

# Jomer & Co

## **Getting culture to support closure of the strategy-to-execution gap**

The three essential leadership questions we usually phrase when meeting senior executives are:

- What is the environment in which your organization must compete and win?
- What are those few things your organization must do outstandingly well to win and keep on winning in this environment?
- How will you mobilize your organization to implement these things faster and better than your competitors?

These three questions are quite easy to ask but seldom easy to answer. It requires a lot of hard work to give comprehensive answers. This white paper explores these essential questions through the lenses of culture in terms of making strategy happen and making it stick to successfully execute the strategy. Culture is often hard to see or define, but easy to sense. Yet invisible, all employees are fully aware of the presence of the culture, its artifacts and how it works for or against the strategy. Each individual who joins an organization is impacted by the culture, often without even realizing it.

## **Execution is about delivering on the strategy promise**

Strategy execution is all about harvesting the full potential of the business, and not limiting oneself to only 50, 60 or 70 percent. Execution is the result of thousands of decisions made by the leadership team and staff on the promise to implement the strategy every day. Employees up and down the corporate ladder make pledges to one another. They also make commitments to colleagues in other divisions and functions, and to customers, partners, and other stakeholders. Delivering on all these promises in a coordinated way is what strategy execution is really about.

Our research<sup>1</sup> conclusions on the subject strategy creation and implementation suggest there is a strategy-to-execution gap close to 60% among the researched top executives in terms of how they perceive their strategy promise and the actual strategy output. Even if it is easier for most managers to get things done when there is a clear chain of command, many managers really struggle to make things happen in a cross-functional dimension. The people they are relying on sometimes do not even share their assumptions or objectives. Although the promises to strategy are critical for business success, they too often fail in practice and execution becomes a minefield.

## **Only the ones who make it happen succeed**

Strategy execution has always been one of the most difficult challenges in a changing business environment. Perhaps, it is even more so today considering the pace of change in most industries and in today's fast moving world. A common understanding is that the creation of a strategy is nothing compared to executing it successfully. That is

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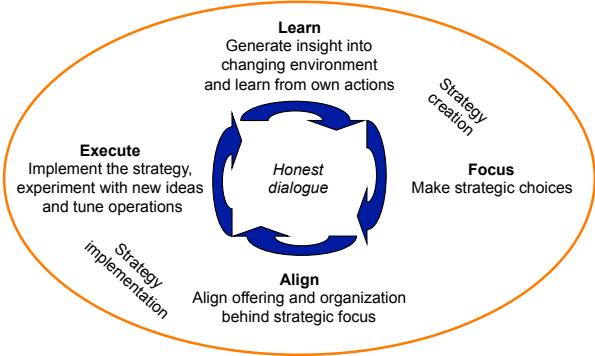
<sup>1</sup> Jomer & Co Research: Strategy Creation and implementation, 2013.

probably true most of the time, since generally it is much easier to create a strategy than to making employees commit and realize it. Most senior executives we talk to agree that strategy, even a great one, does not implement itself. They say that this is where the trouble starts and where the clean and elegant logic of the strategy gets dirty. Agendas compete, priorities clash, operational numbers do not add up, decisions stalls, communication breaks down and timelines get blown. It is seldom a question if these problems will happen; it is rather a question of when and to what degree.

Leadership teams, senior executives and managers all have a set of tools for translating strategy into action. They can e.g. redraw their organizational charts, redesign their business processes, realign employee incentives, or build sophisticated IT systems to track performance. Nevertheless, critical strategic initiatives stall, and important work goes undone when strategy is left up in the air. Execution fails for a variety of familiar reasons, typically employees disengage because they do not fully understand and buy in to the company’s priorities. Functional silos hinder the coordination necessary for companies to seize new business opportunities. By not knowing the crucial numbers of the business, senior executives and managers do not have a comprehensive understanding of the company’s real economic engine. In addition, metrics and organizational structures obscure accountability for projects and initiatives. Strategy execution becomes even more difficult when executives are charged with managing activities, not only of their direct reports but also of a far-flung network of suppliers, partners, knowledge workers, and colleagues in different time zones around the world.

