SUCCESSFUL STRATEGY EXECUTION

MICHEL SYRETT has been writing about management issues for 30 years. His work has been published in the *Sunday Times*, the *Times*, the *Financial Times*, the *Independent*, *The European*, *Management Today*, *Director*, *Asian Business* and the *South China Morning Post*. As a visiting fellow at Cranfield School of Management, the University of Hong Kong and Roffey Park Institute, he has undertaken academic research on leadership, innovation management and international human resource management.

Among the books and reports on business-related topics he has written or co-written are two Economist books on management development and innovation. He is currently researching and writing books on managing uncertainty and talent management.

OTHER ECONOMIST BOOKS

Guide to Analysing Companies
Guide to Business Modelling
Guide to Business Planning
Guide to Cash Management
Guide to Economic Indicators
Guide to the European Union
Guide to Financial Management
Guide to Financial Markets
Guide to Hedge Funds
Guide to Investment Strategy
Guide to Management Ideas and Gurus
Guide to Managing Growth
Guide to Organisation Design
Guide to Project Management
Guide to Supply Chain Management
Numbers Guide
Style Guide

Book of Isms
Book of Obituaries
Brands and Branding
Business Consulting
Business Strategy
Buying Professional Services
The City
Coaching and Mentoring
Doing Business in China
Economics
Emerging Markets
Marketing
Megachange
Modern Warfare, Intelligence and Deterrence
Organisation Culture
The World of Business

Directors: an A–Z Guide
Economics: an A–Z Guide
Investment: an A–Z Guide
Negotiation: an A–Z Guide

Pocket World in Figures

The Economist

SUCCESSFUL STRATEGY EXECUTION

How to keep your business goals on target

Michel Syrett

THE ECONOMIST IN ASSOCIATION WITH
PROFILE BOOKS LTD

Published by Profile Books Ltd
3A Exmouth House, Pine Street, London EC1R 0JH
www.profilebooks.com

Typeset in EcoType by MacGuru Ltd
info@macguru.org.uk

Printed in Great Britain by
Clays, Bungay, Suffolk

A CIP catalogue record for this book is available
from the British Library

Hardback ISBN 978 1 86197 894 3
Paperback ISBN 978 1 84668 605 4
ebook ISBN 978 1 84765 033 7

The paper this book is printed on is certified by the © 1996 Forest Stewardship Council A.C. (FSC). It is ancient-forest friendly. The printer holds FSC chain of custody

FSC
Mixed Sources
Product group from well-managed forests and other controlled sources
Cert no. SGS-COC-2061
www.fsc.org
© 1996 Forest Stewardship Council

SGS-COC-2061

Contents

Preface

The basic message of this book – that successful strategy execution is about clarity of purpose, good communication, strictly controlled resource allocation, breaking strategy down into easily achieved objectives and fostering a risk-friendly culture that encourages freedom of action if it supports key strategic goals – is as true today as it was when this book was researched and originally published.

However, the context in which these actions are practised could not be more different. When the 2008 crash occurred, a year after first publication, many senior executives assumed that it was another turn in the boom-and-bust cycle that characterised macroeconomics in Western economies since the end of the second world war. They reacted accordingly, cutting costs and "hunkering down" for what they supposed would be a painful but short period of austerity.

In fact, the crash has ushered in a period of unprecedented uncertainty, with the economic unknowns added to by political and social unknowns arising from such developments as the Arab spring and the anti-capitalist and anti-austerity protests in a number of Western countries.

Uncertainty is here to stay. Not for nothing did the secretary general of the United Nations recently comment that the first years of the 21st century may well prove "a decisive moment in the human story", requiring co-operation by politicians and business leaders across all boundaries to respond to the interconnected threats the world currently faces.

From a business perspective, a more chaotic environment underlines rather than dissipates the messages outlined in this book. Uncertainty breeds fear and fear breeds paralysis – a further source of the "friction" that disrupts the effective execution of what seems a perfectly defined strategy (see Chapter 2).

As well as the focus and clarity the book advocates as a response, business leaders now have the additional task of instilling confidence and context. As Daniel Galvao, chief commercial officer at Marsh, an insurance broker and risk adviser, told the author in 2011:

> *Employees and management need to believe that there is strong leadership so that their products and services will survive at*

a time when the company may be struggling. It is a matter of instilling strong faith in the future.

