

# Jomer & Co

## **System-based leadership supports closure of the strategy-to-execution gap**

The mystery of what leaders can and should do in order to get the best performance from their people goes way back and we do not claim to have all the answers here. However, our experience from supporting executives in the pursuit of implementing and executing strategy has provided us with some important learning. *So, what do effective leaders do?*

They set the strategy, they create purpose and motivate, they set values to form behaviors and shape the culture, and they create conditions for people to perform. The leader's singular assignment is to get results out of the chosen strategy by taking the business to its full potential while living the values.

The psychological contract between the organization and its employees has changed over the years. Today, people are increasingly looking for meaning and purpose. They expect to be valued for their contribution, rather than just meeting the key financial ratios or next quarter's scorecard. They want their organization to be associated with something that serves as a positive force in the world, i.e. doing good things.

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 essential 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 questions through the lenses of making it happen and making it stick in order to successfully execute the strategy. We will explore the importance of system-based leadership from the top leadership team and downward when executing strategy and change. To make the strategy stick, key priorities and supporting values must be anchored in the company culture. Hence, wanted behaviors and practices must be driven into the organization and grow deep roots in order to remain firmly planted in the culture to really make the strategy work.

Our research<sup>1</sup> suggests that 58% of top executives are not satisfied with the output from their strategy promise. Put differently, 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 struggle to make things happen cross-functionally. The people they are relying on sometimes do not even

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

share their assumptions and objectives. Although the promises to strategy are critical for business success, they too often fail in practice and execution becomes a minefield.

### **Leadership is about driving and coping with change**

The need for changed leadership has increased over the years since the business world has become more competitive and more volatile, and employees and stakeholders have become more knowledgeable. Globalization, privatization, deregulation and reregulation, convergence, sustainability, the Internet and mobility, and value chain reengineering are key drivers in a changing economy. These drivers are impacting more or less all people, businesses and organizations today. Doing what was done yesterday, or doing it 5% or 10% better, is seldom a winning formula for success. Major changes are often necessary to compete effectively and win. Change always requires leadership, which means that the sole purpose of leadership is to set the strategy, execute it and win, i.e. making change happen by creating conditions for people to perform and succeed.

For executives who are overeducated in management and undereducated in leadership, the idea of getting people to move in the same direction is basically regarded as an organizational issue. They organize to create an organization that implements the strategy as precise and efficient as possible. Since management is about coping with complexity which most organizations have loads of embedded in their structures, a natural response is to deploy practices and procedures to primarily reduce the organizational complexity. Our experience has shown that too many organizations are over-managed and under-led. Hence, there is a clear need to develop the leadership capabilities. When implementing a strategy, the job is to make sure that the organization is fully aligned behind the strategy, i.e. one needs to secure the right conditions for the organization to become successful in a changing business environment.

### **Clarity, communication, consistency and compassion are key leadership capabilities**

In the stressful environment of day-to-day activities, executives and managers often fail to adequately communicate the strategy to the organization in a unified way. In particular, they do not communicate the strategy in a way that supports their subordinates to determine where to focus their efforts. As a consequence, their actions will be quite ineffective. If asked if they are able to articulate the chosen strategy and the associated key priorities, employees often say that the overall problem is lack of clarity, which is rooted in issues of leadership, teamwork and strategic direction. Often, this is neither a matter of people's commitment nor their functional competence. Employees want to know where the business is going and what they need to focus on. They just want to know how it all fits together. In a changing world they want to know if and how the business strategy and key priorities are changing along with it. Our experiences and learning tell us that executives tend to either unintentionally under-communicate, fail to articulate specific key priorities that would give meaning to their strategy, or do it inconsistently from each other.

When implementing a strategy, executives need to unify and align people's behavior. This is more of a communication challenge than an organizational design problem.

Trying to get people to comprehend and support the strategy is a challenge of a completely different magnitude than organizing and fulfilling a plan. Regardless of the format the strategy is delivered in, the real task is to get people to believe in it and feel for it. They need to get energized and embrace the opportunities instead of just being focused on obstacles. Implementing a strategy requires sincere communication in a two-way set-up in many different channels in order to inform, provide feedback, and motivate people in an honest and consistent way. In addition, one also has to show honest compassion to be able to inspire and support the people to the absolute fullest.