**Strategy execution is one of four phases in a virtuous strategy cycle**

Strategic Learning is a systems approach to strategy and execution that embraces, develops and disseminates knowledge and is able to adapt to changes in the world so that it benefits customers, employees, shareholders and society. The Strategic Learning<sup>2</sup> strategy process framework has a four-phase dynamic cycle of Learn, Focus, Align, and Execute. See fig. 1. These phases build on one another and are repeated to create and sustain winning performance. The more often an organization repeats this cycle, the better it becomes in doing it, thus enhancing its adaptive capability. The result is a process of ongoing renewal that characterizes a truly adaptive organization.



**Figure 1. Strategic Learning is a systems approach to strategy and execution**

The final phase, Execute, is implementation and experimentation. Each phase of the cycle has its own sets of hurdles and rewards, and when done effectively, each phase builds on the previous one creating a powerful momentum behind the strategy. If all components are in place, then this cohesion will help executing the plan rapidly and successfully. But, the implementation of the strategy will only be as effective as the insights, focus, and alignment are. Execution is also both the final phase of one cycle and

<sup>2</sup> Inspired by the thinking of Willie Pietersen.

the first step into the next cycle. Hence, by working the way around the cycle again and again, the company continues to update its insights, learns and adapts to new conditions. Hence, the Strategic Learning process never ends.

### **Execution is a major task for the leader**

There is nothing new in saying that leadership is critical for execution, but we must not forget that a leader's primary task is to deliver results. An organization can execute its strategy only if the leader's heart and mind are immersed in the company and its vision of the future. But leading is much more than just thinking strategically, and attempting to inspire people with visions while managers and staff do the work. Leaders who execute are willing to soil their hands and work the ground instead of just shouting from the sideline. They have intimate knowledge of their business. They will do whatever it takes to clear the roadblocks for their people.

Execution requires active involvement and leaders have to use their knowledge and wisdom to constantly probe closure of the strategy-to-execution gap. They must bring weaknesses to light and rally their people to correct them. But they need to be careful not to micromanage, since micromanaging diminishes self-confidence of people, discourages their initiative and stifles their ability to think for themselves. Therefore, leaders must encourage independent thinking and support them not to make poor decisions. Employees usually look to the hierarchy for guidance. Leaders who are effective in execution do not explicitly tell their people what to do. They rather coach them, passing on experiences and letting them think out of the box. Thus, far from stifling people, they help their people expand their individual capabilities and let them take own initiatives to make the strategy happen.

Execution is a systematic process of rigorously taking action on what and how.

- *What needs to be done to achieve the results we want?*
- *Why should we do it?*
- *Who will do it?*
- *When will we do it?*
- *Where will we do it?*
- *How will we do it?*
- *How will we know when it is done?*
- *Which numbers drive success?*

Execution can rightly be viewed as the culture of getting strategy and plans implemented consistently to create value for customers, shareholders, employees and other stakeholders, including society. When execution becomes a core element in the organization's culture, you will start seeing engaged employees, clear objectives and roles, and performance.

### **Culture beats strategy every time**

Culture can either silently kill the strategy or support the execution of the strategy. It is perhaps one of the most subtle and easiest dimensions to forget during execution. Culture is, in our view, the behavior of people who are part of an organization and the meanings that these people attach to their promises and actions. Culture usually

includes the organization's vision, beliefs and values, norms, style of management, working habits and language, symbols, rituals and routines. Stories and myths, built up about people and events, are also part of the culture and convey a message about what is valued in the organization. Culture can be viewed as the pattern of collective behaviors and assumptions that are taught to new employees as a way of perceiving, and even thinking and feeling. Culture affects the way people and teams interact with each other, with customers and with stakeholders. The culture defines what is considered to be fair play. Since many organizations have discovered that "culture eats strategy for breakfast and execution for lunch", it is essential to recognize that the culture often needs to be developed to support the strategy execution. If that does not happen, strategy will end up as yet another chapter of corporate wishful thinking, which soon will end up in the wastebasket.

