Cracking the Code of Strategy Execution

Master thesis by Kasper Lindøe Pedersen

CPR.: 140783-XXXX

MSc. in Economics and Business Administration
Management of Innovation and Business Development

Department of Innovation and Organizational Economics

Supervisor: Claus Jensen

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EXECUTIVE SUMMARY

Multiple studies have shown that there is a vast gap between corporate ambitions and their ability to realize them. As much as 90% of all companies fail to achieve their strategic goals, even though they have often developed detailed strategic plans with much higher targets, than they realize. Why does this vast and persistent gap occur, and how can companies avoid succumbing to the challenge and damaging the chance of realizing their ambitions? That is the focal point of this thesis.

There are many causes of the gap between strategy formulation and strategy execution. This thesis proposes two key sources; the architecture of the strategy execution process, and a range of execution syndromes or lock-in effects, which are often the results of a combination between the organizational configuration and management malfunction.

The architecture of the strategy execution process is often a rather neglected and ignored part of the strategy process. The strategy typically goes right from formulation to implementation, without truly considering the structure of the process. The two most important elements of the strategy execution process architecture are; translation of the strategy into manageable actions and steps and continuous adaptation of the strategy to the corporate context.

The other main sources of strategy execution collapse – the execution syndromes - are often difficult to detect, since they only slowly become an inherent part of the organizational culture and composition. Like diseases, they slowly consume almost any chance of successful strategy execution, leaving the organization paralyzed and unable to leverage more than only incremental results. The execution syndromes covered in this thesis are: The Resistance Syndrome, Motivation Syndrome, Development Hell Syndrome, Groupthink Syndrome and the Underperformance Syndrome.

Organizations need three things to successfully bridge the gap between strategy formulation and strategy execution: A structure for the strategy execution process, a constant focus on avoiding the lock-in effects that damage strategy execution and a method to institutionalize the strategy execution process.

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INTRODUCTION

On September 12th 1962, President John F. Kennedy addressed the National Space Programme in his speech at Rice University in Houston, Texas, in which he stated: "*We choose to go to the moon in this decade and do the other things, not because they are easy, but because they are hard, because that goal will serve to organize and measure the best of our energies and skills, because that challenge is one that we're willing to accept, one we are unwilling to postpone, and one we intend to win (…)".*

And they did. Despite the initial delay, Neil Armstrong walked on the surface of the moon in 1969. The success of the American space programme was not merely due to tremendous resource allocation, luck, expertise or determination, but due mostly to successful strategy execution. It shows us, that if an organization masters the discipline of strategy execution, almost anything can be accomplished.

Nevertheless, the discipline of strategy execution has for many years been largely neglected in contemporary strategy management literature. A rough assessment of the courses taught on strategy at almost any modern-day university or business school focus solely on strategy formulation and not on strategy execution. This also gives rise to the statement, that contemporary managers are trained to be strategy planners and not strategy executioners. Regardless of the accuracy of this statement, the records seemingly support it. According to a study made by Chris Zook and James Allen in their book *"Profit from the Core"*, 90% of all companies never realize their strategic ambitions – as coined in their strategic plans. According to Kaplan and Norton 95% of all employees either do not know or don't understand the overall strategy of their organization. These are alarming figures, which demonstrate the massive challenge of converting strategic ambitions to reality.

This leads to the following research question for this thesis:

"How can companies successfully bridge the gap between strategy formulation and strategy execution?"

METHODOLOGY

PURPOSE OF THE THESIS

The purpose of this thesis is to explore and attempt to understand why there is a considerable and persistent gap between strategy formulation and strategy execution, and to provide a means of bridging this gap. Hence, the thesis seeks to formulate an applicable method for organizations to increase the probability of realizing their strategy. In doing so, this thesis will employ ideas and theory from academic fields such as strategy, organization, finance, control, psychology as well as motivational and behavioural sciences.

It is not the purpose of this thesis to recommend any specific management tools, theories, models or frameworks and as such the thesis will not attempt to elaborate on any such concepts.

POINT OF DEPARTURE

The point of departure for this thesis are the academic articles and books that provides an insight into the problems and challenges that organizations face, when trying to execute and implement strategy. Some of the key contributors to this foundation are: Lawrence G. Hrebiniak (Making Strategy Work), Kaplan & Norton (The Office of Strategy Management), Zook & Allen (Profit from the Core) as well as Mankins & Steele (Turning Great Strategy into Great Performance). Their work has provided this thesis with a foundation from which to analyze the character of the gap between strategy formulation and strategy execution as well as a point of departure for formulating an applicable method for organizations to bridge that gap. Some of the key insights into the gap between strategy formulation and strategy execution will be summarized in part 1 of this thesis.

POINT OF ARRIVAL

As mentioned previously, it is the purpose of this thesis to provide an applicable method for organizations to bridge the gap between strategy formulation and strategy execution.

Hence, the point of arrival for this thesis is to create a greater understanding of why strategy execution so often fails and how organizations can get out of this failure trap and leverage continuous successful strategy execution. In that sense the thesis will attempt to contribute to the ongoing, vibrant and accelerating debate between academia, business and other interested participants and contributors in the field of strategy execution.

STRUCTURE OF THE THESIS

In this thesis I use an eclectic approach to the overall design of the study. This means that I concede to subjectivity while attempting to maintain the academic objectivity criteria of scientific method, which means that the foundation for proper research and science is, that other scientists as well as students should be able to generate the same result by employing the same scientific method and research design. Since there is no objective truth that prescribes a correct path to answering the research question, I have carefully chosen the design of the research methodology on the basis of my knowledge and experience. Below I will explain the structure of the thesis and elaborate on the five key chapters, as well as how they contribute to the discussion and the outcome of the thesis.

Defining the Gap

The first chapter of part 1 focuses on the gap itself between strategy formulation and strategy execution. It is the purpose of this chapter to provide an insight into what goes wrong, when organizations attempt to execute strategy. It also lists the key findings that several authors have made in their research on why strategy execution fails. This chapter attempts to provide the reader with a somewhat clear conception of the challenge in question as well as its inherent problems.

What is Strategy Execution?

The second chapter of part 1 attempts to define the concept of strategy execution. It is the purpose of this chapter to provide an insight into the debate on strategy execution as well as to provide a workable definition of the concept, which will be used as a reference point throughout the rest of this thesis. The definition will be a balanced abstract of what other scholars and practitioners believe strategy execution is about.

Why does Strategy Execution Fail?

The last chapter in part 1 will elaborate on the definition of strategy execution. By focusing on the elements in the definition of strategy execution the chapter will provide an insight into why strategy execution fails so often. It will highlight the factors that organizations will have to emphasize in order to make strategy execution work locally in their daily operations.

Strategy Execution Syndromes

When studying the factors that others have found to explain why strategy execution fails, I was lead to the idea, that focusing on the architecture of the strategy execution process does not completely cover the domain and as such does not entirely explain why strategy fails. I therefore formulated five hypotheses within the social aspect of organization, which I intend to test. I have called these hypotheses “strategy execution syndromes”. The general idea is that organizations – like organisms – can develop diseases, or syndromes, that debilitate the organizations’ ability to execute strategy. In that sense, the organization itself becomes a powerful factor in the execution of strategy and it can actively, yet not necessarily intentionally, work against successful strategy execution. Hence, it is not enough to excel at the technical aspects of strategy execution, managers must also ensure that the organization itself is “healthy” and ready and capable of supporting the strategy execution process. The analysis on the strategy execution syndromes constitutes the second part of the thesis. The hypotheses covered in part 2 are: The Resistance Syndrome, Motivation Syndrome, Development Hell Syndrome, Groupthink Syndrome and the Underperformance Syndrome.

Building the Platform for Strategy Execution

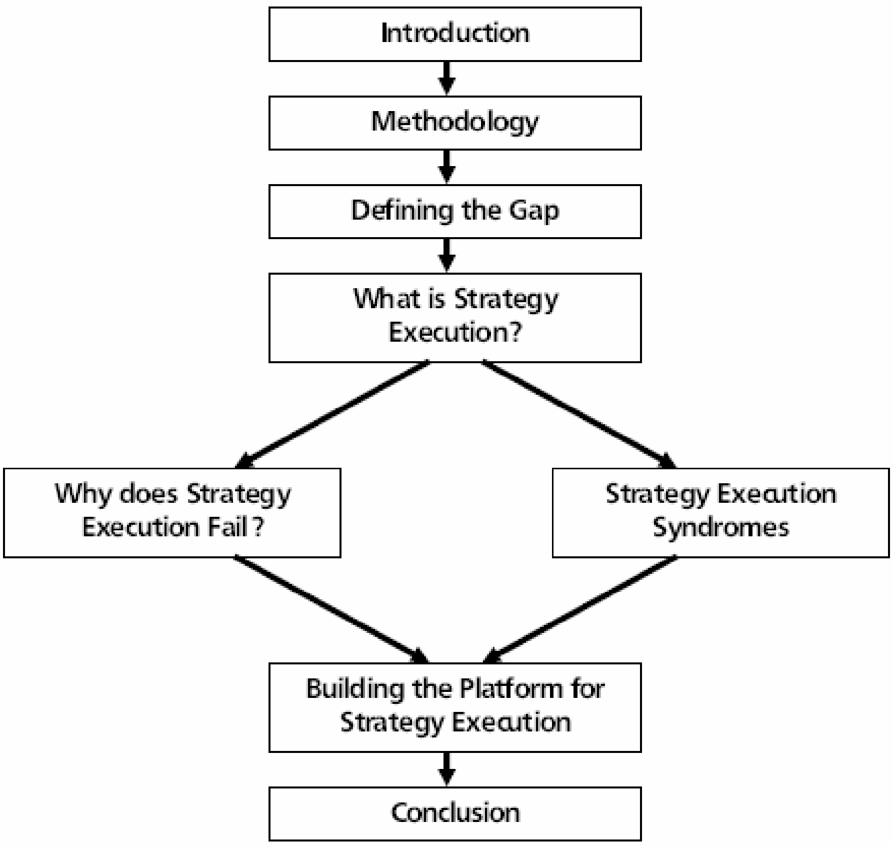
The third part of the thesis focuses on providing an applicable method for organizations to execute strategy. It comprises the analysis of parts one and two and reveals an applicable method for organizations to execute strategy. The Strategy Execution Model, which I have provided in the third part of the thesis, is not an absolute prescriptive solution that can be blindly imposed on any organization. Rather, it is a method that provides guidance for local discussions on how to build a platform for strategy execution. It is applicable in the sense that its elements are workable and can be pursued immediately in any organization.

I don't believe that any one model can be applied to all companies, since what works at one company, might not work at another. Therefore, The Strategy Execution Model is designed to provide a foundation for any organization to begin a serious discussion on the subject and to develop a local approach to it.

The third part of the thesis will also focus on how to avoid the strategy execution syndromes. By going through the "cures" for all five syndromes, the intention is also to provide a foundation for local discussion in any organization on how to avoid these syndromes. No two organizations will develop identical syndromes; they may bear resemblance to each other, but small variances in the organizational configuration stress the need to find a local cure.

The figure below illustrates the structure of the thesis.

Figure 1 **Structure of the Thesis**



RESEARCH METHOD

The chosen research method for the thesis is a qualitative research method. This is due to the fact, that the field of strategy execution has for many years been largely neglected. A rough assessment of the field of strategy reveals an astonishing lack of attention on execution; I will elaborate on this in part 1. Most strategy literature make only a modest comment on execution, and contemporary strategy education likewise avoid dealing with the actual execution of the strategy. Therefore it is plausible to make the hypothesis; that most contemporary managers are trained to plan rather than execute, which would explain much of the gap, we see between strategy formulation and strategy execution. Thus far it was supposed, that execution of a strategy was quite straightforward, once the strategy had been made and decided upon. However, recent research shows that this is not the case.

Because the academic field of strategy execution is rather immature and lacks a substantial frame of reference, research within the field requires an approach that can quantify the unquantifiable to uncover the full potential of the field. This is where the qualitative research method can help to create a better understanding of this academic field. Unlike the quantitative research method, the qualitative research method is exploratory and not conclusive. Due to the aforementioned lack of literature and emphasis on the academic field of strategy execution, there is only very little directly measurable data available, which would otherwise justify the quantitative research method. Nonetheless, there is some unquantifiable data available, which cannot be directly measured and graphed and therefore necessitates a qualitative research method.

Inductive Reasoning Method

The analysis in this thesis is based on inductive reasoning. I have chosen the inductive reasoning method, because the academic field of strategy execution is relatively limited. Therefore it is necessary to induce hypotheses into the academic field, rather than deduct conclusions out of already existing data. The lack of substantial literature, and especially data in the field of strategy execution, relate well to the strength of induction; namely the ability to generate relations or properties based on a small number of observations.

Induction is believed to support the conclusion, but not to ensure it: *"You are going further than the information given to produce a conclusion that, although plausible, is not guaranteed to be true"* (Manktelow, 1999).

However, the strength of induction is also its weakness. Since conclusions made by the use of inductive reasoning cannot reasonably ensure a conclusion – only support it, it is difficult to conclude entirely on the subject of strategy execution, using the inductive reasoning method. Therefore it is necessary – on a long term – to conduct large scale data collections and analysis using a deductive reasoning method to fully conclude on theory and hypotheses in the field of strategy execution.

I therefore strive to build an analysis on strategy execution in which I induce and analyze on most of what the contemporary literature and data can bring about. Thereby attempting to create a holistic representation of the academic field, while accepting the fact that the chosen research design can only illustrate most, but not all, of the reasons why strategy execution fails in most organizations.

The MECE-Principle

I will strive for a thesis that is both mutually exclusive and collectively exhaustive[1]. This means that all data and hypotheses in the thesis should be divided into subgroups that comprehensively represent the group of data without gaps or overlapping.

THEORETICAL FRAMEWORK

Below are some of the key contributors of theory and ideas to this thesis.

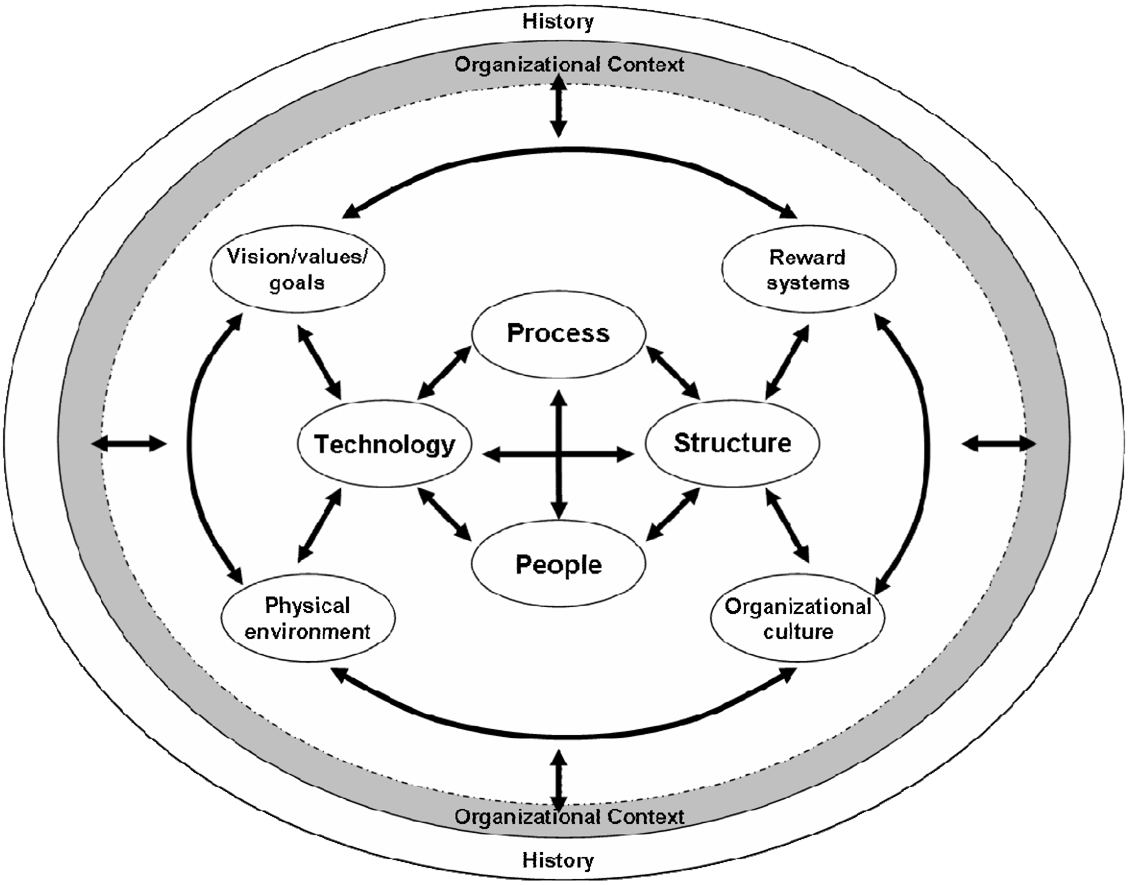
Leavitt-Ry's Organizational Framework

In order to create a relatively holistic view of strategy execution, it is necessary to employ an organizational framework that is both relatively simple, but also encompasses the entire composition of an organization. These two conditions are met by the open system model, which separates the organization into: People, Process, Structure and Technology.

[1] Wikipedia: MECE principle

However, the original model developed by Leavitt in 1965 (Bakka & Fivesdal, 1998) does not fully encompass all the elements of the organization. Therefore I have chosen to employ the redesigned framework as developed by Jens Carl Ry Nielsen and Morten Ry (2002). Their redesigned model also encompasses elements such as reward systems, organizational culture, context and history. These additional elements are important for the analysis of strategy execution. The Leavitt-Ry model of organization will be used as an important reference point throughout the thesis.

Figure 2 **The Leavitt-Ry model of organization**



Criticism of Leavitt and the Organizational Framework

The Leavitt-Ry model can be criticized for not encompassing markets and products. These are also two critical elements of most organizations. However they are not relevant in the context of strategy execution, since the execution of a strategy is not – in theory - affected by the markets in which the organization operates nor by the character of the products they produce.

Kim & Mauborgne (2005) – Blue Ocean Strategy

W. Chan Kim and Renée Mauborgne (2005) have contributed with their ideas of tipping point leadership, which is a theory that has its origins in epidemiological science and the theory of tipping points, which is in essence the concept of critical mass. The idea of tipping point leadership is used to demonstrate that when a critical mass of support for the strategy has been reached, the organization develops a momentum and resilience, which greatly increases the likelihood of a successful strategy execution process.

Criticism of Kim & Mauborgne

The intention of Kim and Mauborgne is to provide a way to execute the strategies which they refer to as blue ocean strategies. However, they also state that their theory on strategy execution can also be applied by companies not pursuing blue ocean strategies.

Kaplan & Norton (2005) – The Office of Strategy Management

Kaplan & Norton (2005) have contributed with the theory about an office of strategy management, which can create emphasis on strategy execution in an organization and thereby facilitate the process. According to their study of companies using the Balanced Scorecard as their framework for their strategy management systems, the establishment of an office of strategy management has created great results and helped those companies bridge the gap between strategy formulation and strategy execution.

Criticism of Kaplan & Norton

Kaplan & Norton's emphasis is on proving the validity and quality of the use of their theory about the Balanced Scorecard. It is not the intention of this thesis to prove or disprove the validity and quality of the Balanced Scorecard as a theory or tool. However, they state in their article, that their theory of the office of strategy management can be employed by others, not using the Balanced Scorecard as a revolving framework for their strategy management.