Failing to show consistency and clearly communicating the strategy and the key priorities have a direct cost to both yourself and your business in terms of time and effectiveness. It also stops you from effectively leveraging your people. To successfully implement a strategy, people need to spend their time on the key priorities, which turns the strategy into practice. Being fully aware of the strategy and the key priorities is a prerequisite for your people to actually spend time on doing the right things. Executives and managers must also compassionately spend time in line with the key priorities and thereby do the right things themselves. How you spend your time is important not only for you but for your people, since people tend to take mimic the leader's behaviors when it comes to time activities. You need to make sure you balance your own time spent on the key priorities with your staff's.

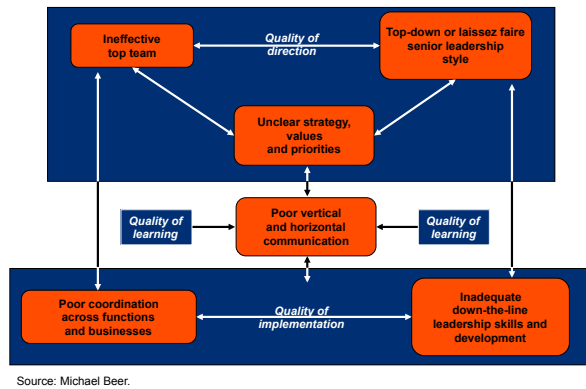
### **Leadership and management are different concepts**

Leadership is different from management, but not for the reasons most people think. Our view is that driving change is a function of leadership. Being able to generate a common purpose and a unified and energetic behavior are fundamentals for coping with obstacles. A clarified, compassionate, and shared purpose brings people together and helps them reach their targets. Modern leadership is not about pushing people in the right direction in a command and control fashion. Instead, it is about showing compassion for the purpose and a deep understanding of the environment in which the organization must compete and win.

By applying a systems-based approach to leadership and satisfying people's basic needs for achievement in the context of purpose and strategy you have to sense your people's additional need for belonging, recognition, and self-esteem. You need to let them take control over their own situation and let them live the values. The more change required for implementing the strategy, the more managers need to motivate their people to produce change across the entire organization. After all, having a strategy and understanding it enable people to look up from their daily work and see the direction into the future, thus being able to address causes rather than only symptoms. Leadership, as we view it, is about winning and making sure that the strategy takes the business to its full potential. Essential and important as it is, management, on the other hand, is mostly about increasing efficiency and reducing complexity.

### **Leadership benefits from taking a systems approach**

Strategy implementation needs the leadership to be aligned on all levels in order to secure three crucial quality dimensions, which are quality of direction, quality of learning, and quality of implementation. See fig. 1. Executing successfully requires



Source: Michael Beer.

**Figure 1. The dynamic of an ineffective organization**

- Top-down or laissez-faire senior leadership style
- An ineffective top leadership team
- Unclear strategy and conflicting priorities
- Poor vertical communication
- Inadequate down-the-line leadership skills and development
- Poor coordination across functions, business units and processes

Only to be disappointed by the end result, too many executives invest considerable time in drawing organizational charts when preparing for strategy implementation. Much of the important work, i.e. creating customer value, happens despite the formal organization as long as the strategic direction is known to the employees and the values are rooted in the culture. Employees see this and understand that the overall problem comes from other types of management issues, which often originate from lack of a system view of leadership.

Our experience tells us that lack of strategic clarity undermines effective strategy implementation and becomes even worse when down-the-line communication does not work. When this vertical communication is poor, it has a particularly damaging effect on an organization's ability to implement the strategy, since many managers and employees do not get the proper guidance how to interpret the strategy in their own context. They will not get a chance to fully understand the overall strategic direction and the reason for the associated priorities. As a consequence, down-the-line managers may have difficulties making independent decisions as well as cooperating cross-organizationally. Similarly, employees may have difficulties judging which activities to prioritize on a day-by-day basis in order to support the company's strategy.

Silent killers represent critical organizational stress points, which are possible to identify and improve if applying a systems thinking to leadership. From experience we have found that when members of the top team take a systems view and acknowledge the need to identify and eliminate silent killers, they are giving both themselves and the organization a fair chance to become successful.