It is crucial to kill the negative myths about culture and harness the drivers of success. First, you need define the corporate culture of today. *What are the values and behaviors that define "how things are done around here"?* Secondly, you must review the company's winning proposition and strategic priorities to define the values and behaviors needed to support your new strategy. The real task of all members of the leadership team, when addressing the need to change culture, is to behave their way into a new way of thinking, rather than thinking their way into a new way of behaving. If you are not consistent in what you say and do, people will see straight through you and lose trust in the strategy. In order for the chosen set of values to hold and work in favor of the strategy, it is essential to engage and enroll people. You cannot simply impose values on your employees. To motivate them, you need to embed your beliefs and values in the new culture, and get your employees to "sign up" for it. Hence, there is a huge difference between commitment and compliance.

Some senior executives we talk to are not fully aware that changing the company culture is a process, which takes both effort and long time, i.e. you will not change a company's culture overnight and not even in a year. It takes hard and conscientious work. You must be clear on your values and obey to them yourself, and also systematically measure and reward the values you seek. Hence, you need to see the values as the boss and start setting examples by your own actions. But, remember that you cannot succeed without a sustaining process for cultural change in order to fully embed the ways "we do things around here". If it becomes apparent that one of the members of the leadership team is behaving and leading in a way that is not in line with the values you are imposing, you need to take action and make a confrontation. To make culture work, it does not matter how successful that individual is in terms of performance. If it comes to an end, you have to move that person from his or her position.

### **Dialogue is core in an execution culture**

All organizations today are overloaded with information. More or less all employees from the top and down to the shop floor are struggling to keep up with the flow of information. Much is of course relevant, but too much is irrelevant and not embedded in a context required to fulfill its purpose. This results in a need for guidance to interpret the information and make it crisp and clear. Despite information overload, leaders need robust dialogues to bring the realities of the business to the surface. And these dialogues need to occur at all levels in the organization. The managing director needs to

communicate personally with the senior executives, the senior executives with the managers and the managers with the staff and so on. E-mails, so commonly used for this purpose, are not good enough and sometimes also counterproductive. Therefore, leaders and managers must engage in real flesh and blood conversations, both formally and informally, with their people. Employees must be given opportunities to honestly exchange values, information and ideas with their superiors as well as between one another. If it is not honest, it will be of no use. Therefore, leaders need to create structures for continuous honest dialogues at multiple layers in the organization to align the culture behind the strategy and to make managers and staff accountable in their roles.

Performance management needs to be complemented with management by values when changing the culture to support the execution of the strategy. Hence, values enhance the understanding of the necessary behaviors to reach the targets. Genuine success does not come from proclaiming values; it comes from consistently putting them into daily action. When people get aligned and united around shared values, they often accomplish extraordinary results.

### Ingredients for successful strategy execution

To succeed with strategy execution, five key ingredients need to be secured. These are pressure for change, leadership and vision, capable people, actionable first steps, and effective rewards. See fig. 2.



Figure 2. Ingredients for successful strategy execution

We have found that senior executives and employees find it hard to identify why execution does not take off or deliver results. When one of these ingredients is missing or does not add positive force, there is high risk of failure:

- If **pressure for change** is missing, there is an obvious risk that execution will be totally uninteresting for the broader cadre of managers and employees.
- If there is a lack of **leadership** and no articulated **vision** in place, there is extremely high risk of disillusion spreading out widely, since nobody seems to be in charge.
- If there are no or too few **capable people** around in key roles and positions, many people will be disengaged. Trust will vanish, since they believe they need guidance from someone who can show them how to do the job.
- If **actionable first steps** are not visible early on, frustration will start to flourish destructively, since people continuously need to see that their efforts are paying off.
- If **effective rewards** are not reached and anchored in the culture, the entire strategy execution effort will evaporate into thin air and the strategy will end up in the trashcan.