Angela Casini, learning and development manager at Selex Galileo, an Italian electronics company, adds:

To step into an uncertain future, managers need confidence and especially a sense of optimism. They have to believe they can make a difference; that they can help build a positive picture of the future. If they can't do this, if they can only be negative about the future, a sense of helplessness and paralysis sinks in. The business begins to feel it is a victim and that it cannot do anything positive to shape its future.

Research conducted by the author with PA Consulting Group in 2011 has also confirmed that in the opinion of the senior executives whose views were canvassed, how strategy is determined can no longer be separated from how it is implemented because of the speed which is necessary to exploit opportunities and respond to threats in an uncertain environment.

The methods used by companies such as Luxfer Gas Cylinders and HSBC Rail profiled in this book – for example, developing strategy maps that measure progress not so much by the fulfilment of financial goals but by cross-disciplinary collaboration resulting in innovative products, services and management methods – are precisely what trendsetters in industry are now advocating on a broader scale.

Rainer Feurer, senior vice-president for corporate strategy and planning at BMW Group, for example, argues that strategy must be treated as part of individual responsibilities throughout the organisation as opposed to a central function, and that the quality of a formulated strategy depends on the quality of knowledge used.

This in turn hinges on how effectively the process of gaining knowledge is managed in the organisation. According to Feurer, strategy formulation must therefore be regarded as a constant learning process and the quality of strategy depends on the quality of the organisation's cognitive and behavioural learning mechanisms – exactly what this book advocates in Chapter 10.

Lastly, the use of techniques such as "mission leadership", highlighted in Chapter 7 as a means of creating a risk-free culture that encourages freedom of action if it supports key strategic goals, has gained significantly more credence in the years since the book was first published in 2007.

In the PA survey referred to earlier, the senior executives interviewed stressed again and again that staff empowerment of this kind was essential to successful strategy execution in an era of uncertainty. “I feel my job as a leader has always been to set the goal and then get out of the way,” says one senior executive. Another adds:

> *Whatever actions the company takes, we always try to encourage a bottom-up approach which allows staff to influence the decisions. Getting the employees on the same plain as senior management has been a priority, particularly in terms of pinpointing what was happening in the external world.*

The business environment may have changed dramatically in the past few years but speed of execution, agility, effective delegation and clarity of purpose remain just as important to commercial survival and success. Indeed, in an uncertain world, they have acquired even greater relevance.

Michel Syrett
January 2012

1 Setting the scene

Vision is nothing without execution.

Mark Hurd, chief executive, Hewlett-Packard

The problem defined: vision is nothing without execution

Mark Hurd, former chief executive of Hewlett-Packard, an information technology giant, is a strange, almost incongruous, business hero. With his prim-and-proper manner and crisply knotted ties, his hair cropped short with every strand in place and his work-his-way-up-the-ladder career with National Cash Register before he joined Hewlett-Packard and then Oracle, he hardly conforms to the devil-may-care image of the modern entrepreneur.

What he did to revive the fortunes of the legendary Silicon Valley firm hardly breaks new conceptual ground either. He cut costs (and 10% of the workforce), focused the company's strategy on a few core areas and separated product divisions. He also hired senior managers from outside the famously insular company. These are the sort of routine measures that rarely generate headlines.

That, according to Hurd, is how it should be. Workaday, stick-to-basics, get-the-essentials-right management is what he thinks most companies need. As he told *The Economist*:[1]

> *Vision without execution is nothing. Whenever anyone asks me about vision, I get very nervous. You've got to be able to tie it back to strategy; you've got to tie accountability to things.*

"Vision is nothing without execution" is the best summary of this book. The implication of numerous presentations and business books is that the design and execution of strategy are a mystery that only business gurus, highly paid consultants and MBA graduates from the best business schools can unravel.

That is nonsense. Developing good business direction is not magic. Nor does it require the IQ of an Einstein. It is a tough and sometimes exhausting process that can only really be understood in the context of what a particular chief executive or senior director was trying to achieve at the time.