Lawrence G. Hrebiniak (2005) – Making Strategy Work

Hrebiniak (2005) has contributed with several ideas, theories and concepts throughout the thesis. The most notable contributions are theories about incentives and control, the importance of culture, coordination and integration as well as power and influence. Hrebiniak has a notable academic as well as practitioner career behind him and has taught in the fields of competitive strategy and strategy implementation for several years.

Criticism of Hrebiniak

The ideas, theories and concepts in the work by Hrebiniak, are mostly based on his experiences with strategy execution processes and results from the Wharton-Gartner Survey (2003) as well as discussions with managers at the Wharton Executive Education. Therefore, the contributions from Hrebiniak are based on experiences and analyses as a practitioner and professor. However, it must be said that Hrebiniak as a scholar as well as a practitioner, is recognized by both academia and business.

EMPIRICAL FRAMEWORK

Below are some of the key contributors to the empirical data collection of this thesis.

Kaplan & Norton (2005)

In their article "The Office of Strategy Management" (2005), Kaplan & Norton reveal some intriguing results from their study of companies that utilize the Balanced Scorecard as the framework for their strategy management systems.

Zook & Allen (2001)

In their book "Profit from the Core" (2001), Chris Zook and James Allen reveal that as much as 90% of companies in their study of more than 1,800 companies failed to realize their strategy.

The Wharton-Gartner Survey (2003)

The Wharton-Gartner Survey (2003) was a joint project between the Gartner Group, Inc. and Lawrence G. Hrebiniak, professor at the Wharton School of the University of Pennsylvania and teacher at the Wharton MBA and Executive Education programs. The survey was a short online survey sent to 1,000 individuals on the Gartner E-Panel database. The targeted respondents were managers who were involved in strategy formulation and execution. The survey yielded responses from 243 individuals. Combined, the Wharton-Gartner Survey and the Wharton Executive Education Survey provided responses on obstacles to strategy execution from more than 400 managers. Below is the table of prioritized responses.

OBSTACLES TO STRATEGY EXECUTION	
1	Inability to manage change effectively or to overcome internal resistance to change.
2	Trying to execute a strategy that conflicts with the existing power structure.
3	Poor or inadequate information sharing between individuals or business units responsible for strategy execution.
4	Unclear communication of responsibility and/or accountability for execution decisions or actions.
5	Poor or vague strategy.
6	Lack of feelings of “ownership” of a strategy or execution plans among key employees.
7	Not having guidelines or a model to guide strategy execution efforts.
8	Lack of understanding of the role of organizational structure and design in the execution process.
9	Inability to generate “buy-in” or agreement on critical execution steps or actions.
10	Lack of incentives or inappropriate incentives to support execution objectives.
11	Insufficient financial resources to execute the strategy.
12	Lack of upper-management support of strategy execution.

The survey and the table of responses are collected in appendices 1 and 2.

Validity and Character of the Empirical Data

The empirical data in this thesis is based solely on secondary data. The data collected is both quantitative and qualitative, since there are both statistical survey results as well as analyses that reveal certain causality relationships in the fields of management, psychology and human behaviour. A great emphasis has been put on the validity of the collected data, even though it is clear that some sources are not always completely objective. Most of the data therefore come from recognized universities with a longstanding reputation for superior scientific standards and results. These universities include e.g. Harvard, Wharton and Stanford universities. Some of the data also come from recognized practitioners and academic thinkers, which include Hrebiniak, Kaplan & Norton, Hamel, Prahalad, Bossidy and Anderson & Anderson.

There is no obvious expert in this relatively immature scientific field. Therefore I have chosen to focus solely on the data that have been collected through scientific studies regarding the gap between strategy formulation and strategy execution.

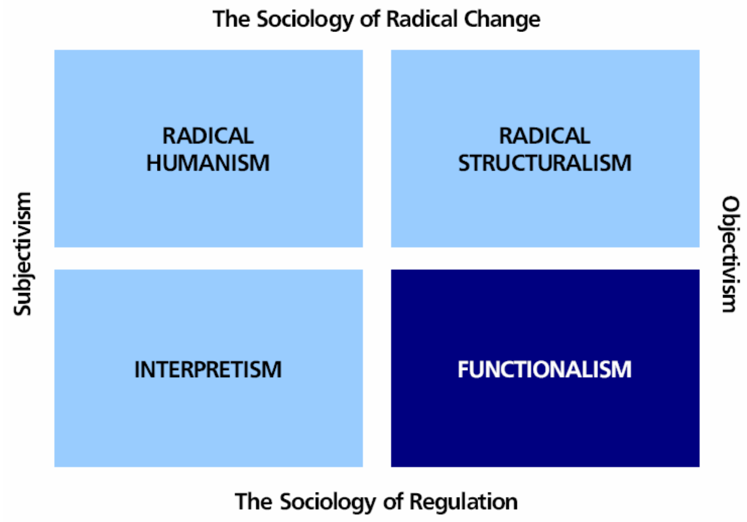
SOCIOLOGICAL PARADIGMS AND THE DOMAIN OF THE THESIS

In 1979 Gibson Barrell and Gareth Morgan published their book *"Sociological Paradigms and Organizational Analysis"*, which was a groundbreaking work that lead to the recognition of four central sociological paradigms in social sciences; the functionalist, the interpretive, the radical humanism and the radical structuralism paradigms.

Here, I will explain the four different paradigms, clarify the paradigm to which the analysis of this thesis predominantly belong and explain why the thesis is dominated by that paradigm as well as what it means to the analysis.

As shown in figure 3, the paradigms are divided between 2 different continuums or axes; the X-axis display social theories that emphasize regulation and stability (regulation) vs. those that emphasize radical change (radical change). The Y-axis displays the social theories that are oriented towards individualistic (subjective) theories vs. those that are oriented toward structural (objective) theories. The area highlighted in dark blue (Functionalism) is the domain of the thesis.

Figure 3 **The Four Sociological Paradigms & the Domain of the Thesis**



Burrell & Morgan (1979)

The Functionalist Paradigm (objective-regulation)

The functionalist paradigm has been the dominant sociological paradigm for organizational studies for many years. It seeks to provide rational (objective) explanations for human behaviour and it assumes rational human action and believes that organizational behaviour can be understood through hypothesis testing. The functionalist paradigm is pragmatic and deeply rooted in sociological positivism and concerned with understanding organizations in a way that can generate knowledge that can be put into use. The functionalist paradigm tends to approach social sciences with the assumption that social structures and systems are constructed from relatively concrete and empirical objects and that relationships can be identified, studied and measured through methods and approaches that originates from the natural sciences.

The Interpretive Paradigm (subjective-regulation)

The interpretive paradigm originates from the primarily German idealist tradition in social science, which emphasizes the spiritual nature of the world. It seeks to explain the stability of behaviour from the individual's viewpoint and try to observe on-going processes to better understand individual behaviour.

This paradigm, like the functionalist paradigm emphasizes the sociology of regulation, but unlike the functionalist paradigm it accentuates subjectivity by attempting to explain social constructions from individual consciousness and from the reference point of the participant (as opposed to the observer of social action in the functionalist paradigm).

The Radical Humanism Paradigm (subjective-radical change)

The radical humanist paradigm regards contemporary dominant ideologies as separating people from their true identity and as such is mainly concerned with dismantling social limitations to human potential. The paradigm is like the interpretive paradigm grounded in the subjective orientation and emphasizes the individual consciousness of man. It believes that human consciousness is dominated by ideological superstructures that prevent human fulfilment, by separating them from their true consciousness.

The Radical Structuralism Paradigm (objective-radical change)

The radical structuralism paradigm, like the functionalist paradigm emphasizes objectivism (i.e. the reference point of the observer, not the individual), and sees inherent structural conflicts within society that generate constant change through political and economic crises. Radical structuralists believe that radical change is inherent in the nature of social structures, and that contemporary society is characterized by fundamental conflicts that generate radical change.

The Domain of the Thesis

The analysis of this thesis is predominantly influenced by the functionalist paradigm (highlighted above in dark blue). This is because the thesis is based on the belief that an organization is a socio-technical structure, which can be broken down into subgroups and objects with identifiable relationships, that can be tested through hypotheses. The thesis seeks to take the reference point of the observer and attempts to create a pragmatic and objective analysis.

The thesis is built on the assumption that humans act in accordance with the theory of bounded rationality, which states that people deviate from traditional “rational decision making”, by paying attention to some relevant information and ignore other information, that they are affected by framing (how the information was presented) and judge relationships between presented information incorrectly and that they ignore the probability of an event happening (Kahneman, 2003).

Criticism of the Functionalist Paradigm Approach

The functionalist paradigm approach was criticized in the 1960’es for not being able to account for social change, or for structural contradictions and conflict.[2] Further critique of the paradigm include that: Functionalism does not explain the original cause of a phenomenon, and that functionalism contains no sense of agency and as such, sees individuals as puppets, acting as their role requires.[3] In that sense, functionalism may seem to be quite rigid and as such emphasize the traditional assumptions of economic theory (such as rational decision making). In that sense, it can be argued that; it is not justifiable to simply plead ignorance and continue to build huge mental constructs of how the world works, based on assumptions we in no way can justify making, given what is known. However, an assumption such as that of rational behaviour has in this thesis been substituted by the theory of bounded rationality.

As the scope of underlying assumptions is increased so is the risk of inaccuracies, since every assumption – like theory – is a simplification of reality. However, for the sake of analysis it is not feasible to avoid these underlying assumptions, since the sheer complexity of reality is too immense for any analysis to comprise. In that sense, the most important prerequisite of any analysis is to choose the set of underlying assumptions or a paradigm, which can best describe and comprise the complexity as well as explain the nature of the subject in question.

[2] Wikipedia: Functionalism (sociology)

[3] Ibid

THESIS DELIMITATION

Strategy Formulation

Since this thesis is focusing on the discipline of strategy execution, there is no reason to elaborate and analyse the strategy formulation process. In this regard they are two separate, yet interdependent processes. Strategy formulation is irrelevant without the ability to execute it; however strategy execution has no significance without a strategy to execute. Nevertheless, the strategy formulation process has no significant importance in the strategy execution process; hence, it will not be elaborated further in this thesis.

Strategy Implementation

This thesis seeks to explore the gap between strategy formulation and strategy execution. The thesis makes a clear distinction between the processes that connect strategy formulation to strategy implementation. Hence, the emphasis will not be to provide tools for strategy implementation – they are already present in abundance, therefore the focal point is rather to explore and emphasize the reasons why strategy execution fails and how an organisation can build a sustainable strategy execution platform.

Small vs. Medium-Sized and Large Organizations

Small organizations are often more flexible and dynamic than medium-sized and large organizations, hence, strategy execution in small organizations can be carried out by a very small team, often consisting of only 2-3 people. Therefore small organizations are less prone to the strategy execution challenges this thesis seeks to explore. Strategy execution in medium-sized and large organizations often involves many people and even entire departments and units, consequently, strategy execution in these organizations require much more communication and coordination. Thus this thesis will emphasize the challenges of strategy execution in medium-sized and large organisations. Nevertheless, small organizations can also learn from the challenges and execution syndromes illustrated in this thesis – they may be less receptive to them, but they are certainly not immune.

Case Company

This thesis is intended to analyse the gap between strategy formulation and strategy execution. It is my intention to demonstrate generic causality relationships, which generate this gap and how the gap can be bridged in order to realize the strategic ambitions of the organization. Therefore I have chosen not to employ a specific case company, since that would otherwise demonstrate only a case specific result, which can be disputed for not being generic and thereby applicable by any organization. Instead I strive to create a foundation that any organization can use in their effort to bridge their own gap between strategy formulation and strategy execution.

PART I

DEFINING THE GAP

Contemporary literature on strategy execution suggests that there is a huge gap between strategy formulation and strategy execution, i.e. between what companies intend to do and what they actually accomplish. According to Zook and Allen (2001) as much as 90% of all companies never realize their ambitions. However, another study by Mankins & Steele (2006) indicates that companies in general face an average performance loss of 37%, when implementing strategy. These 37% are lost due to a number of different factors that form an obstacle to the successful execution of the entire strategy, and therefore prevent the company from reaching its desired goal. In other words companies on average realize only 67% of their strategic ambition. Since these two studies are made within one year of each other, it is not plausible to explain this significant difference by stating that companies in general have learned much about strategy execution and that the gap is rapidly closing. The explanation may therefore be found in differences in the research methods as well as the size and character of the respondent companies in the respective studies.

The prize for closing the strategy-to-performance gap is huge - an increase in performance of anywhere from 60% to 100% for most companies.

- Mankins & Steele (2005)

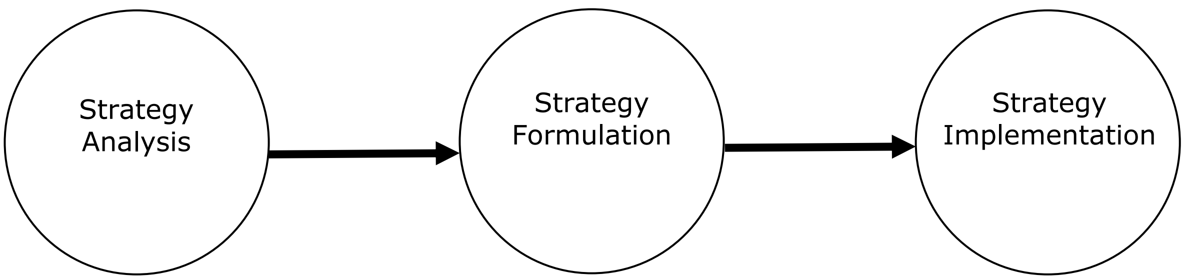
Regardless of what the explanation for the deviance between the mentioned studies may be, the actual size of the gap is not essential for the study and analysis of the gap between strategy formulation and strategy execution, since the literature, data and knowledge on strategy execution is scarce and because no one can credibly provide an answer to this question. Instead it is important to realize and understand that there is a wide gap, which ranges anywhere from approximately 40-90% of average performance loss. To sum up, I have chosen to display some key statistics on strategy execution below:

SOME ALARMING STATISTICS

90%	Of all companies fail to realize their strategic ambitions.	Zook & Allen, 2001
95%	Of a company's employees are unaware of, or do not understand, its strategy.	Kaplan & Norton, 2005
85%	Of executive leadership teams spend less than one hour per month reviewing their strategy.	Kaplan & Norton, 2005
80%	Of management decisions are made without ever considering an alternative.	Lippitt, 2007
73%	Of employees do not have access to the organization's strategic plans. Furthermore, only 42% of managers have access to the organization's strategic plans.	Axson, 1999
60%	Of organizations do not link their budgets to strategic priorities.	Kaplan & Norton, 2005
40%	Of companies do not tie incentive compensation to achieving their strategic plans, while 97% percent tie compensation to their financial plan results.	Axson, 1999
37%	Of the potential financial performance of most strategies is lost.	Mankins & Steele, 2006
15%	Of companies make it a regular practice to track business results against the performance forecasts of its prior year's strategic plans.	Mankins & Steele, 2006

WHY DOES STRATEGY EXECUTION FAIL?

When reading the contemporary literature on strategy processes a fairly consistent pattern emerges; the pattern of a strategy process has three main elements: Strategy analysis, formulation and implementation.



This pattern can be seen in many different variations, but the general idea remains. According to Bob de Wit and Ron Meyer (2004): *"Traditionally, most textbooks have portrayed the strategy process as a basically linear progression through a number of distinct steps. Usually a split is made between the strategy analysis stage, the strategy formulation stage and the strategy implementation stage"*. In the strategy analysis phase the company analyses the current situation of the company, its market position, its competitors, its context etc. Then the company moves on to the next phase in which a strategy is formulated along with a range of goals to be achieved. The third phase is the strategy implementation, in which the top management hands over the formulated strategy to its sublevel managers for implementation. These are roughly the three most common stages of the strategy process. However, though it seems quite simple and straightforward, this is where the rosy picture ends.

As discovered by Chris Zook and James Allen (2001), seven out of every eight companies in a global study from 1988 to 1998 of 1,854 large corporations, failed to achieve an annual real growth of 5.5% in revenues and earnings, while earning their cost of capital. Yet, 90% of the companies in the study had developed detailed strategic plans with much higher targets.

When these abovementioned three elements of the strategy process, in contemporary strategy literature, are all heavily analysed, explained and developed through decades (perhaps even millennia if we include the works of Sun Tzu) – and when an abundance of high-quality and well tested tools have been developed for each stage in the process, how is it possible to encounter such a massive performance loss?

Strategy Execution is Absent From Contemporary Literature

According to Hrebiniak (2005): "*Management litterature has focused over the years primarily on parading new ideas on planning and strategy formulation in front of eager readers, but it has sorely neglected execution. Granted, planning is important. Granted, people are waking up to the challenge and are beginning to take execution seriously"*. In addition, Bob de Wit and Ron Meyer (*"STRATEGY – Process, Content, Context"*, 2004) merely mentions implementation, when they go through it on just 13 pages – out of a strategy book of more than 640 pages (not counting the case material).

The concept of “strategy execution” or “execution” for that matter is not even listed in the index! Furthermore, Mintzberg, Lampel, Quinn & Goshal (*“The Strategy Process – Concepts, Contexts, Cases”*, 2003) have devoted no parts of their 496 page strategy book (not counting the case material) to implementation. Neither are “strategy execution” nor “execution” listed in the index.

In his book “The Halo Effect”, Phil Rosenzweig (2007) quotes the former head of Honeywell, Larry Bossidy: *“Execution is the great unaddressed issue in the business world today. Its absence is the single biggest obstacle to success and the cause of the disappointments that are mistakenly attributed to other causes. No strategy can deliver result unless it’s converted into specific actions – and those actions are the stuff of execution”*.

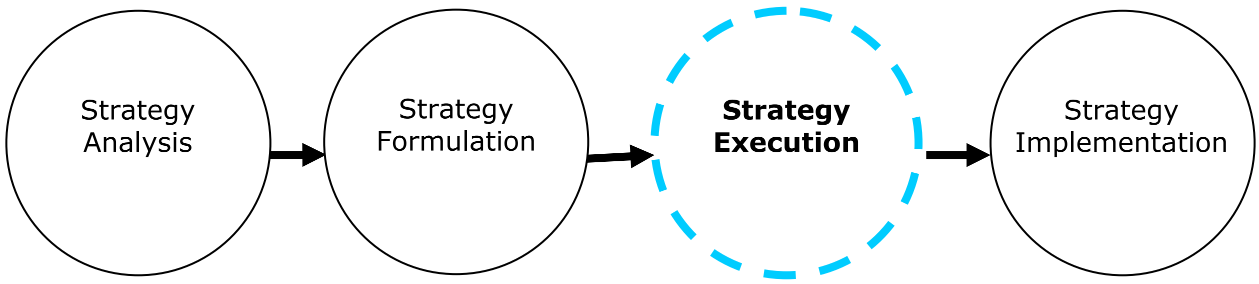
Most contemporary universities have an abundance of strategy related courses. They teach their students to formulate competitive strategy, marketing strategy, financial strategy and so on. The number of courses that deal exclusively with execution or implementation? Usually none (Hrebiniak, 2005). This means that most managers (assuming that most of them have some sort of university degree, or have been exposed to some of the mentioned courses) are well-equipped with tools to handle the strategy analysis and strategy formulation phases. But they lack the skills needed to execute the strategy. In Hrebiniak’s (2005) words: *“The lack of formal attention to strategy execution in the classroom obviously must carry over to a lack of attention and consequent underachievement in the area of execution in the real world”*. How are managers supposed to know anything about executing strategy, if the world of academia neglects its importance?

> ***Managers are trained to plan, not to execute.***
> ***- Lawrence G. Hrebiniak (2005)***

Strategy Execution – The Missing Link?

We know that the first parts of the strategy process works well. They have been studied in great depth and an abundance of tools have been developed for them.

