum |
| **Milestones** | | **Critical Issues** | | |
| | | Salesforce selection, training, focus | | |
| | Launch Program by 11/15/05 | Impact to core sales activities | | |
| | Achieve 50% core customer penetration by 3/15/06 | Regional manager commitment | | |
| | Achieve breakeven by 4/15/06 | Visibility within target markets | | |
| | Global rollout by 3/15/07 | Info systems: timely tracking support | | |

> **"Ultimately, senior management will need to balance the competing demands of the managers for the firm's finite resources, and make decisions that reflect the company's priorities overall."**

that are not captured by the firm's financial systems). The metrics section of the implementation worksheet is designed to capture the financial and strategic yardsticks by which the team monitors progress. Metrics should be as specific as possible (EBITDA of $5M by 3Q'06; Customer Retention at 75 percent by January 15, 2005, etc.) Wherever possible, ''soft'' targets should be converted into measurable units: innovation, for example, can be measured in part by the number of new patent applications filed or patents granted. In general, the sharper the metrics, the easier it is to monitor performance (and justify investment!).

### *5. Balance short term with longer term*

Most managers front-load their implementation worksheets with short-term targets; a natural tendency, as the future is fraught with uncertainty. Healthy implementation plans balance the short with the longer term, and strive to portray the full arc of the implementation process. If the strategy is expected to take three years to implement overall, for example, programs, milestones, and resources required should reflect that span of time.

### *6. Be precise, use action verbs*

Strategy and implementation programs describe what we ''do,'' so it's not surprising that we advocate the use of action verbs. Unfortunately, the passive voice plagues the contemporary business world.

''Program pilot to be launched with expected qualification and acceleration of DIY segment uptake and rapid deployment of follow-on customized initiatives,'' for instance, may be comprehensible to the author, but communicates more effectively if re-written as: ''Launch pilot program with Retailer A, targeting new customer segment.''

''Continuous improvement initiatives will be undertaken to anticipate future probable directions in waste reduction,'' for example, seems sincere, but compels the reader to second-guess who does what, to what end? ''Reduce waste in materials handling by 10 percent per annum'' seems more to the point, and is certainly easier to understand.

All too often, imprecise language obfuscates implementation, confuses the rest of the team, and unnecessarily prolongs work sessions and documentation. It may also rob the management team of opportunities to springboard off each other's efforts.

### *7. Use a common format to enhance clarity and communication*

Many managers opt to create their own summaries of programs, in formats they invent or import (often reflecting their comfort level with a particular software program, or preexisting data). It may sound pedantic, but insisting on a common implementation format does wonders to streamline communication and pinpoint emerging issues. It makes communicating within the team or unit easier, and also greatly enhances comparison or collaboration with other teams, and with senior management or the board. A consistent set of templates and exhibits also enhances adaptability: the strategy managers can present programs side by side, and make systemic changes in emphasis without losing time translating or transposing conflicting documents.

Simplicity and congruence are virtues, but they have their limits: often, a team will deploy a series of backup worksheets, or use different, more detailed tools like GANNT or PERT charts to back-up their work. It would be foolhardy to simplify at the expense of critical content: these should not be eliminated or suppressed, rather, they should serve as part of a cascading level of detail, available as needed, but packaged so that key, summary information is funneled to the top. At the highest level, simple, single-page templates serve as the common script for monitoring performance.

### *8. Meet regularly, but in structured, time-limited sessions*

Implementation plans are destined to change: customer and competitor responses, technological advances, and resource allocation shifts will all impact the timing, and in some cases, the scope of implementation programs. Firms that establish a concrete framework for implementation, and empower managers to modulate in order to keep their teams on track, generate the best results (an analogy would be to give the horse some leeway, and not pull too tightly on the reins). Good teams meet regularly, in well-structured, punctuated sessions, to share information and reconfirm priorities. A well-defined time limit encourages managers to prepare their presentations in advance, honing their message.

Consistent communication is one weapon in the strategic arsenal. But care must also be taken to avoid the ''analysis paralysis'' syndrome, the monthly meeting that chews up hours and hours of valuable operational time. Again, an aerodynamic, high-level format is instrumental in keeping the ball rolling; some firms establish steering committees to appeal to when extraordinary developments occur. The manager's challenge is to oscillate between the big picture, and the corroborating details, without losing momentum and focus.

### *9. Anchor implementation activities in the firm's financial infrastructure: budget, metrics, rewards*

It seems axiomatic that the actions and resources required to implement a strategy must be reflected in the firm's budget – and yet, surprisingly, many firms fail to closely link the two activities. Perhaps unintentionally, many firms prepare budgets first, then turn to strategy development, a critical misstep. Strategy, at the highest level, describes a pattern of resource allocation: it delineates the playing field, which the budget needs to accommodate, and not the converse.

Once strategy has been developed, high performing firms recalibrate their managerial systems to support, and encourage implementation. When the metrics used to judge a department or a manager are fine-tuned to track and reward strategic behavior, for example, implementation accelerates. Conversely, when the strategy is at odds with the rewards or metrics, implementation is jeopardized. In a $50MM beverage industry firm, for example, the compensation system was geared to reward growth and new business development. Two of the firm's new strategies were to improve customer service and internal efficiencies. Their managers faced a difficult dilemma: should we implement a strategy that neglects new business, and thus detracts from our rewards? Good implementation hinges on identifying and deploying a small set of performance metrics that encourage the kind of focus and behavior the firm seeks – and rewarding employees for meeting or exceeding strategic targets.