Effective business strategies have an almost mundane quality, usually consisting of ideas that are already known. What really matters is making sure that these ideas are right for the organisation and, more importantly, getting the rest of the organisation to agree with you.

Looking back: British Airways

Is this something new? Hardly. It was the case 25 years ago with one of the most spectacular corporate turnarounds in the 1980s, that of British Airways (BA). The vision Sir John King (later Lord King of Wartnaby) had for BA when he was appointed chairman in 1981 – "to be the world's favourite airline" – is hardly something that needed the foresight of Leonardo da Vinci. The method by which King proposed BA should achieve the goal – putting the customer first – is so blindingly self-evident that an undergraduate from any second-tier business school could have come up with it.

The trick, from King's point of view, was persuading the managers and employees at BA that he meant it. King had one focus for change that he was able to use to his advantage – the imminent privatisation of BA under a new Conservative government. This gave him a window of opportunity. It imposed an external driver that was evident to everyone, and he used it to impose several important reforms that would have been difficult to achieve in other circumstances.

Costs were savagely reduced between 1981 and 1983. Heavy financial losses in 1980 gave King the licence to remove 50 of the airline's 150 senior managers, sending a loud and clear signal to everyone that things had to change.

Firing people and cutting budgets are always the easy part. But King also used BA's message of strategic intent – put the customer first – as the focus for organisation-wide customer service campaigns, led by project teams that acted as agents of change.

This was followed in 1985 by a new marketing drive, spearheaded by initiatives to revamp the corporate image, including a new livery and new advertising campaigns. The timing of this decision was important. King waited until the internal revolution was yielding results before he started to make claims that might otherwise have been shown to be a sham once customers compared the image they saw in the advertisements with their actual experiences.

A good illustration of how difficult it is to make good strategy stick is that the revolution King initiated at BA in the 1980s has not been long-lasting and at the time of writing the company's competitive and public relations standing was at a new low.

Looking back: General Electric

At the same time, in the United States, Jack Welch, General Electric's now legendary chief executive, was turning around the multifaceted business using similarly simple tenets to those employed by King at British Airways. He took the view that if a business is not first or second in its market, you close it, sell it or fix it. Emphasise ownership, teamwork and enterprise in everything you do. Draw on and share good practice wherever you find it. Break down all internal barriers to action and communication. Become a "boundaryless" organisation, shifting resources and expertise to wherever they are most needed.

Using this philosophy, over ten years Welch transformed a company with a declining market share in every sector in which it competed into a corporate giant ranked number one in the US *Forbes* 500 throughout the early 1990s.

Looking at the present: Domaine Chandon

Between them, King and Welch created a template for strategy execution that became business school gospel and still determines the actions of chief executives today. There is little difference between the strategy adopted by Hurd at Hewlett-Packard and that adopted at General Electric 20 years ago. It is based on:

- cutting costs and unnecessary spending;
- breaking down internal barriers;
- focusing all resources on the main strategic goal;
- motivating and empowering the workforce to achieve this goal;
- boosting performance as a result.

However, in most companies this strategy does not always work. The problems Frédéric Cumenal faced when he became chief executive of Domaine Chandon in late 2001 are typical of those confronting a manager who wants to get things done but cannot.

Based in California, the company is owned by Möet Hennessy, the drinks arm of LVMH, a luxury food and drinks conglomerate. Like many champagne companies, Domaine Chandon had enjoyed buoyant demand in the run-up to the millennium. But demand, which was already faltering, slumped after the terrorist attacks on New York and Washington on September 11th 2001.

Cumenal found the company ill-equipped to adapt to the new realities of the American market. Costs were high, inefficiencies abounded, morale was low and no one was in a mood to celebrate.

The strategic solution to the transformed market was, Cumenal said, “conceptual child’s play”. Domaine Chandon had to focus its marketing away from sales to wine bars and restaurants towards sales through supermarkets and liquor shops.

Getting the company focused and reorganised around that strategy was another matter. Cumenal was able to revitalise his senior management team using the new strategy as an incentive, but old-fashioned objective setting did not work at other levels.

Domaine Chandon’s sales teams were locked in to marketing to restaurants and wine bars. The development of an alternative marketing approach took half a year to create and months more to implement. Lack of effective delegation meant that too many decisions were passed back up to the senior management team, often to Cumenal himself. Morale remained low and performance stagnated.