We also know that the implementation phase should be able to work well, since a lot of high-quality and well-tested tools have been developed for this stage too. What goes wrong therefore have to be in the link between the strategy formulation stage and the implementation stage. Instead of rushing straight to implementation we therefore need a medium, through which we can take the formulated strategy and lead it to implementation. I therefore propose to add another central element to the strategy process: "Strategy Execution".



Strategy execution is the "forgotten" element, because the reflective activities of preparation, translation and communication of the strategy are avoided – instead the management hurries off to implementation. According to Henry Mintzberg (1994): *"Study after study has shown that managers work at an unrelenting pace, that their activities are characterized by brevity, variety, and discontinuity, and that they are strongly oriented to action and dislike reflective activities"*. Mintzberg's notion may be true for many managers, but I think it is still too simplistic to say, that managers dislike reflective activities. According to Hrebiniak (2005); what gets rewarded is what gets done – you get what you pay for. Here it is probably true that what gets rewarded are tangible results rather than reflective activities. Hence, managers avoid spending too much time doing what they are not rewarded for in order to do what they *are* rewarded for. There is an inherent trap in this argument, since the reflective activities of strategy execution are crucial in order to make it work, however, they are very hard to measure and highly intangible and thereby difficult to reward. I will get back to this reward discussion later in this thesis. In the end, the result is the same – the reflective activities are avoided as managers' hurry off to implementation: *"Leaders rush into implementation before they have adequately identified and created the upstream conditions for success or before they have adequately completed their desired-state designs and tested them for feasibility"*, Anderson & Anderson (2001).

Consequently, what is strategy execution? Why is it necessary? And how can companies bridge the gap between strategy formulation and strategy execution? To answer these questions, it is necessary to provide a practical and sound definition of the concept.

WHAT IS STRATEGY EXECUTION?

In order to conduct a proper analysis, it is important to uncover the meaning of concept of strategy execution. Strategy execution is a very ill-defined concept and there is little agreement on what it concerns. Furthermore there is a significant confusion on the distinction between strategy execution and strategy implementation. The two concepts are often used interchangeably and their separate meanings disregarded, but what is the difference between them?

When looked up in Collins Cobuild Dictionary (2001), the word "execution" means to carry something out. Likewise the word "implementation" means to ensure that what has been planned gets done. The distinction here is rather unclear.

When looked up at the McGraw-Hill Online Learning Center: *"Strategy execution deals with the managerial exercise of supervising the ongoing pursuit of strategy, making it work, improving the competence with which it is executed, and showing measurable progress in achieving the targeted results"*[4]. Furthermore: *"Strategy implementation concerns the managerial exercise of putting a freshly chosen strategy into place"*[5]. These definitions provide a much more distinctive reflection to the two concepts. However, they are still not sufficient, since they can easily be substituted. The definition here on "strategy implementation" still very much resembles the dictionary explanation.

According to Wikipedia[6], strategy implementation involves: Allocation of sufficient resources, establishing a chain of command, assigning responsibility of specific tasks or processes to specific individuals or groups and managing the process.

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[4] McGraw-Hill Online Learning Center

[5] McGraw-Hill Online Learning Center

[6] Wikipedia: strategic management

This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary.

Though it seems that "strategy execution" and "strategy implementation" are two rather intertwining concepts, it is possible to make a somewhat clear distinction on the basis of the aforementioned definitions. While strategy implementation is very much concerned with the actual conduct of carrying out a chosen plan or strategy, strategy execution seems more concerned with the conduct of coordination, translation, communication and resource allocation, yet strategy execution is also concerned with carrying out the strategy. The clearest distinction may be (as illustrated in figure 4) that strategy execution is primarily anchored in the tactical level of the organization, while strategy implementation is primarily anchored in the operational level. Therefore strategy execution works as a medium between strategy formulation and strategy implementation.

Figure 4 **Hierarchy of Strategy Execution**

Own creation

Definition of Strategy Execution

Strategy execution is an ongoing process that monitors and makes adjustments to the strategy implementation process. The strategy execution process therefore is the process of making the organization ready for implementation. It is in this stage the strategy is translated into workable plans and metrics that can be controlled.

It is where the strategy gets communicated to the organization, so that everyone involved knows the “what”, “why” and “how” of the strategy (Bob de Wit & Ron Meyer, 2004). It is where the people, departments, budgets and resources involved are allocated and coordinated in a cooperating symbiosis. Strategy execution is also the medium through which the actual implementation is monitored, managed and adjusted to the experiences and consequences that the organization encounter, as a result of implementing the strategy - when the ideas and aspirations actually hit the real world.

This master thesis will therefore employ the following definition of strategy execution:

Strategy execution is the practice of translating, communicating, coordinating, adapting and allocating resources to a chosen strategy; while managing the process of strategy implementation.

This definition of strategy execution will be used in the rest of this thesis as a funnel, through which the analysis of the gap between strategy formulation and strategy execution will be directed. In the following table I have listed the six primary elements of strategy execution, as defined in the section above.

THE SIX ELEMENTS OF STRATEGY EXECUTION	
Translation	The process of converting the ideas, visions and aspirations of the strategy into workable plans and metrics.
Communication	Ensuring that all key employees are aware of and understand the “what”, “why”, “how”, “when” and “who” of the strategy.
Coordination	Passing on both responsibility and accountability to key personnel for a specific action or goal in the process.
Adaptation	Monitoring the process of strategy implementation and making adjustments to the strategy, in order to create a better fit to the real world.
Resource Allocation	Linking the strategy to the resources required to execute it.
Implementation	The actual process of carrying out the specific actions defined by the strategy execution process.

WHEN STRATEGY EXECUTION FAILS

On the basis of the definition on strategy execution, there are 6 areas that hold the potential for strategy execution disaster. Those are strategy translation, communication, coordination, adaptation, allocation of resources and management of implementation.

Poor or Fallible Strategy Translation

Strategy formulation is often driven by vision and aspirations. Therefore the formulated strategy needs to be translated into the contemporary context of the organization, so it becomes clear what the short-term as well as long-term goals are. As expressed by Larry Bossidy (The Halo Effect, 2007); *“no strategy can deliver results unless it’s converted into specific actions”*. The purpose of strategy translation therefore is to make the strategy understandable, workable and realistic. The practical outcome of the strategy translation process may be plans, goals, priorities, scorecards, milestones, key performance indicators, budgets, programmes and teams.

John F. Kennedy seemingly understood that in order to execute a strategy of world peace, something other than rhetoric and good intentions are needed (American University Commencement Address, June 10th 1963): *“I am not referring to the absolute, infinite concept of universal peace and good will of which some fantasies and fanatics dream. I do not deny the value of hopes and dreams but we merely invite discouragement and incredulity by making that our only and immediate goal. Let us focus instead on a more practical, more attainable peace, based not on a sudden revolution in human nature but on a gradual evolution in human institutions -- on a series of concrete actions and effective agreements which are in the interest of all concerned. (…) Peace need not be impracticable, and war need not be inevitable. By defining our goal more clearly, by making it seem more manageable and less remote, we can help all people to see it, to draw hope from it, and to move irresistibly towards it”*. I am not trying to portray John F. Kennedy as an expert in strategy execution, but the quote illustrates, that when a strategy seems manageable and approachable instead of insurmountable and absolute, it is easier for people to comprehend it and do what is necessary to execute it.

The purpose of strategy translation is to reduce uncertainty and incomprehensibility. Almost any strategy, which is in essence a breach with the status quo that gives a new direction for the organisation, will produce uncertainty about what will come in the future. Furthermore a lot of people are typically unable to comprehend the direction of the organization, which then induces fear and resistance. That is why a proper translation of the strategy is pivotal in order to reduce these tensions and negative effects. Everyone needs to know what to do, when to do it and what resources are available to accomplish it. According to Mankins and Steele (2006), what happens when the strategy is poorly translated is that: *"Lower levels in the organization don't know what they need to do, when they need to do it, or what resources will be required to deliver the performance senior management expects. Consequently, the expected results never materialize. And because no one is held responsible for the shortfall, the cycle of underperformance gets repeated, often for many years"*.

When the strategy translation process fails – resulting in a lack of realistic, workable and understandable procedures – the organization lacks a significant instrument to execute the strategy. Poor or fallible strategy translation therefore runs the risk of sending the execution process directly into turmoil and chaos. Uncertainty inevitably takes over.

Failing to translate the strategy adequately - is to put uncertainty in the drivers' seat, with incomprehensibility as the navigator.

As expressed by Hrebiniak (2005); *"When executing strategy, it is absolutely essential that the strategy be clear, focused, and translated logically into short-term objectives or metrics. It is vital, too, that these objectives and measurements be defined consistently to avoid problems of different, competing views of execution outcomes"*. It is to these misunderstandings and competing views we turn next.

Poor or Fallible Communication

Communicating the strategy is about ensuring that every employee in the organization knows and understands the direction in which the organization is supposed to move, in form of the business strategy.

Kaplan and Norton's (2005) research reveals that as much as 95% of the employees in an organization typically are unaware of or do not understand the company's strategy. No wonder why lots of companies find it difficult or virtually impossible to execute strategy. How are people supposed to know what to do, if they don't even know about the strategy in the first place? Hence, there are two main challenges about communication of the strategy; the first challenge is to make sure that the employees are aware of the strategy. That can be achieved through various internal communication venues, campaigns, briefings and meetings. The second challenge – which in my opinion is both central and the most difficult – is to ensure that people understand the strategy. That they know the why, what, how, when and who of the strategy and that they know exactly what individual role they have to perform in order to make the strategy happen. To avoid misunderstandings of the strategy, it is therefore important to develop a "common language" (Hrebiniak, 2005) or a shared taxonomy in the organization, which everyone can understand and relate to, when referring to the strategy.

A lot of tools have been developed for communication – entire industries live of communication alone. When communication fails in the strategy process though, it has therefore to do – not with the available tools - but the approach to the communication of the strategy. When the strategy fails to be communicated properly to the organization, it is often because there is a "glass ceiling" in many organizations, between the top management and the rest of the organization. They do not cooperate to make the strategy work. Hrebiniak (2005), have experienced that many top-level managers see execution as "below them", that execution and implementation is best left to lower-level employees. Hrebiniak states this challenge as: *"Every organization, of course, has some separation of planning and doing, of formulation and execution. However, when such a separation becomes dysfunctional – when planners see themselves as the smart people and treat the doers as "grunts" – there clearly will be execution problems. When the "elite" plan and see execution as something below them, detracting from their dignity as top managers, the successful implementation of strategy obviously is in jeopardy"*. According to Hrebiniak (2005), the executioners are not taken seriously and when something goes wrong in the execution, the problem is placed at the feet of the "doers", who *"somehow screwed up and couldn't implement a perfectly sound and viable plan. The doers fumbled the ball despite the planners' well-designed plays"*.

Such separation between the top-level managers and the rest of the organization clearly prevents both parties from cooperating properly with each other and promotes misunderstanding and failure. It is rather obvious that people cannot build what they cannot imagine. Therefore communication is essential in the strategy execution process, if the strategy is to be executed and implemented.

Poor or Fallible Coordination

Suppose that the strategy has been translated into understandable and workable plans, priorities and milestones. Suppose that everyone in the organization knows the strategy of the company. Suppose everything so far is in perfect order. Then what? Can an organization now execute the strategy successfully? Probably not.

In order to move to the next level, the organization has to coordinate the strategy execution process - making sure that everyone knows what to do in the strategy execution process is therefore also a key factor in the endeavour. Otherwise the strategy execution process may end up in confusion, misunderstanding, turmoil and eventually chaos. It is essential that key people in the strategy execution process are assigned both responsibility (to be the primary driver of a specific action or goal) and accountability (to be held liable for the implementation of said action or goal) for their individual part of the process (Hrebiniak, 2005), in order for them to reach the goals and milestones of the strategy. Everyone must know who is in charge - and accountable - for a particular action or goal. In the words of Hrebiniak (2005): *"Responsibility and accountability often are blurred, when people from different functions or divisions come together, often from different hierarchical levels in the organization"*.

When everyone is responsible, then no one is responsible.

- Lawrence G. Hrebiniak (2005)

In coordinating the strategy execution process it is important to clarify which kind of interdependence exists between the involved people and departments. Hrebiniak (2005) has defined three types of interdependence; pooled, sequential and reciprocal interdependence.

Pooled interdependence is the lowest level of interdependence. Pooled interdependence can be found in sales departments, where each sales manager is responsible for their individual sales district. What happens for sales manager “A”, doesn’t necessarily affect sales manager “B”. This is therefore the “easiest” scenario in which to coordinate the execution of a strategy.

Sequential interdependence refers to the situation where one or more divisions are dependent on another department (e.g. an end user division being dependent on receiving semi-finished goods from a supplier division). This is a more complex type of interdependence, since failure in one department can affect the performance in another department.

The final type of interdependence is what Hrebiniak (2005) calls reciprocal interdependence. This is the most complex type of interdependence and the most difficult to manage, since all departments are dependent on each other. What happens in one department directly affects not only one, but several other departments. This type of interdependence resembles Leavitt’s organizational model (consisting basically of people, process, structure and technology), where change in one of the elements usually affects the rest of the elements, hence the entire organization. In large strategy processes in large companies, often several departments, units, sections and people are involved in the process. This almost inevitably creates a situation of reciprocal interdependence, since the parties involved possess both different and equivalent levels of mandate, power, hierarchical status and resources. According to Hrebiniak (2005): *“Coordination and control under reciprocal interdependence are difficult because many things are going on simultaneously. Planning is difficult because members of the network can change their positions or even veto the decisions of others without warning”*. There is a high level of coordination required under this type of interdependence, which in turn needs mutual adjustment, agreement, information sharing and trust in order to work (Hrebiniak, 2005).

Poor or Fallible Adaptation

When a strategy is planned it relies on a given set of assumptions, beliefs and estimates about the organizations performance and the context in which the strategy is to be executed and implemented (Mankins & Steele, 2006).

As coined by Mintzberg (1987), strategy is; *"a theory – a cognitive structure (and filter) to simplify and explain the world, and thereby to facilitate action"*. Over time however, the context will inevitably evolve and change; and so must also the assumptions, beliefs and estimates upon which the strategy is based. If they do not change, the strategy may not be successfully executed.

Making strategy work requires feedback about organizational performance and then using that information to fine-tune strategy, objectives, and the strategy process itself.

- Lawrence G. Hrebiniak (2005)

In order for an organization to adapt carefully to the constantly changing context they're in, the organization has to be critical about their assumptions, beliefs and estimates. If the organization fails to realize that the world has changed since they last reviewed their strategy, the organization risks serious injury. Therefore the organization must frequently review their strategies as well as their assumptions, beliefs and estimates. The company must constantly be ready, willing and able to change parts of or the entire strategy. In the words of Gary Hamel (2000): *"Dakota tribal wisdom says that when you discover you're on a dead horse, the best strategy is to dismount. Of course, there are other strategies. You can change riders. You can get a committee to study the dead horse. You can benchmark how other companies ride dead horses. You can declare that it's cheaper to feed a dead horse. You can harness several dead horses together. But after you've tried all these things, you're still going to have to dismount".*

Adaptation in the strategy execution process is not merely concerned with the execution of a previously made and carefully prepared plan. It is a reiterative process that continuously revisits the original strategy and recommends changes to it. If companies are reluctant to adapt and change their strategy to the changing context, the costs can become astronomical, the risk can be severe and the venture can become almost impossible to exit (e.g. mergers and acquisitions or massive R&D investments).

According to Hrebiniak (2005), the adaptation process is a common source of failure: *"As important as controls and feedback are, they often don't work. Control processes fail. They don't identify and confront the brutal facts underlying poor performance. Adaptation is haphazard or incomplete. Understanding how to manage feedback, strategy reviews, and change is vital to the success of strategy execution (…) It is necessary for an organization to be able to change and adapt if feedbacks reveals problems with execution decisions, actions, or methods"*.

Nothing in progression can rest on its original plan. We may as well think of rocking a grown man in the cradle of an infant.

- Edmund Burke (1729-1797)

Additionally, the company might in the long run face declining competitiveness while trying to cope with the failed strategy and the company is in the risk of developing a culture of continuous underperformance (Mankins & Steele, 2006). Therefore adaptation of the strategy is one of the most important processes when executing a strategy, since failing to do so can incite a vicious circle for the organization that can be difficult to reverse.

Poor or Missing Resource Allocation

Any strategy requires resources in order to be executed and implemented. Without proper resources the strategy execution process will freeze to a halt. Therefore it is important for an organization both to calculate the quantity and nature of resources the strategy execution process requires and allocate them accordingly. However, this doesn't seem to be obvious to every organization. According to research conducted by Kaplan and Norton (2005) about 65% of all companies never allocate sufficient resources to the strategy, thereby failing to create an appropriate connection between the strategy and the resources required to execute it. This obviously means that about two thirds of the strategies made by companies never get past this threshold prerequisite of being attributed sufficient resources to be executed. This surely explains some of the reason why most strategies seemingly end their days in the drawer.

Why do so many companies fail to allocate sufficient resources to the strategy? One of the pivotal explanations to this question lies in the strategy translation process. If companies are unable to translate the strategy into a comprehensive plan and link the different steps in the plan to the resources required to realize them, it becomes apparent why the company doesn't allocate sufficient resources to the strategy. If the strategy plan only states the goals to reach a strategy, but doesn't explain what resources will be available to execute those goals – the strategy translation process has been inadequate and forces the team responsible for execution to continuously apply for resources. This makes the strategy execution process long and tedious, and there is virtually no guarantee for access to the resources required to execute the strategy. If the company hasn't committed itself to allocate sufficient resources to begin with, the probability of execution success is seriously reduced.

Another explanation for this deficiency lies in the alignment with the strategy and its required resources between the various corporate functions (Kaplan & Norton, 2005). If the strategy requires resources from one or more departments that have not aligned their budgets and plans with the strategy, the execution process will almost inevitably risk conflict between departments and eventually execution failure. Therefore it is paramount that all corporate functions who are stakeholders in the strategy execution process, whether it be finance with capital, IT with databases and infrastructure or HR with personnel and training; are all aligned with the requirements of the strategy. They have to allocate resources directly in their budgets in order to ensure a successful strategy execution process.

A third explanation, as coined by Hrebiniak (2005), stresses the possibility of rivalry between corporate divisions: *"Some businesses will feel neglected in the allocation process, feeling that other businesses are receiving favourable, but inappropriate, treatment by corporate* [sic]*. Businesses may even feel that organizational structure is wrong, with way too much centralized control over scarce resources and not enough decentralized control with more resources entrusted to business"*.

These explanations all stress the need to ensure, that all divisions participating in the strategy execution process are involved as stakeholders in the entire strategy process, since they can otherwise obstruct the execution of the strategy.

Poor or Fallible Implementation

When all the preparation has been made in order to execute the strategy, only one element is missing to complete the strategy execution process: Pressing the button to implement the strategy. This is where all of the ideas, plans, resources and communication are converted to reality and the strategy can be felt and dealt with. This is where the reactions to the change come to life, both inside and outside of the organization.

Strategy implementation is therefore about applying a strategy or change to a complex reality, of which no one can accurately predict the outcome. It is therefore about dealing with both the known and the unknown factors that shapes, directs and decides the outcome of the strategy execution process. Consequently, it is only natural that a strategy ends up being implemented rather differently, than it was intended to.