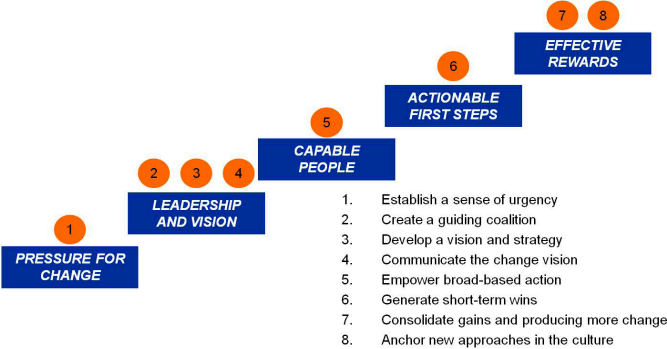
### Do not forget to release the forces for execution

Our research has shown that many attempts to execute strategy fail. It is also a received wisdom, by numerous of surveys that some 70% of all change projects fail. In addition to

missing out on securing the above ingredients for success, we believe that this is because senior executives and managers focus primarily on driving change but forget to release the change. A consequence is that many employees feel forced to comply rather than being motivated to play an active role in executing the strategy. We have seen this happen and it does not work. After all, if people cannot put their hearts and minds into fulfillment of the strategy promise, there is really no promise made, and they will not make the corresponding shift in the behavior needed to support the strategy and fully execute on the promise. Our experience tells us that employees neither like nor benefit from a simplified buy-in approach to strategy. As always, upstream theories, and the decisions based on those theories, constrain downstream experiences.

A strategy-to-execution approach, in which senior executives and managers dictate the strategies and expect subordinates to mechanically follow, need to be changed into an approach where senior executives and managers empower employees by allowing them to use their best judgment in the scenarios they encounter. By blending the aspects of releasing change with strong focus on execution, leaders can ensure a closure of the strategy-to-execution gap. However, as easy this is to phrase and hard to achieve, this is what it takes to win.

Some leaders we talk to often underestimate how hard it is to drive people out of their comfort zones, they overestimate how successful they really are or simply lack the patience necessary to develop an appropriate level of urgency. These leaders need to follow a structured process for change management in order to successfully execute their strategy. See fig. 3<sup>3</sup>. Leaders who understand the importance of sense of urgency and are in sync with the pulse of their organizations are likely to succeed in execution. Creating a sense of urgency and directing the attention to what is important takes away focus from what is unimportant and releases energy for execution.



**Figure 3. Change management steps in relation to ingredients for a successful execution**

No leader, no matter how competent, is capable of single-handedly execute the strategy. Putting together the right coalition of people to lead the strategy execution is critical for success. This team should include the executive leadership team and other key people. It should have the right composition of competences, gender, motivation and firm belief in the strategy.

They must act in concert and work as one to make rapid and effective decisions during the execution phase. Even the guiding coalition themselves cannot solely execute strategy, but they can pave the way for managers and employees to start executing the strategy.

Executing a strategy that does not tie into the company’s vision is like operating in the dark. Therefore, the strategy must be connected to an inspiring vision to glue the

<sup>3</sup> Inspired by the thinking of Kotter.

direction together with the hearts and minds of the people. The vision helps clarifying how the future will be different from today, and the strategy points out the way to get there. This type of comprehensive understanding makes people see the bigger picture and helps them see why their efforts make a difference.

Gaining a comprehensive understanding and commitment to the strategy is never an easy task, especially in complex organizations where pressure for change easily disappears. Too little communication and inconsistency in ways of communicating the strategy always stall execution. We sometimes find organizations that under-communicate their strategy by an order of magnitude. When so, we usually advise them to use every effective communication channel possible to continuously broadcast the strategy and the progress of execution. In pursuit of simplicity, fewer words are better, but do not forget that actions speak louder than words.

The effective leaders we meet are relentless in removing as many barriers as possible for people to do their work. This is to empower broad-based actions. Even though a thorough alignment of the organization behind the strategy has been done, there may still be barriers to pass when executing the strategy. These remaining barriers may not actively undermine the execution, but they risk delaying it.

Strategy execution is not about seeking quick fixes, but it is important to create visible, unambiguous results as soon as possible. These short-term wins are essential and provide evidence that the strategy is being made operational. Nothing undermines strategy execution as lack of results. Gaining early results could sometimes a challenge. But remember, they help gaining further momentum by increasing motivation, inspiring confidence and decreasing cynicism about closing the strategy-to-execution gap.