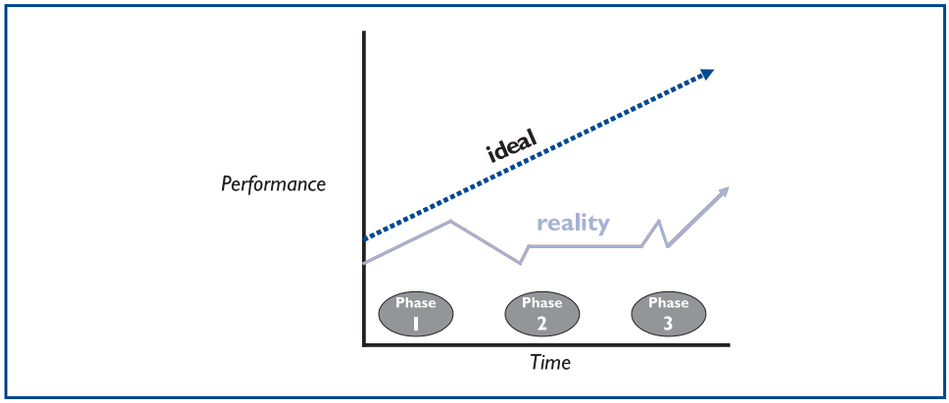
### *10. Be prepared to consistently manage the implementation process*

We can segment implementation into three phases, as shown in Figure 5:

- Phase 1: kickoff – program ratification.
- Phase 2: mid-stream implementation.
- Phase 3: finale.

At the outset, aspirations and enthusiasm are high, buoyed by the focus and collective push at the strategy session. Senior management hopes for a smooth implementation trajectory (the ''ideal'' line), but progress usually tracks closer to the ''reality'' line. In the long slog of phase 2, surprises, setbacks, resource constraints, and an uneven tempo buffet

**Figure 5** Implementation progress




implementation teams. With the right systems and scrutiny applied, phase 3 can represent a surge in performance and accomplishment.

Senior managers achieve better results when they manage their teams' expectations and activities through each of these distinct phases.

### *Phase 1: program ratification*

The management team's reasoned attack plans describing how they propose to bring a strategy to life should be captured and presented to the CEO within the two weeks immediately following the workshop. The CEO's role is to challenge the strategy managers to compete for resources: they are charged with making the best case for their attack plan, and for their approach to monitoring performance[2]. Ultimately, senior management will need to balance the competing demands of the managers for the firm's finite resources, and make decisions that reflect the company's priorities overall. Integration of the individual plans into a coherent whole is more of an art than a science; most often, tradeoffs and negotiation are essential. They present their consensus results to the board or management decision-makers in a formal setting four to six weeks following the strategy session, in a meeting we call the ratification session. The agenda for the meeting typically includes:

- revisiting the firm's vision, values, and conclusions regarding strategic context (as captured at the workshop, and probably revised during the intervening weeks);
- scrutinizing and constructively challenging strategy managers' individual implementation plans;
- addressing individual and collective critical issues;
- highlighting overlaps or interdependencies among programs;
- rolling up the combined resources required, apportioning funds;
- approving/endorsing the plans[3]; and
- outlining a communications program.

Once the firm's leaders have formally approved the implementation plans, they will:

- integrate the strategic plans into the budget;
- align managerial systems (including information systems, metrics, and rewards) to facilitate implementation; and
- communicate the completed strategic plan to stakeholders.

A concise and succinct presentation of the firm's new vision and strategies – and the process the firm will use to monitor implementation – are key signals to the rest of the

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stakeholders: handled improperly, they undermine both the process and the team's credibility; handled correctly, they clarify the firm's priorities, galvanize the team and help guide behavior throughout the organization.

*Phase 2: mid-stream implementation*

Efforts to implement two- to three-year strategic plans typically flag after six months. Several original assumptions may have proven off-base, or competitive realities may have shifted since the beginning of the cycle; despite best efforts, programs, dates, and milestones will no longer be well-calibrated. It is essential at this point to revisit the original strategies and the programs developed and re-tune them. The term ''living document'' may have become clichéd, but the useful implementation plan is one that is updated easily and frequently to remain relevant. Formal quarterly meetings help the team compare notes, adjust priorities, and capitalize on from their experiences.

An annual recap of status, progress, successes, obstacles, and responses to the challenges faced helps reinvigorate the team, and re-establishes the integrity of the programs and the process.

*Phase 3: finale*

By the end of the implementation cycle, most teams have encountered significant unforeseen obstacles, and have prevailed against many. A common pitfall is to neglect to celebrate the successes – especially in light of encroaching new strategic initiatives. A rewards and compensation system that ties individual and group rewards specifically to success in implementation is, again, one excellent method for underscoring how valuable these contributions have been. Managers who have succeeded in implementing strategy need to be publicly recognized and rewarded. A formal review and presentation of overall implementation results, in advance of new assignments or initiatives, is also helpful, and can do wonders to encourage and reinforce staff morale, paving the way for future commitment.

*Keywords:*
Implementation,
Strategy,
Metrics,
Guidelines,
Process management

Implementation lies at the core of strategy, and deserves as much attention as the formulation of strategy. If the process is healthy, after the first cycle, the methodology will be refined or customized to the firm's particular information systems and culture, and the improved tools (templates, language, meeting schedule, etc.) can be deployed throughout the organization. Strategy managers, and the program managers they've tapped to help guide implementation, become versed in the language and process of strategy: they become ambassadors to the rest of the firm for thinking and acting strategically.

## Notes

1. ''Strategy execution: achieving operational excellence'', Economist Intelligence Unit, November 2004: a survey of 276 senior operations executives from North America. Half the executives surveyed represent companies with over $500M in annual revenue.
2. Preliminary reviews by the firm's CFO or controller of resource requirements and metrics are often helpful to set general parameters and flush out conflicts prior to the ratification meeting.
3. Most firms convene an internal ratification session to finalize strategies, programs, and resource allocation priorities, then present their final ''argument'' to the board for final approval.