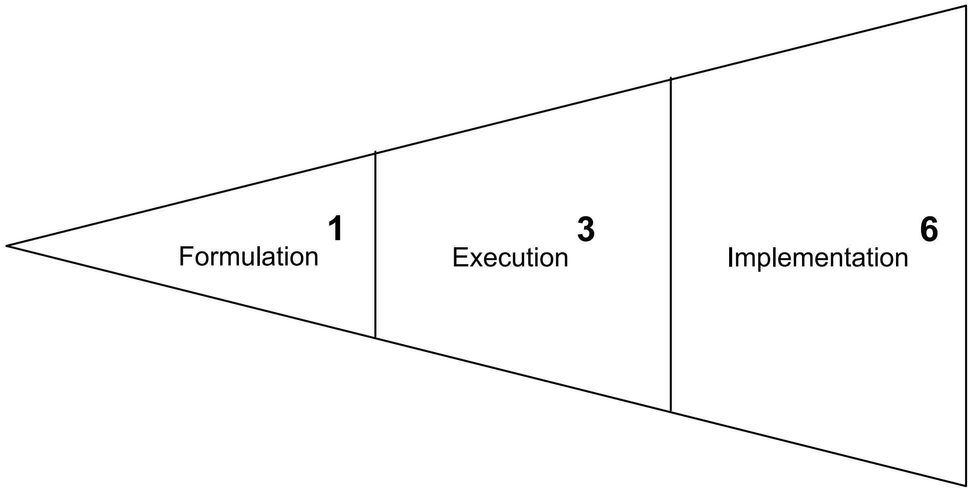
The strategy implementation process constitutes the acid test of the strategy, since this is the phase in which the strategy comes to life. Therefore it is also critical, that this phase provides the feedback required to adjust the process, in order to correct any deviances to the intended strategy. If any of the previously mentioned five elements of strategy are not properly accomplished, it diminishes the probability of a successful implementation outcome.

THE EXECUTION EQUATION

The execution equation is an expression that is designed to illustrate the resource requirements of the entire strategy process; from formulation to implementation. The figure shows in concept the amount of resources and time each step requires to be successfully accomplished.

It is the purpose of the execution equation to demonstrate the necessity of preparing adequately for the implementation process. It illustrates how managers, trying to shortcut the strategy process by attempting to go straight from formulation to implementation, face a daunting challenge, which is both risky and haphazard.

Figure 5 **The Execution Equation**



Own creation

Though the multipliers are neither fixed nor validated quantities, they still illustrate the difficulty of execution and implementation, especially when the processes following strategy formulation, tends to be neglected. The execution equation clearly shows that when a strategy is formulated it is vital that the organization acknowledges the resources and time it takes to execute and implement the strategy. It also indicates that it is a trying task (needless to say virtually impossible) to go straight from formulation to implementation. The execution and implementation of strategy usually takes a lot more time than formulation. Whereas the formulation of strategy may take weeks or months, the execution and implementation of the strategy usually takes place over a much longer period of time (Hrebiniak, 2005).

SUMMARY

This part has dealt with the question: Why does strategy execution fail? The question is highly relevant since about 40-90% of all companies never realize their strategic ambitions. The strategy process has been developed by business and academia through decades, yet the majority of companies still baffle with the execution of their strategies. Therefore we see a new element of the strategy process being developed; strategy execution.

This thesis has defined strategy execution as the practice of translating, communicating, coordinating, adapting and allocating sufficient resources to a chosen strategy; while managing the process of strategy implementation. Failure to execute the strategy originates primarily from the failure of an organization to properly accomplish these six execution elements.

These six elements of strategy execution have so far roughly been left over to the implementation phase, where they have been sorely neglected, since those who are trying to implement the strategy, emphasize action more than the reflective thinking that the strategy execution process requires. It is the forgotten element of the strategy process.

When strategy execution fails, it is often due to a poorly translated strategy, that people are unaware of or do not understand the strategy, unclear responsibilities and accountabilities, that the strategy has not been adequately adapted to reality and that the strategy has been granted insufficient resources. These common failures seriously obstruct any implementation efforts and inevitably lead to strategy execution failure.

PART II

EXECUTION SYNDROMES

There are a range of factors that influence or directly obstruct the strategy execution process. I have chosen to call them execution syndromes. They are organizational “diseases” that obstruct the strategy execution process and significantly diminish the chance of successful execution. They are generally difficult, but not impossible to change.

According to Wikipedia: *"The term syndrome refers to the association of several clinically recognizable features, signs (discovered by a physician), symptoms (reported by the patient), phenomena or characteristics that often occur together (…). In recent decades the term has been used outside of medicine to refer to a combination of phenomena seen in association"* (December 2007).

The strategy execution syndromes are lock-in effects that the organization has developed over time. The syndromes have specific symptoms that all-together constitute certain behaviour, which can be devastating to any strategy execution effort. The syndromes deviate from the general strategy execution process because the strategy execution processes will generally differ every time they are pursued. One strategy can be better translated than others or one strategy can lack resources whilst another has resources in abundance. The syndromes on the other hand address issues of the organizational configuration and seem to be rather constant. They change over time, but only slowly.

The execution syndromes derive from a series of hypotheses that I would like to test. This part will address the following syndromes: Resistance Syndrome, Motivation Syndrome, Development Hell Syndrome, Groupthink Syndrome and Underperformance Syndrome.

RESISTANCE SYNDROME

Hypothesis: *Employees are always resistant to change.*

The majority of organizations have immense experience with failed projects, as pointed out by Kaplan and Norton (2005). Often, managers responsible for executing a strategy have found that it can be a trying task and failure to execute a strategy is often justified by the claim, that the employees are resistant to change. However, this hardly makes sense.

Senior executives all too often assume that people (middle managers and all the rest) are against change (Gary Hamel, 1996). That all they really want is to defend the status quo. This is highly preconceived and not very accurate. If we subgroup and examine the concept of resistance, in a strategy execution context, an interesting picture comes to life.

> ***All too often, change epics portray the chief executive dragging the organization kicking and screaming into the twenty-first century.***
>
> *- Gary Hamel (1996)*

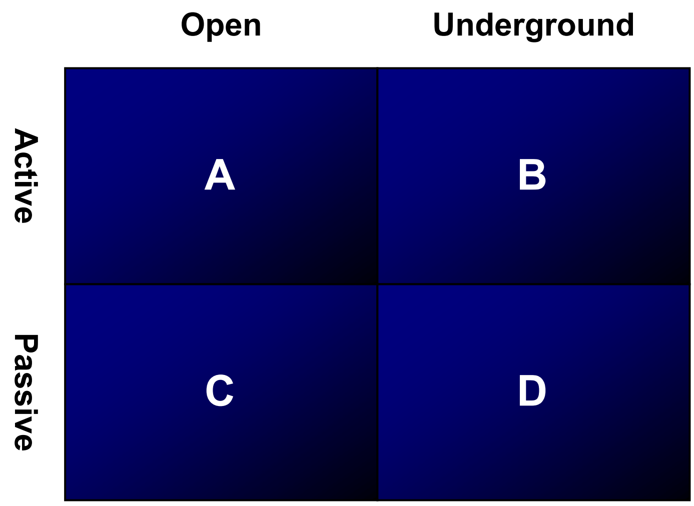
According to Lientz & Rea (2004), resistance can be divided into active and passive resistance as well as open and underground resistance (see figure 6). Active resistance relate to the people who will openly question the changes and indicate a lack of support for change. Passive resistance is concerned with people who may initially express support for change, but when the change is getting closer to being implemented, the resistance starts to come through.

A second perspective is to consider open versus underground resistance. To highlight this perspective, I will use a slightly modified case based on the example from Lientz & Rea (2004)[7]. Person A is a person who actively resists the change and openly does so. This is typically a king or queen bee. Person B is someone who actively, but not openly resists change. This person is a real threat to strategy execution, since it may be difficult to detect the resistance from person B early in the process.

[7] Lientz & Rea uses initials in their example. This case uses only the letters A, B, C and D to relate to the four groups. Furthermore, the original example has been modified to address strategy execution, rather than change management.

Person C is passively resisting the change, and who both early and later on in the strategy execution process, openly admits his/her concern about the change. This is more unusual, but can be addressed through logical argument. Person D is the person most likely to be found in any organization. This person is someone whose resistance is passive and underground. These people have natural doubts about the change and whether it will really work.

Figure 6 **Resistance Model**



Lientz & Rea (2004)

Lientz & Rea's (2004) division of resistance into four subgroups illustrates that resistance is not just an unambiguous phenomenon, but that resistance takes many forms. This also increases the difficulty of diminishing the resistance, because it is so diverse.

Where Does the Resistance Come From?

The abovementioned sub-grouping of resistance does not capture the entire image. According to Kaplan and Norton (2005) as much as 95% of a company's employees are unaware of or do not understand the strategy. If we subtract those who are unaware of the strategy, assuming that they will neither resist nor support something, that they don't know exists, we are still left with a group that knows about the strategy, but doesn't understand it. This group might resist the strategy simply because they don't understand it.

It is apparent that lack of understanding automatically generates uncertainty and therefore a reason to feel anxiety about the future and perhaps even their job security. This means that there are four ways to resist a strategy; actively, passively, openly and underground and there are two central origins of the resistance; the change itself and uncertainty.

Do people then resist a new strategy just as an automatic reaction? According to Gary Hamel (1996): *"Humankind would not have accomplished what it has over the past millennium if it was ambivalent about change or if the responsibility for change was vested in the socially or politically elite"*. Many people really find change exciting, because it means dreaming up new possibilities, ideas and strategies. However, when employees can't see the positive sides of change, then they become anxious and uncertain and resist the change: "*All too often, when senior managers talk about change, they are talking about fear-inducing change, which they plan to impose on unprepared and unsuspecting employees. All too often, change is simply a code word for something nasty: a wrenching restructuring or reorganization. This sort of change is not about opening up new opportunities but about paying for the past mistakes of the corporate leaders"* (Gary Hamel, 1996).

Therefore it is not enough to merely assume that it is the change itself that people resist – it is often the inherent uncertainty attached to change, that people resist. When new strategies are not properly communicated and explained, then people don't understand the strategy. This means that people tend to focus their attention to the inherent uncertainty of the strategy, creating rumours and delusions (Hrebiniak, 2005). Consider the countless times that people have engaged in revolution – the ultimate change vehicle – because they believed that a better future was appearing in the distant. They believed in the change. This means that in order to quell the resistance, good communication comes first.

Communication is King

The strategy execution process has a clear and essential responsibility to communicate the strategy clearly, effectively and honestly. It is important to emphasize the positive sides of change and turn the "negatives" into "positives" (Hrebiniak, 2005).

In this regard it is vital that the company keep in mind, that any positive promises made, have to be kept – otherwise the assurance will come back to haunt top management, as they try to implement the strategy; *"Obviously, careful planning and consideration of all options are needed before any promises are carved in stone"* (Hrebiniak, 2005).

Truthfulness is also crucial when communicating the strategy. If the manager tries to avoid resistance by deceiving the employees, the penalty can be severe: *"Uncertainty is a terrible thing during episodes of change. The rumor creation and manufacturing of stories or scenarios to reduce it, however, actually increase uncertainty and exacerbate the negative consequences of change. Lying or playing games with the facts is also taboo. People ultimately see through these diversions or prevarications, and the result again is resistance to change and a real threat to execution success"* (Hrebiniak, 2005). In light of the importance of truthfulness and in continuation of what Hamel (1996) said about change (that it is often code for something nasty), consider this quotation from Lientz & Rea (2004): *"It is interesting to note, that the more management says there will be no layoffs, the more the employees feel that there will be"*. Employees need to be able to trust the management, if they are not automatically to resist a new strategy.

The purpose of communicating the strategy is to reduce the uncertainty that any new strategy will contain. People detest uncertainty (Gaber et. al., 1996). People need something to hold on to before they let go of old behaviour. Often they seek sanctuary in work – Maslow told us that years ago. Safety is our primary motivation (Gaber et.al., 1996).

If people don't have information, they'll make it up to fill the void. Nature abhors an information vacuum. Rumors thrive in this fertile soil, and most hold negative implications for change.

- Lawrence G. Hrebiniak (2005)

According to Lientz & Rea (2004) resistance is contagious: *People around you are afraid of change and transfer this to you. This is most frequently done by relating the worse case impacts of change. A cause of this is often that management did not clearly and convincingly spell out what would happen after the change"*.

Therefore it is important to give the employees something to hold on to. Communicating the preservation of the best aspects of the old culture is important, when introducing a new strategy that promises change for the organization. According to Hrebiniak (2005): *"Preserving what's good and familiar during times of change can reduce resistance to the new methods or situation being proposed"*.

When managers justify a failing project with the notion, that people are resistant to change, that all they really want is to maintain the status quo, then they are in many cases absolutely wrong. Normally, only a minority of people really resist the change itself, if only they are prepared for it and understand why it's necessary. Managers therefore should concentrate more of their energy into communicating the strategy properly, rather than just to assume that people are obsessed with the status quo.

For an organization, the assumption that the employees are resistant to change is a dangerous and defeatist belief. It leads to the conclusion; that employees always prefer the status quo and do not understand the necessity to change things. Confront the uncertainty instead of the employees themselves. It does not do any good to approach the challenge like a war: *"Taking immediate action when you detect resistance will tend to drive the resistance underground instead of eliminating it"* (Lientz & Rea, 2004).

Communication is king. When the employees understand why the strategy is necessary, when they are not dominated by uncertainty, they will often support it. In the words of Gary Hamel (1996): *"When senior managers engage their organization in a quest for revolutionary strategies, they are invariably surprised to find out just how big the pro-change constituency actually is"*.

Power and Resistance

A final interesting perspective in the resistance syndrome is the correlation between power and resistance. Those who oppose the actual strategy are often those who have the most to lose from the execution of the strategy – namely the people in the top of the organizational pyramid. According to Hrebiniak (2005): *"Power begets and perpetuates power; those who have it strive to keep it"*.

Therefore, it is plausible that those who stand to lose or alter their power base after the execution of a particular strategy, are those who will be the most ardent resisters. In the words of Gary Hamel (1996): *"The bottleneck is at the top of the bottle. In most companies, strategic orthodoxy has some very powerful defenders: Senior managers"*. The Wharton-Gartner Survey (2003) states that; trying to execute a strategy that conflicts with the existing power structure, is one of the top-five most common obstacles to strategy execution (see appendix 2).

The resistance syndrome is based on the hypothesis that employees are always resistant to change. This does not seem to be true. Of course some people will resist the actual strategy, because it may directly involve them. However, most people are mainly anxious and uncertain about the strategy, when it is not properly communicated to them. This of course leads to resistance, since people feel unsafe and uneasy. Additionally, lack of trust in the management only perpetuates this trend. Therefore, employees are not automatically resistant to change, but people detest uncertainty, which is the key driver of resistance.

SYMPTOMS OF THE RESISTANCE SYNDROME
▪ Employees feel uncertain about the strategy, due to lack of understanding.
▪ Rumours flourish about the strategy and the intentions of top management.
▪ Resistance to strategy worked well in the past.
▪ The strategy conflicts with the current power structure.

MOTIVATION SYNDROME

Hypothesis: *When employees don't have ownership in the strategy, they are not motivated to execute it.*

The psychological community generally agrees that motivation is a key driver of human behaviour, whatever motivates us – keeps us going. Therefore in order to execute a strategy you need motivation to do so, otherwise the strategy will end up in the drawer – as yet another example of execution failure. But what is motivation?

Motivation is the reason for someone to engage in a particular behaviour[8]. According to Geen (1994); motivation refers to the initiation, direction, intensity and persistence of human behaviour. In addition, Bandura (2001) talks about the concept of self-efficacy, which is the belief in one's capabilities to organize and execute the courses of action required to produce a given outcome. According to Bandura (2001): *"In social cognitive theory, the self-efficacy belief system is the foundation of human motivation, well-being, and personal accomplishments. Unless people believe that they can bring about desired outcomes and forestall undesired ones by their actions, they have little incentive to act or to persevere in the face of difficulties and adversities"*. In other words; what drives motivation is a desired gain or reward (initiates the behaviour), the character and the perceived value of the gain (as well as the individual self-efficacy) determine the direction, intensity and persistence of the effort put into achieving the desired gain or reward.

According to Hrebiniak (2005); rewards and incentives are central to any strategy execution effort: *"Good managers want to achieve. The role of incentives is to support this basic motivation and push it in a direction to facilitate strategy execution"*. Hrebiniak (2005) has identified two basic challenges in this regard: Incentives don't support the right things and poor incentives demotivate people – even individuals with a high need for achievement. The first challenge builds on an inherent strong motivation to achieve, but when incentives don't support the right execution objectives, they push the entire strategy execution effort in the wrong direction: *"Rewarding the wrong things, even if done unintentionally, will hurt the execution process, Thorndike's age-old law of effect always holds true: Behaviour that is reinforced tends to be repeated"* (Hrebiniak, 2005). The second challenge places people in discouraging situations that seriously injure their motivation and drive for achievement. Hrebiniak (2005) believes that good incentives are both measurable and tied to short-term objectives that are derived from the long-term strategy. Additionally, good incentives include rewards of both extrinsic value (salary, bonus, promotion) and intrinsic value (enjoyment, achievement, acknowledgment). People need both utilitarian as well as psychological incentives. Therefore it is important that organizations link their incentives and rewards to key execution objectives: *"Increasingly, companies are showing CEOs the door or changing their incentive schemes because key strategic objectives and execution outcomes are not being met"* (Hrebiniak, 2005).

[8] Wikipedia: motivation (february 2008)

According to Kaplan & Norton (2005); the compensation packages of 70% of middle managers and more than 90% of frontline employees have no link to strategic objectives.

What if the Strategy is Imposed on the Organization?

What happens when the strategy comes as a direct order from top management? If the key individuals, who are responsible for its execution and implementation, are not part of the strategy development, will they be motivated to execute it? According to Hrebiniak (2005) they would not: *"Most individuals resist changes or new execution programmes that are foisted upon them"*. It seems that regardless of whether people feel that the strategy is perfectly aligned with the vision, values and goals of the company or that they feel that there are attractive rewards to be obtained, if they do not feel that they have been heard in the strategy formulation process, they will resist it or feel demotivated to execute it. The Wharton-Gartner Survey (2002) lists *"Lack of feelings of ownership of a strategy or execution plan among key employees"* as the sixth most important obstacle to successful strategy execution.

Change can be imposed, but such change is often the most fleeting and short-lived.

- Lientz & Rea (2004)

Therefore it is not enough to leverage attractive reward systems in order to direct the behaviour of the employees and to motivate them to execute the strategy. It is necessary to involve them too in the strategy formulation process: *"Successful strategic outcomes are best achieved when those responsible for execution are also part of the planning or formulation process. The greater the interaction between "doers" and "planners" or the greater the overlap of the two processes or tasks, the higher the probability of execution success"* (Hrebiniak, 2005). Thus, strategy formulation and strategy execution are interdependent exercises and should be perceived and conducted as such. When top management formulates the strategy and simply hand it on for execution, none of those responsible for executing the strategy are stakeholders in its success and as such; has no motivation to execute it.

In the words of Hrebiniak (2005): *"Execution demands ownership at all levels of management. From C-level managers on down, people must commit to and own the processes and actions central to effective execution. Ownership of execution and the change processes vital to execution are necessary for success. Change is impossible without commitment to the decisions and actions that define strategy execution (…) Execution will fail if no one has skin in the game"*. Furthermore, Neilson, Pasternack & Mendes (2004) found in their survey of more than 4,000 managers, that non-executives overwhelmingly reported that they felt micromanaged. Junior managers feel that they lack manoeuvring room, which raises their frustration and limits their motivation to execute strategy, since they feel tied on their hands and feet. This discussion, in essence, comprises the tension between autonomy and control. According to Argyris (1999), this tension is built into any organization: *"Subordinates wish to be left alone but held accountable. Superiors agree but do not want surprises. The subordinates push for autonomy asserting that leaving them alone is the best sign that they are trusted by top management. They push for a solution that combines trust with distancing. The superiors, on the other hand, push for no surprises by using information systems as controls. The subordinates see the control feature as confirming mistrust. The point is not how to get rid of the dilemma. That will never occur; it is built into the concept of decentralization. The point is how to deal with it effectively"*.