As said earlier, strategy execution is really about realizing the full potential of business and not limiting the company's success by not going all the way. Although successful in the early stages of closing the strategy-to-execution gap, you persistently drive the execution forward. Resistance to change is always waiting around the corner when you least expect it. If you let go before the job is fully done, critical competitive advantages may be lost and regression of the strategy may happen. Once regression begins, rebuilding momentum is a daunting task. Therefore, continuously consolidate gained results to create even more energy in implementing the strategy. To make the strategy stick, key priorities and the supporting values must be anchored in the company culture, i.e. new behaviors and practices must be driven into the organization and grow deep roots in order to remain firmly planted in the culture to really stick.

## **Leadership evolution**

The causes of the strategy-to-execution gap are often not visible to top management. Leaders then sometimes pull the wrong levers in their attempts to turn around performance, pressing for better implementation and execution when they actually need a better strategy, or opting to change direction when they really should focus the organization on implementation and execution. Speed is more than ever a vital dimension in the world of business today. A consequence of speed in the context of strategy execution is also to fail fast when mistakes are discovered. Indeed, successful companies do not necessarily make fewer mistakes. They just make them faster and

learn more and faster from them. Thus, they are less prone to make the same mistakes over and over again.

The leadership teams we have supported in the systematic process of strategy execution have gained deeper insights about the need for a higher ambition leadership. These deepened insights have been crucial for how they look on themselves and the choices they have made. They tend to start leading execution with a higher ambition to fully envision the need to get the full potential out of closing the strategy-to-execution gap. They stop compromising on the things that matter and turn every rock in the pursuit of getting the job done. To do this they execute against an integrated agenda of core management disciplines, such as executing strategy, managing performance, building a shared culture and a culture of accountability, and they personally lead their people. They are present, fair, clear and persistent. By that, they move away their people from politics and backbiting. In short, they earn the right to lead.

The feedback we often receive when success is made is that unleashing the power of execution happens far more effective when the strategy is anchored on a meaningful higher purpose and when people feel that they are here for doing good things and not just for producing return on investments. These senior executives have built continued successes from creating a community out of diversity and from giving a voice to personal aspirations and values to release the energy and focus on executing strategy. Diversity then becomes a true source of advantage.

### **How can we help?**

The strategy-to-execution gap must be closed, and creating a culture, which supports the execution and thereby significantly improves the company's chances of success, increases the odds. One benefit from the systematic process of Strategic Learning when it comes to strategy execution is, besides an immense focus of closing the gap, the learning experience from the execution that will be carried forward into the next strategy cycle.

Jomer & Co has long experience and deep knowledge of helping leadership teams and senior executives to execute their strategies. Our support is always bespoke and there are several possible entry points to a successful collaboration around execution, for example:

- Running a Strategy Execution Workshop with the management team is a proven process for identifying strengths and weaknesses when closing the strategy-to-execution gap and to build a higher ambition leadership.
- Conducting a Strategy Audit with focus on a set of execution areas when lacking progress in strategy execution. This is a reverse-engineering approach for validating the company's alignment of organization behind the strategy and to increase the chances for a successful and rapid execution.
- Engaging in Strategic Coaching of senior managers' strategic challenges supports and assists them individually in their ongoing strategy execution work.
- Conducting Strategic Leadership Support for executives and managers is a comprehensive and effective way to individually assist them in their challenges with self-leadership, group leadership and direct leadership.



- Supporting the Execution phase of the Strategic Learning strategy process gives management a comprehensive approach and drive for strategy execution.

## **Jomer & Co**

We help clients close the strategy-to-execution gap by creating and implementing winning strategies.

Jomer & Co is a boutique advisory firm, focusing on strategy creation and implementation. Our focus on employing professionals with extensive experience provides us with the executive resources of a larger organization while still being flexible and responsive in the relation to our clients' challenges.

We are devoted to knowledge and situational insight and are aligned to the shift in demand for management consulting services by its way of leveraging knowledge, experience and giving advice. Our experienced Consulting Associates work closely with clients throughout the stages of strategy creation and implementation.

For contact and more information, please email [info@jomer.se](mailto:info@jomer.se).