A solution finally evolved (see Chapter 3). Meanwhile, Cumenal was frustrated and blocked in every direction. “We had the strategy right,” he concluded. “It just didn’t hang together.”

Looking at the present: the case examples in this book

Cumenal’s experiences are mirrored in the stories of other organisations discussed in this book (see Table 1.1). All have visions that are remarkably similar and consistent. They are to:

- be first (or a leader) in their chosen markets;
- produce a significant return on capital – either through growing organically or through acquisitions and/or by reducing costs or making more efficient use of their resources;
- be innovative and creative in their product development, service design and delivery and work practices;
- be ethical, socially aware and environmentally responsible in conducting their business.

Yet the strategies they adopted to bring about these simple visions – usually a combination of those championed in the 1980s by companies such as British Airways and General Electric – proved hard to implement and even harder to sustain.

Why? The best generic term for the collective drag on strategy is a military one: friction.

Table 1.1 **Vision and strategies**

Company/ organisation	*Vision/mission*	*Strategy*
British Airways	To be the world's favourite airline	Marketing drive to put the customer first, supported by internal training and employee communications and revamping the corporate image
General Electric	To be first or second in all chosen markets	If a business is not first or second in its market, close it, sell or fix it. Emphasise ownership, teamwork and enterprise in everything you do. Share good practice. Break down all internal barriers to action and communication. Become a "boundaryless" organisation, shifting resources and expertise to wherever they are most needed
Diageo (Asia)	To be the fastest and most entrepreneurial company in Greater Asia by 2010	Emphasis on understanding the competition, supported by internal training programmes and mission leadership conducted with staff and suppliers (see Chapter 3)
East African Breweries	To become East Africa's number one brewer by market and segment by 2010	Emphasis on innovation and unrestrained thinking, supported by mission leadership (see Chapter 3) and well-thought-out performance measures (see Chapter 9)
HSBC Rail (UK) (leasing company)	To make more efficient use of expertise and capital – and strive for improved returns on equity – by delivering a broader range of products and services	Emphasis on efficient use of funds, customer relationship management, operational excellence and learning, supported by cross-disciplinary goals such as "developing a responsive organisation that is light on its feet" (see Chapter 6)
Judge & Dolph	To move from maintaining the company's position as Illinois's leading drinks distributor to winning first place in the league of drinks distributors of the United States as a whole	To deliver a step change in business performance in the United States by becoming a "$1 billion company" by turnover to "win the war on visibility" (a goal linked to the company's need to distinguish itself from its competitors – see Chapter 6)

Company/ organisation	*Vision/mission*	*Strategy*
Luxfer Gas Cylinders	To shift the profit base from high-volume, low-margin products to customer-focused, value-added products	Developing cross-functional "themes'" covering customer focus, innovation, learning and growth, being market-led and operational excellence. At every strategic review, senior managers appointed to oversee the inculcation of these themes across the company's operations report back on progress using a series of specialist measures designed for the task (see Chapter 3)
Diageo Möet Hennessy Japan	To become the best builder of drinks brands in Asia	Using mission leadership, supported by total quality management-style coaching, to inculcate the message "We are brand-builders" throughout the workforce (see Chapter 4)
Reuters	To take "a great leap forward" in terms of the benefits of scale and business autonomy	A four-year change management programme called Fast Forward, stressing four "values" – being "fast" (working with passion, urgency, discipline and focus); accountable; service-driven; and team-spirited (see Chapter 4) – and a follow-up programme called Core Plus emphasising the need to develop new sources of revenue (see Chapter 8)
Royal National Orthopaedic Hospital	To launch a programme of clinical innovation supporting a £20m refurbishment of the main hospital campus	The creation of mutually supporting creative team roles that link the tasks of specialist medical consultants and professional hospital trust managers (see Chapter 9)
Thomson Financial (before the merger with Reuters)	To dominate its chosen field through effective differentiation	Developing new products such as the technological tool Thomson ONE, which enables its clients to tailor and use more effectively the vast array of financial data, analytical information, research, calculations and news available on its database. Supporting these kinds of products requires operational excellence and a performance culture among staff at all levels (see Chapter 6)