The motivation syndrome refers to the situation where the organization continuously fails to deliver expected results, due to a lack of motivation to execute. As this discussion has showed, incentives and rewards must be tied to specific execution objectives that people can measure and control. The organization must also make sure, that people feel ownership in the strategy, by involving them in the planning as well as the execution processes.

SYMPTOMS OF THE MOTIVATION SYNDROME
▪ Rewards and incentives are not tied to strategic objectives ▪ Top management doesn't involve key employees in the strategy formulation process (top management is perceived to have monopoly on strategy formulation). ▪ Key employees do not feel ownership in the strategy or the actions. ▪ Managers feel micromanaged.

DEVELOPMENT HELL SYNDROME

Hypothesis: *Inability, lack of consensus among key managers and risk aversion or error avoidance keeps the strategy in a permanent planning process.*

The term "Development Hell" is Hollywood slang for a film, television screenplay, or computer program getting stuck in development and never going into production[9]. However, the term might not be applicable to the movie industry alone.

What is it that keeps a strategy on the drawing board? What is it that gets in the way of its execution? The most obvious explanation is that the employees don't have the skills required to execute the strategy. Is this a viable explanation? Recall the notion Hrebiniak (2005) made, that managers are trained to plan – not to execute. This notion implies that there is often a lack of the skills necessary to execute strategy. As discussed previously, most contemporary courses and literature on strategy seems to disregard the strategy execution process, which renders the managers and employees working with strategy execution to be unable to execute the strategy. It therefore seems plausible to assume, that not all employees and managers are equipped with the skills needed to execute strategy.

When managers continuously disagree on the underlying assumptions and visions of the strategy, they inevitably produce a process, where the strategy never becomes anything more than plans. This can come from mere disagreements or rivalry between managers who want to pursue their own agenda. This results in a process of inertia, where the strategy is continuously retracted and redrafted.

Error and Risk Avoidance Keeps the Strategy on the Drawing Board

The organizations' perception of risk and error plays a substantial role in the development hell syndrome. If the organization is strongly disapproving risk and error, the managers can become anxious about trying to execute a strategy. Hence, it is easier and safer to keep the strategy in a continuous planning process.

[9] Wikipedia: Development Hell (January 2008)

According to Hrebiniak (2005): *"Leaders who only focus on negative aberrations increase the probability of creating a culture of risk aversion or error avoidance, which can seriously impede execution and organizational performance"*. When the organization avoids rather than embraces error, a culture of "low-balling" and avoidance of responsibility develops that can seriously damage any strategy execution effort. I would argue that many organizations struggle to keep the right balance between planning and action. When does an organization stop planning and start acting? Both are necessary for any strategy to work.

Planning ·· **Action**

Without proper planning, the strategy may fail because of lack of preparation, without action the plans are put to rest in the drawer – costing the company valuable resources. The company can therefore be caught in the tension between planning and action. In a risk averse and error avoiding culture it may be crucial that the strategy builds on not only sound, but bullet-proof analysis. To achieve analysis that is bullet-proof (even though this is impossible, due to the multiple unknown factors) the company spends tremendous resources and time to achieve it. Therefore they practice overemphasis on analysis and under-emphasis on action. The result: The strategy may never become anything more than expensive planning.

The following description of the overmanaged organization is borrowed from Neilson, Pasternack & Mendes (2004). It is one of seven so-called organizational species which, in this case, fits well with an organization that has developed the development hell syndrome.

THE OVERMANAGED ORGANIZATION

Burdened with multiple layers of management, this organization tends to suffer from "analysis paralysis." When it does move, it moves slowly and reactively, often pursuing opportunities later or less vigorously than its competitors do. More consumed with the trees than the forest, managers spend their time checking one another's work rather than scanning the horizon for new opportunities or threats. These organizations, which are frequently bureaucratic and highly political, tend to frustrate self-starters and results-oriented individuals.

Below are some key symptoms of organizations that have developed the development hell syndrome.

SYMPTOMS OF THE DEVELOPMENT HELL SYNDROME
▪ Employees are unable to move the strategy from planning to execution, because they don't have the skills required to execute the strategy. ▪ Rivalry between managers results in a lack of consensus about the strategy. ▪ There is a strong culture of risk aversion or error avoidance. ▪ The organization is bureaucratic and highly political.

GROUPTHINK SYNDROME

Hypothesis: *Overemphasis on speed in decision making and overconfidence in the company's success leads to hasty decision making, which blinds the organization and leads to poor decision outcomes.*

The strategy execution process consists of a wide range of decisions that have to be made in order to implement the strategy. Decision making requires a group of people to gather, search for information, challenge assumptions, debate, evaluate and choose. However, much literature stresses the fact that groups seldom have the chance to completely accomplish these tasks due to time restraints, lack of information, poor understanding of cause and effect relationships etc. (Chapman, 2006).

As pointed out earlier, companies often don't spend much time preparing the organization for change. Instead they often rush from strategy formulation to strategy implementation and at the same time rush straight into trouble. This overemphasis on speed in implementation and decision making can create anxiety with the managers, who on the one hand are accountable for strategy execution and on the other have to abide by narrow time restraints. When managers are stressed to meet a deadline, they often become anxious about the probability of success and hastily seek to secure agreement on a course of action. According to Chapman (2006): *"Premature concurrence seeking occurs when decision makers respond more strongly to the implicit motivation of anxiety reduction than to motivation regarding full evaluation of information or search for alternatives"*.

However, hasty decision making is not enough for the groupthink syndrome to apply. Granted, premature concurrence seeking has a high probability for poor decision outcomes, but groupthink theory stresses another important condition to be met; an environment that discourages disagreement. The idea here is that groups of decision makers are already stressed and anxious and therefore believe that disagreements are troublesome, tedious and time consuming. They rightly distort the balance and flow of consensus. Therefore they adhere to a series of defence mechanisms, which are according to Chapman (2006): *"A sense of control is obtained through creating an illusion that the group is in command of the situation, that the facts are known and events are unfolding as they should. Denial is evident in self-censorship, pressure on dissenters and mindguarding. Escape is through a belief in the superior morality of the decision making group and in the stereotyping of outgroups. This spares the group from confronting the morally difficult dilemmas inherent in the situation, and helps to shift primary responsibility for them onto a more blameworthy group"*. These defence mechanisms may support the groups' inherent motivation of reducing stress and anxiety by leading to quick decisions, that can help the decision makers reach their deadline. However, they also produce a series of dangers for the company that can potentially lead to execution disaster.

Unless managers better understand how their emotions influence their choice behaviour, potentially avoidable mistakes will continue to be made.

- Judith Chapman (2006)

When the defence mechanisms are used, decision makers begin to lose vital information and the capacity to evaluate the situation properly. Critical details are rationalized away or pushed out of consciousness and dissenters who try to challenge the assumptions of the group are simply turned upon or decide to keep quiet (Chapman, 2006). There are well-known examples of this, Irving Janis who first coined the theory of groupthink, analyzed the Bay of Pigs invasion in 1961 which was an unsuccessful attempted invasion of Cuba by armed Cuban exiles, funded by the United States government. Later, other theorists have analyzed other incidents, such as the space shuttle Challenger disaster in 1986, where key warnings where ignored. A small case on both examples can be found in appendix 3.

Groupthink is a serious threat to an organization and to any strategy execution effort. It holds the potential for completely eroding the foundation upon which the strategy is built and therefore creates an effective wall for any chance of success in executing the strategy. Many companies know this, but as noted by Andreas Raps (2005), the psychological barriers to strategy execution is often downplayed when addressing execution issues, even though it is becoming more and more obvious that strategy execution consists for the most part of psychological aspects. These psychological barriers are in a way incomprehensible, because they come out of the subconscious of human beings.

Longstanding Success, Age and Size are Critical Warnings

Another way to develop the groupthink syndrome is when a company has enjoyed longstanding success. Former CEO of the Danish hearing aid manufacturer Oticon A/S has stressed the point in his book “The Second Cycle” that company size, age and success can lead to what he refers to as a “virus of arrogance”. The virus of arrogance is the situation where the company begins to develop blind spots. They believe firmly in their own superiority and righteousness and begin to lose contact with their customers and their context. Kolind (2006) says that *“It is when the success is celebrated that the virus of arrogance enters the body”*. That is according to Kolind, what happened to Oticon. In a company culture that has developed a very high self-confidence, e.g. if the company is a market leader and the employees generally look to competitors with arrogance and feel they are superior to them, then the delusion of immortality and infallibility starts to spread. To illustrate this point I have included below, what I call the Titanic-analogy.

THE TITANIC-ANALOGY

When the world's largest and most luxurious steamship; RMS Titanic left Europe to go to New York in April 1912, she was the most extraordinary piece of technology – a pinnacle of human achievement. People around the world knew that she was something unique; she was the "unsinkable ship". A rendez-vous with an iceberg off the coast of New Foundland changed all that. Titanic was made history on her maiden voyage and an unprecedented disaster occurred, that claimed the lives of the majority of passengers and crew. The belief that Titanic was indeed unsinkable, led to at least two critical conditions; the architect of Titanic had first suggested a number of lifeboats, that was sufficient to carry all of the passengers, that the ship itself was designed to carry. Most of the lifeboats were afterwards removed by the owner of the ship, because they were thought of as unnecessary and made the decks look too cluttered. Secondly, once the passengers heard of the collision with the iceberg and the fact that the ship would sink, most passengers denied this notion and went right back indoors – they too knew that the ship was unsinkable. Now, what does the Titanic-disaster have in common with strategy execution? The story demonstrates that when someone is inattentive and believes firmly in their own superiority – that's when they are blinded and most prone to disaster.

There are two great challenges for strategy execution in companies that have developed the groupthink syndrome as part of their corporate culture. One is of course that they are not in sync with their corporate context, which leads the company to build strategy on defective assumptions, and when the underlying assumptions of the company's strategy are completely unaligned with reality, the strategy execution process is doomed to fail, since what was intended to be applied to reality has little to do with reality in the first place. The second challenge is to break the idea of the company being an "unsinkable ship", in order to create a sense of urgency about the need for change. Kotter (2007) has stressed the point that in order to create an incentive for change and drive people out of their comfort zones, it is important to establish a sense of urgency about the change.

Face the Brutal Facts – Honestly

In order to avoid succumbing to the groupthink syndrome it is vital that the managers face the brutal facts honestly. This means that when things go wrong it is important to conduct autopsies and bring the brutal facts out in the open where they can be discussed honestly, in order to eliminate the problem (Hrebiniak, 2005). This exercise emphasizes learning and feedback.

However, according to Hrebiniak (2005) *"the sad fact is that most managers really don't want to hear the truth or confront the brutal facts openly, even though this is exactly what will help their companies the most"*. This may be because managers are afraid that submitting a problem out in the open may reflect badly upon them, because there is often a strong emphasis in most companies on avoiding rather than embracing error (Hrebiniak, 2005). They might fear that they will be blamed for poor performance and it is therefore easier for managers to omit the sad truth, rather than bursting it out in the open so the problem can be solved. Chapman (2006) explained it like this: *"Implicit motivation for anxiety reduction triggers defence mechanisms that potentially blind decision makers to the reality of their situation. Unless checked, the tendency to explain away, deny or repress critical information can descend upon the all in the group, with devastating effect in some circumstances"*.

Ignoring the real facts can only hurt strategy execution.

- Lawrence G. Hrebiniak (2005)

However, facing the brutal facts honestly, confronting the errors and learning from them won't work if people believe that their main purpose is: *"Finding some idiots to blame for poor performance and please the gods"* as Hrebiniak (2005) put it. Chapman (2006) believes that in order to avoid the groupthink syndrome, it is vital that the company develop a culture where; *"managers are not punished for sometimes making cautious decisions or crying wolf"*.

SYMPTOMS OF THE GROUPTHINK SYNDROME

- Decision makers are stressed, feel anxious and encourage hasty decision making.
- Groups shield themselves through mindguarding, rationalisation of warnings, direct pressure, self censorship or illusions of unanimity - from dissenting information that might challenge their assumptions.
- Groups are characterized by high levels of optimism and a feeling of invulnerability.
- Groups stereotype outsiders who are opposed to the group consensus as weak, evil, disfigured, ignorant or stupid.
- The company is developing a disconnection with their customer base.

UNDERPERFORMANCE SYNDROME

Hypothesis: *Continuous failure to execute strategy and an emphasis on avoiding error fosters a culture of underperformance.*

The underlying prerequisite of the underperformance syndrome is that culture plays an important role in executing strategy and that culture affects performance. To understand why culture affects performance, let's first take a look at what culture is. Culture refers to a set of shared values and visions that create a propensity for an individual in an organization to act in a certain way (Hrebiniak, 2005). According to Ry & Ry (2002) culture is a solitary element that together with visions, values, reward systems and physical environment surrounds the basic elements of organization, originally put forth by Leavitt. This doesn't seem to be completely true – at least not according to Hrebiniak (2005), who says that incentives and control are also key elements of behaviour and therefore also of culture. This means that culture is shaped by the thing that the people within an organization believe in (values and visions or credos), but also by what is rewarded as well as the experience of the organization, i.e. the collective memory of the organization. Therefore the reward system and the company's history are also part of the organizational culture. Culture is therefore a product of the visions and belief system of the company together with its reward system and its history. According to Hrebiniak (2005): *"Culture elicits and reinforces certain behaviours within organizations. These behaviours, in turn, affect organizational performance in vital ways "*. This highlights the need to emphasize culture as a focal point when trying to execute strategy. Without a culture that supports change and execution, it can be very difficult to realize the strategy.

So how does an organization develop the underperformance syndrome? According to Mankins & Steele (2006): *"In many companies, planning and execution breakdowns are reinforced – even magnified – by an insidious shift in culture (…) this change occurs subtly but quickly, and once it has taken root it is very hard to reverse"*. In their view, the strategy-to-performance gap is felt by employees and once they realize that new strategies rarely produce any real change, and once this awareness becomes experience, they ultimately start to prepare for failure.

It becomes the norm, that performance commitments won't be kept: *"Commitments cease to be binding promises with real consequences. Rather than stretching to ensure that commitments are kept, managers, expecting failure, seek to protect themselves from the eventual fallout. They spend time covering their tracks rather than identifying actions to enhance performance"* (Mankins & Steele, 2006). This means that when a company experiences performance breakdowns – when the employees experience that strategy execution usually fails, they seek not to perform an autopsy of the process to find out what went wrong and how to correct this deviance, but rather they seek to avoid being the ones to blame for poor performance. Bossidy, Charan & Burck (2002) explains the development of the underperformance syndrome like this: *"Without execution, the breakthrough thinking breaks down, learning adds no value, people don't meet their stretch goals, and the revolution stops dead in its tracks. What you get is change for the worse, because failure drains the energy from your organization. Repeated failure destroys it"*.

The following description of the passive-aggressive organization is borrowed from Neilson, Pasternack & Mendes (2004). It is one of seven so-called organizational species which, in this case, fits well with an organization that has developed the underperformance syndrome.

THE PASSIVE-AGGRESSIVE ORGANIZATION

So congenial that it seems conflict free, this is the "everyone agrees but nothing changes" organization. Building a consensus to make major changes is no problem; implementing them is what proves difficult. Entrenched, underground resistance from the field can defeat a corporate group's best efforts. Lacking the requisite authority, information, and incentives to undertake meaningful change, line employees tend to ignore mandates from headquarters, assuming "this too shall pass." Confronted with an apathetic organization, senior management laments the futility of "pushing Jell-O."

Error-Avoidance Leads to Underperformance

The view expressed by Mankins & Steele (2006) that the strategy-to-performance gap fosters a culture of underperformance, also constitutes the early development of a culture of error avoidance, rather than error acceptance, since employees become more preoccupied with protecting themselves from the failure they expect is imminent.

In Hrebiniak's (2005) view there are two ways to handle error; one is to avoid it and install control mechanisms that seek to punish those who fail, the other is to embrace error as a learning vehicle of the organization – to accept that errors are both inevitable and provide excellent means to enhance the collective experience and capability of the organization.

When a company seeks to avoid error rather than to embrace it, according to Hrebiniak (2005), the control mechanisms are top-down, repressive and constraining, they emphasize "being right" at all times. When a mistake is made, the problem is denied or "played down" – when the problem can't be denied; employees blame others for the mistake. The performance standards and objectives are characterized by being top-down with little or no participation or negotiation. They are "all-or-nothing" standards. Hrebiniak (2005) emphasizes that when an organization focuses on avoiding error, the behaviour of the employees focuses on survival, rather than growth, learning and self-realization. People fight to "stay alive" in the organization and defensibility against threats or accusations becomes critical. Furthermore, a high resistance to change sweeps the organization since people tend to "guard their posts" and the interpersonal environment becomes oriented towards low trust and alienation. In Hrebiniak's (2005) view; innovation and creativity suffers in organizations that emphasizes error-avoidance, since the employees are highly risk-averse. This basic survival instinct breeds a culture of underperformance, since people are more attentive to threats than to achievement and their work resembles fire extinguishing rather than innovation and creativity. This in turn leads to the underperformance syndrome that deprives any organization from executing strategy successfully.

The underperformance syndrome can be extremely difficult to reverse, once it has taken root in the organization, since what has to be reversed lies deep within the corporate culture – the element of trust. An organization that has developed the underperformance syndrome has basically become a hostile and distrustful environment. Therefore the organization has to build that trust, in order for the employees to relax their worries and lowering their guards. In the words of Hrebiniak (2005): *"A culture of cooperation based on a common, perceived mission will affect execution positively, whereas a culture marked by error avoidance and the need to blame others for poor results clearly will have negative effects on execution outcomes"*.

For any fruitful cooperation to take place, the organization must re-establish the trust between the top management and the employees and encourage the re-establishment of trust between employees. The organization has to change the survival-oriented behaviour of the employees to an achievement-oriented behaviour, e.g. by accepting and embracing error, allowing employee participation and negotiations when establishing the performance standards and objectives and stop punishing employees for not meeting “all-or-nothing” standards. Recall Thorndike’s law of effect (as previously mentioned): Behaviour that is reinforced tends to be repeated.

Can Underperforming Organizations Pursue Ambitious Visions?

How does the underperformance syndrome affect the pursuit of highly ambitious visions? To take a step back, Mankins & Steele (2006) emphasized that when an organization has a long track record of failed strategy execution attempts, commitments cease to be binding promises. This would imply that in order for the employees in such organizations to commit to a strategy, the strategy has to be highly realistic and clear-cut – otherwise people would immediately expect failure. Other scholars have expressed the view that highly ambitious visions, can spur a sense of energy, commitment and esprit de corps in an organization. This would seem somewhat paradoxical to organizations that have succumbed to the underperformance syndrome, where people immediately expect failure and where error avoidance produce tension and resistance to change. Hamel & Prahalad (1989) have coined the concept of strategic intent: *“Companies that have risen to global leadership over the past 20 years invariably began with ambitions that were out of all proportion to their resources and capabilities. But they created an obsession with winning at all levels of the organization and then sustained that obsession over the 10- to 20-year quest for global leadership”*. Likewise, Collins & Porras (2005) in their study of 18 so-called visionary companies, found that more often than the comparison companies, these visionary companies used bold missions to express their vision in order to stimulate progress and creating an immense team spirit. They employed what Collins & Porras (1994) refers to as a BHAG (Big Hairy Audacious Goal). These ambitious visions both have the intention to boost progress, team spirit, achievement, creativity and effort at the companies employing them. However, they also both require that the organization embraces error, takes risks and commits to the vision.