<sup>2</sup> Inspired by the thinking of Michael Beer.

dialogue, teamwork and collaboration from the top down to the people doing the actual work. Allowing for a systems approach to leadership enables an organization to identify, analyze and fix root causes to different kinds of obstacles throughout the organization. These obstacles are often neither visual nor explicitly addressed or acknowledged. Therefore, hard to spot, such silent killers are signs of an ineffective organization, hindering strategy execution and effectively blocking the possibility of taking the business to its full potential. The six silent killers<sup>2</sup> are:

## 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 strategy process framework<sup>3</sup> has a four-phase dynamic cycle of Learn, Focus, Align, and Execute. See fig. 2. Each



Figure 2. The strategic Learning Strategy Process

phase has its own sets of hurdles and rewards, and when done effectively, they build on the previous one, creating a powerful momentum behind the strategy. The more often an organization repeats this cycle, the better it becomes in doing it, thus enhancing its adaptive capability to create and sustain a winning performance. The result is a process of ongoing renewal that characterizes a truly adaptive organization.

If all components are in place, then this cohesion will help executing the plan rapidly and successfully. However, the implementation of the strategy will only be as effective as the insights, focus, and alignment are. Execution is both the final phase of one cycle and the first step into the next cycle. By working the way around the cycle over and over again, the company continues to update its insights, learns and adapts to new conditions. Hence, the Strategic Learning process never ends.

## Leadership evolution

Many of the leadership teams and executives, who we support in implementing and executing strategy, have come to understand the importance of aligned leadership with a systems view from the top leadership team down the line organization. Working closely with them has put us in the fortunate position to influence and support them in raising their ambition and commitment.

Leading with a higher ambition means applying a systems view, i.e. the entire company as it is and has been, envisioning the full potential of the business, setting worthy financial and social goals, and not compromising on the things that matter. In practice, this means working to develop and execute against an integrated agenda of core leadership capabilities, such as developing strategy, managing performance, building a shared culture, and personally leading the people. Successful leaders adopt this simultaneous solve. They turn over every rock and they secure to develop a strong/strong model of organizing in terms of local/global capabilities.

Higher ambition leadership includes several disciplines<sup>4</sup>. The first one is forging a strategic identity, which is done by crafting a strategy that connects head, hands and heart, and seeing organizational capability as strategy while committing but yet adapting.

<sup>3</sup> Inspired by the thinking of Willie Pietersen.

<sup>4</sup> Inspired by the thinking of Michael Beer.

Successful leaders excel in building a shared commitment to win. They do this by creating a culture of accountability. These leaders earn the right to lead and they build the future a quarter at a time by focusing on the fundamentals that drive sustainable success. They believe in creating a community out of diversity and giving voice to personal aspirations and values, which unleashes the power in people. By doing this they establish a meaningful higher purpose, i.e. we are here for good, and strengthen connections across boundaries beyond the hub and spoke. This is the second discipline, and in summary, it makes diversity a source of advantage.

The third key discipline is leading with laser like focus on the task. As a leader, you are present, you engage and you earn the trust by being fair, keeping it simple and staying the course.

Building a true team at the top, aligning down-the-line leadership, driving career development, and proactively developing the next generation leaders are essential ingredients to committing to a collective leadership, which is the last discipline to define what higher ambition leadership is about.

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

The secret to successful strategy implementation and execution is actually quite simple. Leadership teams, executives and managers just need to focus on a few things to differentiate themselves from their competition. They need to translate those few things described above into organizational behaviors and front-line routines. However, strategy gets stuck in execution mainly because there are several invisible and unsolved obstacles, which hamper coordination across the organization when business units and functions have different interpretations of the decided strategy.

Jomer & Co has long experience and knowledge in helping leadership teams and executives create and implement their strategies. Our support is always bespoke and there are several possible entry points to a successful collaboration, for example:

- Engaging in Leadership Dialogues to support leaders and leadership teams to identify and solve leadership issues from a systems perspective.
- Running a Leadership Teams Development Program, including regular leadership forums, is a proven activity to create effective leadership teams.
- Strategy Audit is a proven way to secure that the strategy addresses the right strategic questions, check that the leadership team really focuses on these strategic questions, and if the strategic transformation is measured and followed up appropriately.
- Engaging in Strategic Coaching of senior managers' strategic challenges to support and assists them individually in their ongoing strategy implementation and execution work is an excellent way to climb the leadership and strategy learning curves.
- Supporting, individually or in part, the Learn, Focus, Align and Execution phases of the Strategic Learning strategy process, gives management a comprehensive approach and drive for strategy creation and implementation.

## **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.

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