These are all requirements that an organization that have succumbed to the underperformance syndrome, would find very difficult to provide. According to Mankins & Steele (2006); employees in companies that have failed often would instantaneously prepare for failure and avoid committing fully to the strategy. However, Collins & Porras (1994) has stressed that reluctance and cynicism can be turned into commitment, team spirit and high achievement; the most optimistic assessment of the chance of success for the American space programmes' moon mission in 1961 was 50/50. Yet, when Kennedy proclaimed on May 25th 1961: *"That this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to Earth"*, the Congress of the United States immediately agreed to fund this audacious project. Collins & Porras (1994) explains: *"Given the odds, such a bold commitment was, at the time, outrageous. But, that's part of what made it such a powerful mechanism for getting the United States, still groggy from the 1950s and the Eisenhower era, moving vigorously forward"*.

In organizations that have developed a culture of error avoidance, the glow is less bright. In these environments, employees have already dug their individual trenches, fighting their own wars against each other, anxious that they will become the next scapegoat in the continuous struggle to blame others. In an environment characterized by error avoidance, that is highly risk-averse, where innovation and creativity is low and where the employees, out of fear of failing, are highly reluctant to assume responsibility for actions it seems that an audacious vision would merely invoke ridicule and disregard.

If an organization, which has become entangled in the underperformance syndrome, wants to pursue an ambitious vision to turn the situation around, the best chance of succeeding is before the organization develops a culture of error avoidance. If the employees are only reluctant to commit to the strategy, rather than directly opposed to it – it is possible to stop the escalation of the underperformance syndrome.

SYMPTOMS OF UNDERPERFORMANCE SYNDROME

- People avoid committing fully to the strategy, since they expect failure.
- Employees are "low-balling" when deciding on targets, since they only want targets they know they can reach.
- The organization has a strong culture of error avoidance. Employees are highly risk-averse and avoid taking responsibility. Emphasis on blaming others.
- Resistance to change is high.
- Innovation and creativity is low.

SUMMARY

When executing strategy there are a number of important factors and elements that have to be considered in order to succeed, as discussed in part 1 of this thesis. However, there are also a number of more complex issues that an organization must address before making any attempt to execute strategy. The strategy execution syndromes analyzed in part 2 of this thesis demonstrate some serious diseases that an organization might have developed over time.

Lack of adequate information sharing and communication about the strategy can lead to resistance to change as well as resistance to uncertainty. Additionally, when a strategy conflicts with the current power structure, it is almost certain that the strategy will be resisted, since those in power tend to fight for their position in the organizational hierarchy. The majority of the resistance in the organization, however, tends to be driven by uncertainty rather than opposition to the strategy itself. Communication and proper information sharing is therefore vital in order to combat resistance. The analysis of the Resistance Syndrome also repudiated the hypothesis that employees are always resistant to change. When employees are aware of and understand the strategy it is remarkable how often an organization can mobilize overwhelming support for it.

The Motivation Syndrome illustrates that when an organization does not involve key employees in the development of the strategy and when the strategy is forced and imposed from the top, the employees tend to lose motivation. Additionally, when rewards and incentives are not tied to strategic objectives, the motivation also suffers.

When the employees are not motivated to execute the strategy, the execution process becomes incredibly slow and cumbersome. Organizations suffering from the Motivation Syndrome often find it difficult if not impossible to execute strategy.

When employees in an organization lack the appropriate skills to execute strategy the strategy tends to settle at the planning stage. It never gets to execution. This is often also the result when the key managers engage in rivalry and therefore hold conflicting views on the strategy that eventually keeps them from reaching a consensus about the strategy. When an organization is highly risk averse or stresses error avoidance, it also runs the risk of developing the Development Hell Syndrome. The strategy therefore never reaches execution, but rests at the planning stage.

The other end of the continuum is the emphasis on action rather than planning. This is where the organization is running the risk of developing the Groupthink Syndrome, when time restraints create anxiety, which in turn encourages hasty decision making. However, the Groupthink Syndrome can also evolve in the organization, when the decision makers firmly believe in their own superiority and are highly optimistic, and begin to reject opposing data and information. In that case they begin to shield themselves from the outside and develop a shared agenda and shared beliefs, which no one in the group dares to challenge. Hence, they make fallible decisions.

The Underperformance Syndrome has two stages of development in the organization. When employees have experienced failure to execute strategy several times in the past, their commitment to executing strategy begins to diminish. They agree to execute the strategy, but in reality they begin to prepare for failure, as their experience has taught them. This is the first stage of the Underperformance Syndrome. The second stage of the Underperformance Syndrome arises when the organization, in response to failing projects, develop a strong culture of error avoidance. This makes the employees more risk-averse and discourages them from taking responsibility – out of fear of failing. Hence, the organization develops an emphasis on blaming others.

PART III

BUILDING THE PLATFORM FOR STRATEGY EXECUTION

How do companies move on from these execution failures and execution syndromes? What comes next? Any organization can do things right once or twice. The real question is: How can companies bridge the gap between strategy formulation and strategy execution - for good? How can they build consistency into their strategy execution process, so that the outcome is determined more by skill and competency rather than by dumb luck? For companies to really harvest the fruits of successful strategy execution they need to build a sustainable execution capability - they need to build a platform for strategy execution.

The third part of this thesis will first propose a model for strategy execution that any organization should be able to apply in their strategy execution efforts.

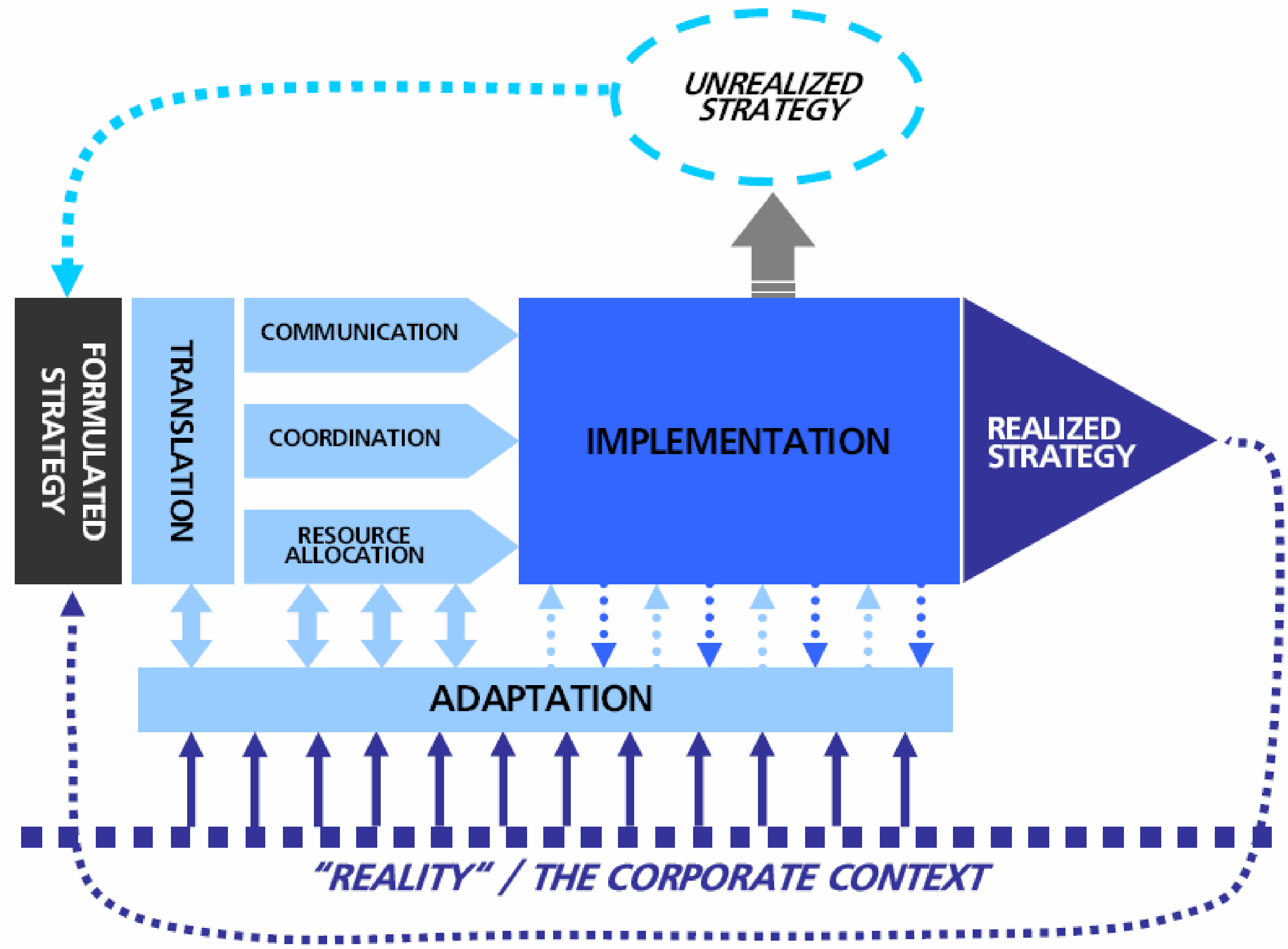
Part III will also provide some guidelines on how to avoid developing the strategy execution syndromes, that was presented in part II.

Finally, the third part of the thesis will propose the establishment of a Strategy Execution Control Centre that should facilitate coordinate and guide the strategy execution process, in order to bridge the gap between strategy formulation and strategy execution.

THE STRATEGY EXECUTION MODEL

On the basis of the definition of strategy execution and on the analysis of why strategy execution fails, I have attempted to devise a model that illustrates the dynamics of strategy execution (See close-up in appendix 4).

Figure 7 The Strategy Execution Model



Own creation

The Strategy Execution Model (SEM) illustrates how the elements of strategy execution together convert the strategy plan to a tangible outcome in some form. The strategy execution process has two key elements, which is largely neglected in contemporary business; adequate translation of the strategy and adaptation to reality. The elements of communication, coordination, resource allocation and implementation are not unimportant, neither are they less important than translation and adaptation, but they represent elements for which an abundance of well-tested tools have already been developed.

Therefore it is not the purpose of this thesis to recommend any specific tools or solutions in these areas, but rather to “remind” organizations to use the tools they already know. The elements of the model will be explained below.

Formulated Strategy

The formulated strategy is the outcome of the strategy formulation process. It defines a vision and the long-range as well as short-range goals of the organization. It also establishes the foundation for the strategy execution process.

Translation – Creating the Blueprint for Strategy Execution

The first element of the strategy execution process is to translate the strategy into a workable and comprehensible roadmap for the execution of the strategy.

The true challenge when translating the strategy is to contemplate the entire execution process. It is a daunting challenge because most companies would often prefer to refrain from spending the necessary resources and time it requires. At least that is what the contemporary data tells us – if this was not true, the gap between strategy formulation and strategy execution would almost certainly not be so vast.

The ideal strategy translation would devise a strategy story board, where the entire execution process from launch to finish has been considered and converted into workable plans, metrics and operational consequences (Christensen & Nørgaard, 2007). This strategy storyboard will help the organization to prepare for the changes they evoke by executing the strategy. Additionally, the strategy translation process must provide three key outcomes: A communication plan, a coordination plan and a resource allocation plan. Each of these will be explained below.

<u>The communication plan</u>

The purpose of the communication plan is to ensure that all key employees are aware of and understand the strategy, as well as the necessity of its execution.

The communication plan should therefore attempt to close the gap described by Kaplan & Norton (2005), which states that only 5% of employees – on average – are aware of and understand the strategy, as well as the alarming statistic proposed by Axson (1999) that only 27% of employees and 42% of managers have access to the strategy plans. According to Kotter (2007): *"If you can't communicate the vision to someone in five minutes or less and get a reaction that signifies both understanding and interest, you are not done"*. In this regard, Gadiesh and Gilbert (2001) have proposed the development of a clear strategic principle, which captures the essence of the strategy and the company's long-term aspiration. An example of a strategic principle is that of GE, which was crafted by former CEO Jack Welch in 1981: *"Be number one or number two in every industry in which we compete, or get out"*. The strength of developing a strategic principle and communicating it clearly and consistently, according to Gadiesh & Gilbert (2001) is that; *"everyone in an organization, the executives in the front office as well as people in the operating units, can knowingly work toward the same strategic objective without being rigid about how they do so. Decisions don't always have to make the slow trip to and from the executive suite"*. In that sense, a strategic principle captures the essence of what the company want to achieve – and provides guidance for all employees, as they attempt to make decisions in accordance with the strategy.

The communication plan also has a second purpose. Not only should the communication of a new strategy make sure that everyone knows and understands it, that's a reactive approach when it is only the purpose to ensure that people don't walk around not knowing anything about the strategy. The communication plan should also ensure that a momentum is built around the strategy. Not only would this ensure that people want to execute it, it also establishes a certain resilience in the execution process, so that when the execution meets difficulties, people do not give up – they want to achieve realization of the strategy. It can be compared with a cork – no matter how much you try to keep it under water, it always surfaces. Another advantage of building momentum around a strategy is that it diminishes resistance to it. In their book "Blue Ocean Strategy", Kim & Mauborgne (2005) devised a route to building this momentum.

They have called it “Tipping point leadership” (TPL): *“Tipping point leadership traces its roots to the field of epidemiology and the theory of tipping points. It hinges on the insight that in any organization, fundamental changes can happen quickly when the beliefs and energies of a critical mass of people create an epidemic movement toward an idea. Key to unlocking an epidemic movement is concentration, not diffusion”* (Kim & Mauborgne, 2005). Their point is that most conventional CEO’s believe that in order to leverage change, wide diffusion is required, so they turn to grand strategic visions and massive top-down mobilization initiatives. However, according to Kim & Mauborgne (2005), this often produces the opposite effect. Instead, tipping point leaders follow a reverse course and seek massive concentration by focusing on the factors of disproportionate influence, which are factors that can affect the mass of people and make them experience the need for change. These factors of disproportionate influence can be kingpins (key influencers in the organization), hot spots (activities in the organization that have low resource inputs, but with high potential performance gains), “angels” (those who have the most to gain from a strategic shift), “devils” (those who have the most to loose) and a “consigliere” (a politically adept and highly respected insider, who knows all the landmines in advance). In other words, the communication plan must also contain a stakeholder analysis to identify those who have access to critical resources as well as those who will fight and support the strategy.

The coordination plan

For any strategy execution process to succeed, it is vital that a coordination plan is developed. The coordination plan must clearly assign responsibility to key employees in the strategy execution process. It is the purpose of the coordination plan to overcome what the Wharton-Gartner Survey (2003) has defined as the 3rd and 4th biggest obstacles to strategy execution: *“Poor or inadequate information sharing between individuals or business units responsible for strategy execution”* and *“Unclear communication of responsibility and/or accountability for execution decisions or actions”*.

The coordination plan should define a clear structure of the strategy execution process. It is the purpose of this temporary project structure to clarify the method of coordination between the stakeholders in the strategy execution process.

By defining the type of interdependency within the structure of the strategy execution process, it is possible to establish rules for cooperation, information sharing between individuals and departments as well as responsibility and accountability for steps and actions in the process. This prevents the project team from being under- or overcoordinated and prevents its members from feeling lack of ownership in the process, lack of influence or even feelings of being bypassed or overruled. The definition of the structure and the type of interdependency also clarifies aspects such as; mandate, decision making authority, chain of command and reporting mechanisms.

Furthermore, the coordination plan should clarify the structure of information sharing in the strategy execution process. This can be achieved through e.g. shared databases and other IT-facilities, through formal roles or jobs such as project managers, tie breakers, information officers, and experts and through matrix structures, where everyone shares knowledge due to this consensus-driven configuration (Hrebiniak, 2005). Neilson, Pasternack & Mendes (2004) also point to poor information flows as the reason why important strategic and operational decisions are not quickly translated into action, as the respondents in their survey said.

Furthermore, due to the often diverse stakeholders in the strategy execution process (such as representatives from sales, production, marketing and finance), who are often rewarded for achieving different, and sometimes, conflicting goals, the coordination plan should create a “common language”, by identifying goals and objectives which everyone can agree to and work to achieve (Hrebiniak, 2005). By creating a common language the organization can limit the risk of conflicts based on mistaken communication between departments and individuals, and instead work to achieve shared goals. The purpose of the coordination plan therefore, is to bring the ends together to work in the same direction instead of working against each other.

The resource allocation plan

Finally, the roadmap for the execution process, which the translation of the strategy has developed, should enable the process of linking the strategy initiatives to the budgets. This is often done by establishing milestones in the process.

Most venture capital companies, when deciding to fund a business plan, or medical companies, when deciding to fund a research project, establish certain milestones that have to be met in order to attain the resources needed to move on to the next level (Smith & Smith, 2004). So too can companies trying to execute strategy make sure that the endowment of resources depends on the successful execution of strategy through milestones. However, it is also the purpose of the resource allocation plan to clarify the interdependency between execution and people and departments and thereby make sure that the right people are assigned to the execution process, as well as ensuring that all departments engaged in the execution of strategy has put it into their budgets.

The resource allocation plan therefore presents the challenge of converting every objective and goal of the strategy into "hard cash" – not just in the literal sense of the term, but also in the sense of people and technology. The resource allocation plan must define a time schedule and ensure that the required resources are available at each step of the process. It must ensure that e.g. the required engineer is available at the specific time she is needed, that there is capital available to pay for a new machine and that there are IT-facilities available to handle a surge of new customers or that HR is ready to provide education for the staff when such is needed.

When the strategy has been converted into a workable and comprehensible roadmap with specific metrics for reviewing as well as an overview of the organizational consequences, and when the three plans for communication, coordination and resource allocation has been developed, the strategy is basically ready to be implemented. Everyone now knows the "what", "why", "how" and "when" of the strategy. Everyone knows who is responsible and accountable for the specific actions in the execution plan and everyone knows which resources will be deployed at the specific milestones of the execution process. The strategy at this point should have been converted from a highly intangible set of ideas, objectives, assumptions and visions into a manageable and clear blueprint ready to be implemented. By achieving this level of strategy translation, the chances of success has been improved tremendously, since much of what usually goes wrong in the strategy execution process has been dealt with by making the strategy seem manageable and less remote.

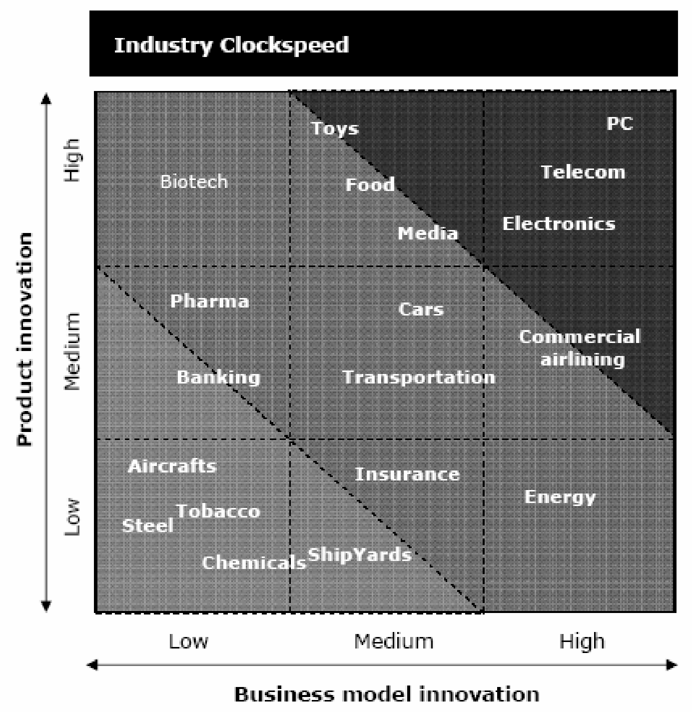
Adaptation – Staying in Touch With Reality

This is an ongoing process that starts with the translation process and ends when the strategy has been implemented and realized. Adaptation refers to the process of aligning the strategy with the corporate context or "reality" and constantly making adjustments to the strategy as the execution process unfolds. It requires that the organization tests the assumptions that the strategy is based on and learns from those tests in order to adjust the strategy. This is often done by conducting surveys, analyses, small-scale tests and pilot projects that can prove or disprove the feasibility of the strategy and its components. These tests and small-scale projects become an indicator of the feasibility of the strategy with fewer resources, before going full-scale and implementing the entire strategy. However, adaptation is not only about bringing reality into the strategy at the starting point – it must also continuously survey what happens in its corporate context to adjust the course of the strategy as it gets implemented.

It is important for the organization to develop its absorptive capacity, which is the ability to search for, value, and assimilate new knowledge and apply it to commercial ends (Cohen & Levinthal, 1990). Likewise, it is important for the organization to develop its retentive capacity, which is the ability for the organization to use and institutionalize the assimilated knowledge (Hrebiniak, 2005). If these two abilities have not been developed within the company, there is only a small chance of success for the adaptation process, since the company would tend to avoid searching for new knowledge, avoid testing their assumptions and fail to correct errors. Openness and willingness to learn, adjust and change are essential qualities in the adaptation process.

Every organization must also clarify the intensity and speed at which changes happen in their context, and adjust their strategy accordingly, in order to reduce uncertainty and to ensure that execution decisions and actions are aligned with the reality to which they will be applied. Below is a model from Christensen & Langhoff-Roos (2003) that shows the speed at which different industries evolve. They called it the clockspeed of industries.

Figure 8 **The Clockspeed of Industries**



Christensen & Langhoff-Roos, 2003

The lesson here is that if the organization is in the high clockspeed segment, their corporate context evolves rapidly and therefore must also the adaptation of the strategy – otherwise it will end up being outdated before it even reaches implementation. Conversely, if the organization is in the low speed segment, the adaptation process can be more relaxed. Here are two examples: An election campaign has a very high clock-speed – significant changes in the context happen frequently and on a daily basis, changes that can determine the success of the strategy and eventually whether the candidate will be elected or not. Organizations like this need a function that works like a “war room” to encounter this effect. A manufacturer of nails has in contrast a very low clock-speed. Significant changes in its context happen infrequently and the organization can therefore “relax” the adaptation more than others with a higher clock-speed.

NASA reports that rockets are off course more than 80 percent of the time. They would never meet their intended destination without making the necessary adjustments.

- Mary Lippitt (2007)

Most strategies cannot be executed and implemented successfully without adjusting it to the corporate context. In the time it takes to execute and implement a strategy, a lot of critical changes can happen both outside and inside the company that could determine the probability of success for the strategy. Some are good - others are bad; a key competitor could go bankrupt, the interest rates can skyrocket, the cost of oil could leap, an IT-bubble could burst, a key production plant could be nationalized by a rogue government, a consumer megatrend could set in and new technology could render old technology obsolete. The company itself could end up in a corporate scandal or a wave of customer approval. The CEO might resign or be sacked. All of them are critical changes which could determine the direction and success of a strategy. America's largest energy company Enron crashed almost overnight with no prior warning and took the world's largest accounting company Arthur Andersen with them in the downfall – affecting the wider business world (Ellemose, 2005). The following year, extensive accounting fraud at MCI WorldCom nearly brought the company to bankruptcy (Ellemose, 2005) and futures trader Jerome Kerviel successfully lost billions of dollars at French bank Société Générale before he was discovered and caught. These events do happen – they cannot be planned for, but they can be acted upon. As stated by Matta & Ashkenas (2003): *"Managers expect they can plan for all the variables in a complex project in advance, but they can't. Nobody is that smart or has that clear a crystal ball"*. Hence, it is vital that managers are capable of adjusting the execution process and make the necessary changes to strategic objectives "on the fly", when these occurrences happen.

Additionally, the implementation of the strategy can get off track simply because it takes a direction that was unexpected; if it is not revealed and adjusted it can potentially lead to execution disaster. According to Lippit (2007): *"Execution plans can and do go astray, but they can still be successful, as long as the variance is noted and adjustments are made to get back on course"*.

Initial goal bias – turning the blind eye on an inconvenient truth

Adaptation is about learning. It is about constantly monitoring the progress of the execution process and setting new goals and formulating new assumptions, as the initial goals and assumptions proves obsolete.

Sengupta, Abdel-Hamid & Wassenhove (2008) made a study that shows that even experienced managers do not learn from their experience and keep making the same mistakes – even when they know they are wrong. Their study reveals that most managers have an "initial goal bias", which means that they will keep pursuing the initial goals set at the launch of a project, even when they are no longer appropriate: *"Revising targets is seen as an admission of failure in many companies, and managers quickly realize that their careers will fare better if they stick to and achieve initial goals – even if that leads to a worse overall outcome"*. This is a great problem for the execution process. If the strategy is not being revised during its implementation, it is almost certain that the result will not be successful.

Any complex project is subject to myriad problems - from technology failures to shifts in exchange rates to bad weather - and it is beyond the reach of the human imagination to foresee all of them at the outset.

- Lovallo & Kahneman (2003)

According to the study made by Sengupta, Abdel-Hamid & Wassenhove (2008), people early on incorporate into their mental models, that it's important to meet externally set targets, a notion which is often reinforced in managerial life. Hence, if not explicitly required to re-evaluate objectives, managers will continue to pursue obsolete targets: *"Managers find it difficult to move beyond the mental models they have developed from their experiences in relatively simple environments or that have been passed on to them by others. When complications are introduced, they either ignore them or try to apply simple rules of thumb that works only in noncomplex situations"* (Sengupta, Abdel-Hamid & Wassenhove, 2008).

Implementation – Where the Rubber Meets the Road

The implementation phase is where the strategy is converted from thought to action, where the strategy becomes tangible. This is where the strategy gets communicated according to the communication plan, where people are assigned responsibility for the steps and actions, that have been defined in the coordination plan and where resources are allocated to the process according to the resource allocation plan.

It is the process that follows a time-schedule with milestones to be reached and where everyone knows what to do, when to do it, how to do it and why to do it.

Realized and Unrealized Strategy – Not All Roads Lead to Rome

Every time a strategy is pursued, it is based on a series of assumptions and beliefs about the market, the competitors and their reactions, the customers and their preferences, the political environment and so on. Not even the best execution and implementation process would be able to ensure that all of the strategy can be realized – and certainly not in its initial form, since this would mean, that the organization was 100 percent right in all of its assumptions and it would ignore any event in the corporate context that could potentially change the intended strategy. This is not possible. Hence, the result of the execution and implementation processes will be partly realized strategy and partly unrealized strategy.

Unrealized strategy is not a sign that the strategy execution went wrong – rather, it is an indicator that the process has been thoroughly adjusted to the corporate context and the events that do happen in the time it takes to execute and implement a strategy. Unrealized strategy is mostly a product of the adaptation process, where erroneous assumptions and mistaken beliefs are identified and corrected – in order to execute the strategy. This is why, as stated above, it is vital to be able to revise the initial goals, estimates and assumptions during the strategy execution process, since they are often overly optimistic, fallible and biased (Sengupta, Abdel-Hamid & Wassenhove, 2008).

Reality / The Corporate Context

The corporate context covers all factors that surround the organization. These are e.g. markets, governments, press, competitors, customers, investors, interest groups, trade unions, trends, interest rates and raw material prices. All factors that in some way or another can influence the company, its strategy and its strategy execution process.

The corporate context is also changed when a company successfully executes a strategy. When a company becomes successful in executing a strategy, it will ultimately produce reactions in the corporate context – competitor reactions, customer reactions, interest group reactions and so on.

Therefore the company's success in achieving its strategy also produces a new reality in which the company exists. If a company sets out to become the market leader in a particular market – and succeeds – it then holds a different role than it did before (i.e. when the challenger becomes the incumbent). Therefore it is important that the company learns from this new reality.

Feedback Loops

In the Strategy Execution Model there are two feedback loops: One from unrealized strategy back to the strategy formulation process and one from the realized strategy back to the strategy formulation process. They indicate that every time the strategy execution process is over – the formulation process begins again. The next strategy formulation process has to take two things into account – what the organization achieved and what it did not achieve. This is important for the organization to learn.

KEEPING THE EXECUTION SYNDROMES AT BAY

Apart from the strategy execution process itself, there are other important issues to attend to, in order to improve the chance of successful strategy execution. These are the strategy execution syndromes. Some of them have indirectly been addressed through the employment of the abovementioned strategy execution model. To summarize, the strategy execution syndromes addressed in this thesis are: The resistance syndrome, the motivation syndrome, the development hell syndrome, the groupthink syndrome and the underperformance syndrome. How to avoid each of them will be addressed below.

Avoiding the Resistance Syndrome

Resistance is often a product of uncertainty about the strategy and its consequences. This uncertainty can often be traced back to a lack of proper communication about the strategy, which makes the employees aware that something is happening or is going to happen – they just don't know what it is or what consequences it will have for their own position in the organization. Therefore it is crucial that the strategy is communicated thoroughly throughout the organization to ensure that employees are aware of and understand the strategy as well as the need for it.

Kolind (2006) has proposed a tool to address this issue, which he calls the "Consensus Creation Crash Programme" (CCCP). In short, it is a method for an organization to communicate a strategy as well as conducting a question and answer session, which could reduce the resistance in the organization. CCCP is a programme where small groups of employees participate in workshops focused on dialogue with the management. The workshops are broken up frequently, so that management can reflect on the questions and answers they get, and then rotate, so that every manager comes around to the diverse groups. When employees discover a consistency in the answers they get, they will feel more confident and less defiant. The programme emphasizes honesty toward the employees. The process can reduce resistance as well as combat the development of rumours that often comes as a result of high uncertainty.

Another way to decrease resistance, which was described earlier, is the concept of tipping point leadership. Successful tipping point leadership can quell the resistance syndrome, by winning the hearts and minds of the employees in a movement of support for the strategy. If an organization can reach this tipping point, where the support for the strategy becomes a movement or an epidemic, the resistance is not only decreased, but effectively reversed.

If the strategy conflicts with the current power structure, it is likely, that there will be powerful defenders of the status quo. This is a difficult issue to address, since resistance from these individuals is often subtle and underground. It is therefore important for the organization to identify these people and find a way to reduce their resistance or perhaps to completely remove them. This will always be very situation specific.

Avoiding the Motivation Syndrome

Behaviour that is reinforced tends to be repeated. Thorndike's old mantra is still true today (Hrebiniak, 2005). When an organization rewards one thing and expects another to happen, the outcome is almost certainly failure. If an organization want to ensure that certain objectives and goals are being met, it is necessary to adjust the incentive and reward system accordingly. What gets rewarded is what gets done. To ensure that the employees are motivated to execute the strategy, the organization therefore has to tie incentives and rewards to strategic objectives. People need to be motivated to achieve a certain objective. Motivation is "green" as the CEO of Nucor has put it (Hrebiniak, 2005).

However, rewards and incentives are not the only motivational factor available. When people feel that they have "skin in the game" – when they feel that they have been heard and that their contribution to the project is valued by their peers and colleagues, they usually tend to give much more of themselves to the process. Kim & Mauborgne (2005) has proposed a simple concept which they refer to as "Fair process". It is their managerial expression of procedural justice theory, which they apply to their interpretation of how to build commitment to execute strategy. Fair process consists of three reinforcing elements; engagement (involving people in strategy decisions), explanation (ensuring that everyone involved understand *why* the decisions are being made as they are) and expectation clarity (managers should state clearly the new rules of the game). Kim & Mauborgne (2005) believe that fair process affect people's attitudes and behaviours in a way, that can lead not only to voluntary cooperation (I'll go beyond the call of duty), but also to self-initiation. Fair process is strongly linked to theories within the field of intellectual and emotional recognition, which is basically the idea that people become motivated, committed and eager when they feel recognized for their intellectual worth. A key to unlocking the motivation required to execute strategy therefore, lies in involving key employees in the formulation of strategy and ensure that employees feel "ownership" in the strategy.

Avoiding the Development Hell Syndrome

When trying to avoid the development hell syndrome, it is important to focus on action rather than planning. Not to say that planning is not important, but if the planning phase never seems to end, then the organization likely ends in the development hell syndrome, with an ocean of paper, drawings, plans, visions, dreams and so on. The key is to break with the sanctuary of planning and make action seem less uncertain and unsafe. The development hell syndrome often takes root in the strategy formulation process and never gets anyway near the execution – let alone implementation of the strategy. By translating the strategy as described in the strategy execution model, the strategy will seem more manageable and less remote, and convince the organization that it is one step closer to actually realizing what it has been dreaming about for so long.

Another way for a strategy to end its days in the formulation phase is when rivalry between managers keeps the strategy from reaching consensus. Many managers would agree, that sound competition between managers can be fruitful for the organization, since it often sharpens their cognitive abilities and urges them to achieve. Rivalry, however, is not.

Rivalry is based on negative competition or cut-throat competition as Kim & Mauborgne (2005) would call it. It is a delicate balance that very much resembles the previous symptom of the resistance syndrome, when trying to execute strategy that conflicts with the existing power structure. It must be dealt with carefully, yet effectively.

Furthermore, the development hell syndrome can evolve, when the organization is risk-averse and error-avoiding. If the dominating culture is one of zero-error tolerance, the employees become highly reluctant towards assuming responsibility for execution actions and steps. They know that failure means punishment. Instead, the organization should accept errors as a learning vehicle instead of punishing people for making them. Errors are unavoidable, and the only way to make the best of them is to embrace them as a chance to learn and to develop the strategy.

Avoiding the Groupthink Syndrome

The key to avoid the groupthink syndrome is to ensure that assumptions are challenged. This can be done by bringing in experts into the decision making process.
Another way to ensure that assumptions are challenged is to appoint a "Devils advocate" role to one of the delegates. The devils advocate role, which is to act as an opposition for the sake of argument, should counter-argue the team in order to ensure that alternatives have been considered and other approaches have been discussed. As the data presented earlier stated; 80% of management decisions are made without ever considering alternatives. This indicates that the decision making process is too often pressurized and rushed through, without proper debate and consideration. The decision making team has to acknowledge and employ new or contradictory information in order to avoid making fallible decisions. Facing the brutal facts honestly is the only way to encourage proper debate and consideration, and managers should not be shunned when "crying wolf".

One of the reasons why managers make hasty decisions, as described earlier, is because they feel constrained by time and deadlines and simultaneously pressured to deliver results. Debates are not rewarded – results are, which is why decision making often bears resemblance to autocracy rather than consensus. To avoid this situation where managers are stressed, the organization should create a warning system that can identify managers under great pressure and stress – and assist them!

Sengupta, Abdel-Hamid & Wassenhove (2008) suggests what they call a “trip wire” for projects in trouble (flagging when a manager should consider reducing scope, for example). Such a warning system could potentially capture these managers in trouble and provide the assistance they need to carry the workload. In order for such a warning system to work, there is also a cultural challenge: It must be acceptable to “push the red button”. If managers risk being conceived as losers, if they cry for help – the system cannot work.

Finally, the element of optimism can lead to the groupthink syndrome. When projects are started and when new strategies are presented, it is mostly done with great optimism and a firm belief, that the organization can achieve what it sets out to do. However, the initial plan is always intended to “sell” the message – making the case for a new strategy and therefore it tends to accentuate the positive – emphasizing the strengths of the company and dismissing the weaknesses (Lovallo & Kahneman, 2003). This, according to Lovallo & Kahneman (2003); leads to several delusions of success, such as competitor neglect where the company’s forecast focus on their own capabilities and becomes prone to neglect the potential abilities of rivals. This is the challenge of over-optimism.

When pessimistic opinions are suppressed, while optimistic ones are rewarded, an organization's ability to think critically is undermined.

- Lovallo & Kahneman (2003)

Lovallo & Kahneman (2003) suggests that the organization take an outside view of their strategy, requiring them to put the strategy into perspective, employing past experiences, assess the distribution of outcomes and correct initiative estimates. Understanding the sources of over-optimism can help planners challenge the assumptions, bring in alternative perspectives and create a balanced view of the future. However, this challenge poses another challenge; optimism is good for the chance of success of the project – deflating that optimism can lead the team to give up far too soon; *“Optimism generates much more enthusiasm than it does realism (not to mention pessimism), and it enables people to be resilient when confronting difficult situations or challenging goals”* (Lovallo & Kahneman, 2003).

Avoiding the Underperformance Syndrome

Employees in companies that have developed the underperformance syndrome have experienced that many projects and strategies have failed in the past. Some of them have never amounted to anything more than words and speeches from top management. Therefore the employees are expecting failure every time a new strategy is presented. Hence, they prepare for the strategy to fail – with minimal risk of implications for themselves. This is damage control rather than risk taking. That is why employees are reluctant to assume responsibility, when they fear the consequences of a failing strategy, and therefore attempt to limit the consequences on their behalf. Companies that have developed the underperformance syndrome has to secure early wins to convince employees that the strategy will and can be realized. Celebrate the small victories: *"People can argue with position papers, but they can't argue with success"* (Hamel, 2000). It is important to take an evolutionary or incremental approach to strategy execution in this kind of atmosphere; many employees need to be carefully converted from sceptics to believers.

Focusing on grand experiments – and failing – will only provide satisfaction to the sceptics who want to see the project fail: *"Keep asking yourself, what would constitute an early win? What could we do, right now, with the limited resources available within our network to build our credibility? What could we do that would surprise the skeptics? What kind of success would others find compelling?"* (Hamel, 2000).

> *Win small, win early, win often. None of your organizing efforts is worth anything if you can't demonstrate that your ideas actually work. You need results. Start small. Unless you harbor kamikaze instincts, search for demonstration projects that won't sink you or your cause if they should fail - for some of them will fail.*
>
> *- Gary Hamel (2000)*

Another way to push the envelope on this matter is to tie incentives and rewards to strategic objectives. That way people will be forced to reconsider the chance of success for the strategy and start working to realize it. The second phase of the underperformance syndrome, as described earlier, is when the organization fails to correct the first phase of the syndrome (where projects seemingly continue to fail) and instead starts to focus on avoiding risk and errors – as a response to the faltering projects.

This can only drive the organization further down the negative spiral of underperformance, since employees now become frightened to do almost anything – out of fear of failing. In this atmosphere it is not only difficult to encourage people to take responsibility for actions or steps in the strategy execution process – it is virtually impossible. The organization should instead encourage employees to take responsibility by embracing error as a learning vehicle instead of punishing people for making them. By perceiving error as a necessary element of learning and experimentation, employees will relax their anxiety and start to focus on executing strategy.

AVOIDING THE EXECUTION SYNDROMES

Resistance	Communicate, communicate, communicate. Resistance is often a product of uncertainty about the strategy and its consequences. Make sure that the strategy is thoroughly communicated and answer questions honestly, without making promises that cannot be kept. If the strategy conflicts with the current power structure, make sure to address this issue. Successful tipping point leadership could also quell the resistance.
Motivation	Tie incentives and rewards to strategic objectives. Involve key employees in the formulation of strategy and ensure that employees feel “ownership” in the strategy. If they do not feel ownership of the strategy, they will often tend to disregard it, making the effort much more difficult.
Development Hell	By making the strategy seem more manageable and less remote, through the translation process, it is possible to move the strategy from planning to action. Address conflicts between rival managers that keep the strategy from reaching consensus. Accept errors as a learning vehicle instead of punishing people for making them.
Groupthink	Ensure that assumptions are challenged. This can be done by bringing in experts, appointing a “Devils advocate” and by facing the brutal facts honestly. Create a warning system that can identify managers under great pressure and stress – and assist them! Do not let overoptimism take root in the decision making teams, but do not deflate the optimism either.
Underperformance	Secure early wins to convince employees that the strategy can and will be realized. Encourage employees to take responsibility by embracing errors as a learning vehicle instead of punishing people for making them. Tie incentives and rewards to strategic objectives.

It is important to remember, that the syndromes themselves are symptoms of management malfunction. They are not evidence that the employees are ignorant or do not know what is best for them or the organization. They are not evidence that the employees are trying to work against top management or are engaging in a grand conspiracy to become mutineers. Human beings behave and adapt to their environment in a way that maximizes their chance of survival. As Darwin's theory suggests: *"It is not the strongest of the species that survive, or the most intelligent, but the one most responsive to change"* (Lippitt, 2007). Stop making existence in the organization a battle for survival and start tapping into the pool of capabilities that characterize the workforce of the organization – in order to execute strategy.

By conducting the survey enclosed in appendix 5, the organization can test its strategy execution performance as well as whether or not it is developing any of the strategy execution syndromes.

THINK LIKE NASA: BUILD A MISSION CONTROL CENTRE

Have you ever watched the movie Apollo 13? If you have, you would have seen the following sequence: *"Flight controllers listen up. Give me a go, no go for launch: Booster: "go", RETRO: "go", FIDO: "go", Guidance: "go", Surgeon: "go", EECOM: "go", GNC: "go", TELMU: "go", Control: "go", Procedures: "go", INCO: "go", FAO: "go", Network: "go", Recovery: "go", CAPCOM: "go". Launch Control this is Houston, we are "go" for launch".*

When NASA launches a rocket or a space shuttle from Cape Canaveral in Florida, the shuttle itself is only a small fraction of the system that makes it all possible. The organization draws on a vast pool of experts, technology, engineers, knowledge and other resources. The movie sequence above illustrates the multitude of smaller parts that altogether comprise the NASA mission control. The mission control with all its analysts, computers and other high-tech equipment keeps track of the progress of the mission. It measures everything from air pressure in the space craft, altitude, fuel level and speed to the medical condition of the astronauts. The mission control runs the mission from a highly detailed flight plan while responding and adapting the management of the mission to the key performance indicators it measures.

The mission control centre of NASA therefore constitutes a vital support system for the space mission, without which the missions (and thereby the strategy) would never be successfully executed.

In the same way an organization needs a support system to guide and facilitate the execution of strategy. I have called this support system the Strategy Execution Control Centre (SECC). Kaplan & Norton (2005) have pointed to the fact that strategy is often carried out in isolation in many different functions and departments, with no guidance from the enterprise strategy: *"This partition of responsibilities create the gulf between an organization's strategy and its processes, systems and people"*. Their observation is in fact that the organization's strategy is separated from the rest of the organization, when the responsibility for its execution is broken up and placed in multiple parts of the organization. Gadiesh & Gilbert (2001) have pointed to the challenge of decentralization, which many companies face: *"Decentralization is becoming common at companies of all stripes; thus, there is a corresponding need for a mechanism to ensure coherent strategic action"*. Instead of partitioning the responsibility for strategy execution, which also makes it difficult for managers to administer, due to the complexity and quantity of supervision, the organization should establish a SECC to facilitate and guide strategy execution throughout the organization.

The SECC is basically the product of the strategy execution model described above. It is the role of the SECC to coordinate and facilitate all the various tasks and processes of the strategy execution model, and thereby to establish the framework for strategy execution. It is not the role of the SECC to do all the work, but to ensure that execution gets accomplished in an integrated fashion across the organization. The SECC is an anchoring function that works as the modus operandi in coordinating the strategy execution process.

The purpose of the SECC is not to create a new bureaucracy within the organization or to provide a new set of exclusive titles for talented managers. The SECC must not acquire monopoly over the strategy execution process and thereby create a new aristocracy with the authority to override the decisions made by lower level managers – effectively lowering the motivation to execute strategy. Instead it is the purpose of the SECC to provide a connection between the various departments and functions in the organization and the strategy, in the effort to execute it.

In this way the SECC can facilitate and guide the execution of strategy, rather than dominating and intervening. In that sense the SECC is not an authoritative department like any other, but works rather as an intermediary between the existing functions that comprise the organization. The SECC should have a consultative and integrative role between the respective functional departments. Its contribution should be competence, know-how, expertise, experience, assistance and inspiration.

It is the responsibility of the SECC to translate the strategy and identify the strategic initiatives and objectives required to realize the strategy. It is also the responsibility of the SECC to identify the performance targets and metrics by which the various functions are measured, in order to keep track of the progress. The SECC also ensures that the strategy gets communicated to all employees, with the emphasis on awareness and comprehensibility. It is also the responsibility of the SECC to facilitate the coordination between managers and functions as well as making sure that sufficient resources have been conferred to the strategy execution process.

The SECC also works as an execution simulator – just like the space shuttle simulator at NASA. The simulator's role is to test and adapt the assumptions, beliefs, estimates, forecasts and hypotheses of the strategy to ensure that the execution effort does not falter because of a poor or vague foundation for the strategy. The SECC therefore, carries out multiple tests and pilot projects on a small scale, to limit the risk of going full-scale too early in the process. The simulator is a pivotal part of the adaptation process in strategy execution, to ensure that "reality" is brought into the strategy.

Top managers are a bit like astronauts who circle the earth in the space shuttle. It may be the astronauts who get all the glory, but everyone knows that the real intelligence behind the mission is located firmly on the ground.

- Hamel & Prahalad (1989)

According to Kaplan & Norton (2005) who have proposed the establishment of an office of strategy management (OSM), which seems to be the ultimate in scorecard management; the establishment of this kind of function may seem to reinforce top-down decision making and create a barrier for local initiative. The reality is that it does just the opposite: *"A unit with responsibility for the implementation of strategy becomes a convenient focal point for* *ideas that percolate up through the organization. These emerging ideas can then be put on the agendas of quarterly and annual strategy reviews, with the best concepts being adopted and embedded in enterprise and business unit strategies"* (Kaplan & Norton, 2005). This way the SECC not only facilitates and guides strategy execution, it also works as a stage-gate function for innovation and business development in the organization.

It does so because, unlike organizations that do not have this kind of function; the SECC can effectively catch the ideas that are being generated throughout the organization, and have the knowledge of how to put the ideas to work and into consideration.

The SECC basically works to fill the gap that exists between strategy formulation and strategy execution. It brings together all relevant functions in the organization and facilitates the cooperation between them, in order to execute strategy.

Imagine if an organization had this Strategy Execution Control Centre, the launch of the execution might sound something like this: *"Execution controllers listen up. Give me a go, no go for execution: Metrics: "go", Resources: "go", Communications: "go", HR: "go", Production: "go", Control: "go", Procedures: "go", Procurement: "go", Finance: "go", R&D: "go", Simulator: "go", Sales: "go". CEO this is SECC, we are "go" for execution".*

Perhaps a bit less theatrical, but the general idea is the same: A Strategy Execution Control Centre could not only make strategy execution more visible to the organization and emphasize its importance, it would institutionalize the process and develop the ability to execute "flawlessly" and continuously.

The goal is to make strategy everyone's job.

- Kaplan & Norton (2005)

Furthermore, not only would the SECC institutionalize the strategy execution process, it would also build an organizational culture that supports strategy execution, by slowly changing and stimulating behaviour and by eroding the barriers that damage the process.

SUMMARY

Part III has focused on how to build a platform for strategy execution. In that effort, a strategy execution model has been proposed that comprises all the basic elements of strategy execution: Strategy formulation, translation, communication, coordination, resource allocation, adaptation, implementation, unrealized and realized strategy, as well as the corporate context. The model suggests that if an organization focuses on translating the strategy into clear steps and actions and defines clear metrics for control of the process, as well as formulates clear plans for communication, coordination and resource allocation, the foundation for execution success has been laid. Moreover, the organization must constantly – both in the translation process as well as in the implementation process – adjust its strategy to ensure that the execution process does not attempt to execute and implement obsolete strategy, which would only spell failure for the organization.

Secondly a method for avoiding the execution syndromes has been conceived. Some of the key factors that can help companies avoid the syndromes are; attempt to ensure that everyone is aware of, understands and agrees with the strategy, treat your employees with respect and trust - give them the responsibility they deserve and ensure that they feel ownership in the strategy, face the brutal facts honestly – do not try to avoid and play down painful or unexpected information and do not punish people for expressing their opinion - embrace disagreement. Additionally, secure early wins to gain momentum, tie incentives and rewards to strategic objectives and embrace error as a learning vehicle.

Another key proposition of this thesis is the Strategy Execution Control Centre (SECC), which is a focal point of strategy execution with the mandate to control and adjust the process of strategy execution. The SECC will have the responsibility for translating the strategy and will also act as a simulator for the execution process, where small-scale tests and pilot projects will be carried out to ensure the quality and feasibility of the strategy. The SECC would also be a key driver of cultural change, in order to build a culture that supports and emphasizes strategy execution.

CONCLUSION

Study by study has shown that in virtually any organization, strategy execution is an almost insurmountable obstacle, rather than a vehicle to realize their ambitions. There are many different factors that contribute to this result, some of the most critical are: Approximately 90% of all companies fail to realize their intended strategy, 95% of the employees in an average workforce either do not know or do not understand the strategy and roughly 60% of all companies fail to link their budgets to strategic objectives.

The problem statement for this thesis was: *"How can companies successfully bridge the gap between strategy formulation and strategy execution?"*. As pointed out above, there are many diverse causes of this gap, but there are also means to diminish it. The gap between strategy formulation and strategy execution can be separated into two key challenges: The challenge of converting and adjusting the strategy from thought to action, and the challenge of avoiding certain lock-in effects that obstruct any chance of successful strategy execution – these are called strategy execution syndromes.

In answer to the first challenge, the concept of strategy execution has to become operational. Hence, this thesis has defined strategy execution as: *"The practice of translating, communicating, coordinating, adapting and allocating resources to a chosen strategy; while managing the process of strategy implementation"*. In order to convert the strategy from thought to action; translation of the strategy is a key prerequisite. By breaking down the strategy into well-defined actions and steps, and by identifying metrics to control the execution and implementation processes, the organization will have a powerful tool for strategy execution. The translation process should also conceive; a communication plan, a coordination plan and a resource allocation plan. The purpose of these three plans is to ensure that employees are aware of, understand and support the strategy, to establish a structure for responsibility, accountability and information sharing as well as to link the budgets of the involved departments to strategic objectives.

Another vital element of strategy execution is to continuously adjust the strategy and the execution process to the corporate context. While the strategy is a collection of assumptions, beliefs and estimates about the organization's performance and the context in which the strategy is to be executed and implemented, the purpose of the adaptation process is to ensure that the strategy is aligned with reality. Hence, it is the function of the adaptation process to test the assumptions, beliefs and estimates and recommend necessary changes and adjustments to the strategy.

In answer to the second challenge, this thesis has argued that organizations – like any living organism – can develop diseases or syndromes that constitute effective barriers to successful strategy execution. These syndromes are not directly linked to the technical aspects of executing strategy; rather they are the product of specific organizational configurations, which gives way for explicit behaviour that conflict with the execution of strategy. The syndromes covered in this thesis are: The Resistance Syndrome, The Motivation Syndrome, The Development Hell Syndrome, The Groupthink Syndrome and The Underperformance Syndrome. Some of the key factors that can help companies to avoid the syndromes are: Ensure that everyone is aware of, understand and support the strategy, give the employees responsibility for execution tasks and ensure that they feel ownership in the strategy. Face the brutal facts honestly and embrace disagreement. Secure early wins to gain momentum, tie incentives and rewards to strategic objectives and embrace error as a learning vehicle and accept risk as a necessary element of strategy execution.

In essence, the organization must adhere to the virtue of honesty. This means that top management must build trust toward its employees and let them become participants in the strategy process as well as owners of the strategy. Top management must communicate the consequences as well as the opportunities of the strategy without omitting important facts and without making promises that cannot be kept. It also means that the organization must embrace error as a learning vehicle and accept risk as a necessary element of strategy execution. If employees feel that they will be punished for making errors, they will avoid undertaking the endeavour in the first place. Additionally, it means that organizations must face the brutal facts honestly. Trying to avoid facing disruptive information or disregarding or even stereotyping those who have the courage to "cry wolf", can only lead to execution disaster for the organization.

Not to mention the damaging effect it will have on the corporate morale and culture. Honesty can sometimes be painful and upsetting, but without it the organization will slowly, but surely, disconnect from reality.

By establishing a Strategy Execution Control Centre (SECC) with responsibility for managing the execution and implementation processes, the organization can make strategy execution visible and emphasize its importance. It would also institutionalize the process and develop the ability to execute strategy “flawlessly” and continuously. The SECC would constitute a support structure for the strategy execution process that can facilitate and guide the process from formulation to realization. However, to truly leverage successful strategy execution, the organization must emphasize the need to incorporate execution into the corporate culture. When everyone is focused on executing strategy, the organization will develop resilience towards the complications that will inevitably arise during the execution process, and the risk of strategy execution failure will be significantly reduced.

There are dozens – probably hundreds – of ways to institutionalize the design rules that have been covered in this thesis. The goal of the thesis has not been to provide a detailed implementation guide, since what works for a particular organization, might not work for another. Instead I would propose that managers engage their colleagues in a serious debate about how to apply the design rules of strategy execution to their organization. I do not think it’s possible to completely synthesize strategy execution in some three step process. Conversely, I do believe that strategy execution can become systemic by institutionalizing the values and beliefs that support strategy execution into the organization. With this foundation an organization can begin to develop the skills, metrics and processes that will support strategy execution.

Certainly it is true, that by building the platform and mastering the discipline of strategy execution, almost anything can be accomplished. The means are available, all that is needed is the will and skill to carry it through: *“Indeed, the gap between what can be imagined and what can be accomplished has never been smaller”* - Gary Hamel (2000).

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Wikipedia
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- Inductive Reasoning
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- Qualitative Research
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- Syndrome
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APPENDIX 1

WHARTON-GARTNER SURVEY

Executive Business Panel Questionnaire
GartnerG2 and The Wharton School

PUTTING STRATEGY INTO PRACTICE

INTRODUCTION

Welcome to our survey on strategy execution. The Wharton School of the University of Pennsylvania and GartnerG2, a research service for business strategists, are seeking to understand challenges faced by managers as they make decisions and take actions to execute strategic plans to improve their company's competitive advantage.

The survey should take about 5 minutes to complete (Responses to open-ended questions may take longer). You are part of a carefully selected group that has been asked to participate in this survey, and we appreciate your assistance. As with all surveys we conduct, your responses are confidential. Should you have any difficulties in responding, please contact us at websupport3@gar.com or call our panel support line at +1-800-xxx-xxxx.

To start, click on "Start Questionnaire." Thank you for your participation!

Executive Business Panel Questionnaire
GartnerG2 and The Wharton School

QUESTIONNAIRE

Q01) We've identified 12 obstacles or hurdles to successful strategy execution. In your experience, how big a problem for execution is each of the following for your company? Use a 7-point scale, where a 1 means *not at all a problem* and a 7 means *a major problem*.

		Not at all a problem						A major problem	Don't know
1.	Poor or vague strategy	1	2	3	4	5	6	7	DK
2.	Not having guidelines or a model to guide strategy execution efforts	1	2	3	4	5	6	7	DK
3.	Insufficient financial resources to execute the strategy	1	2	3	4	5	6	7	DK
4.	Trying to execute a strategy that conflicts with the existing power structure	1	2	3	4	5	6	7	DK
5.	Inability to generate "buy in" or agreement on critical execution steps or actions	1	2	3	4	5	6	7	DK
6.	Lack of upper management support of strategy execution	1	2	3	4	5	6	7	DK
7.	Lack of feelings of "ownership" of a strategy or execution plans among key employees	1	2	3	4	5	6	7	DK
8.	Lack of incentives or inappropriate incentives to support execution objectives	1	2	3	4	5	6	7	DK
9.	Poor or inadequate information sharing between individuals or business units responsible for strategy execution	1	2	3	4	5	6	7	DK
10.	Unclear communication of responsibility and/or accountability for execution decisions or actions	1	2	3	4	5	6	7	DK
11.	Lack of understanding of the role of organizational structure and design in the execution process	1	2	3	4	5	6	7	DK
12.	Inability to manage change effectively or to overcome internal resistance to change	1	2	3	4	5	6	7	DK

Page 2 of 5

Executive Business Panel Questionnaire
GartnerG2 and The Wharton School

Q02) Strategy execution requires information sharing and coordination. Please rate the effectiveness of the following coordination methods for strategy execution between functions, business units, and key personnel within your company. Use a 7-point scale, where a 1 means *highly ineffective* and a 7 means *highly effective*.

		Highly ineffective						Highly effective	Not applicable	Don't know
1.	Use of teams or cross-functional groups	1	2	3	4	5	6	7	NA	DK
2.	Use of informal communication (i.e. person-to-person contact)	1	2	3	4	5	6	7	NA	DK
3.	Use of formal integrators (e.g., a project management or quality assurance organization)	1	2	3	4	5	6	7	NA	DK
4.	Use of a matrix organization or a "grid" structure to share resources or knowledge	1	2	3	4	5	6	7	NA	DK

Q03) Based on your perceptions of knowledge and information sharing within your company during strategy execution, please indicate the extent to which you agree or disagree with the following statements. Use a 7-point scale, where a 1 means *strongly disagree* and a 7 means *strongly agree*.

		Strongly disagree						Strongly agree	Not applicable	Don't know
1.	Employees are reluctant to share important information or knowledge with others	1	2	3	4	5	6	7	NA	DK
2.	Some sources of information are unreliable	1	2	3	4	5	6	7	NA	DK
3.	Managers are reluctant to trust information generated from sources outside their own departments	1	2	3	4	5	6	7	NA	DK
4.	Information fails to reach people who need it	1	2	3	4	5	6	7	NA	DK
5.	Employees fail to understand or evaluate the usefulness of available information	1	2	3	4	5	6	7	NA	DK

Executive Business Panel Questionnaire
GartnerG2 and The Wharton School

Q04) I know there are problems with strategy execution in my company when....

		Strongly disagree						Strongly agree	Not applicable	Don't know
1.	Execution decisions take too long to make	1	2	3	4	5	6	7	NA	DK
2.	Employees don't understand how their jobs contribute to important execution outcomes	1	2	3	4	5	6	7	NA	DK
3.	Responses to customer problems or complaints take too long to execute	1	2	3	4	5	6	7	NA	DK
4.	The company reacts slowly or inappropriately to competitive pressures while executing strategy	1	2	3	4	5	6	7	NA	DK
5.	Time or money is wasted because of inefficiency or bureaucracy in the execution process	1	2	3	4	5	6	7	NA	DK
6.	"Playing politics" is more important than performance against strategy execution goals for gaining individual recognition	1	2	3	4	5	6	7	NA	DK
7.	Important information "falls through the cracks" during execution and doesn't get acted on	1	2	3	4	5	6	7	NA	DK
8.	We spend lots of time reorganizing or restructuring, but we don't seem to know why this is important for strategy execution	1	2	3	4	5	6	7	NA	DK
9.	We're unsure whether the strategy we're executing is worthwhile, effective, or logical, given the competitive forces we face in our industry	1	2	3	4	5	6	7	NA	DK

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Q05) Managers have told us that *executing* strategy is more challenging than *formulating* strategy. Please tell us whether you agree with this view and briefly explain your answer.

Q06) Finally, what other factors not mentioned in this survey make the execution process challenging or difficult in your company?

APPENDIX 2

WHARTON-GARTNER SURVEY RESULTS

Table 1.1 Obstacles to Strategy Execution

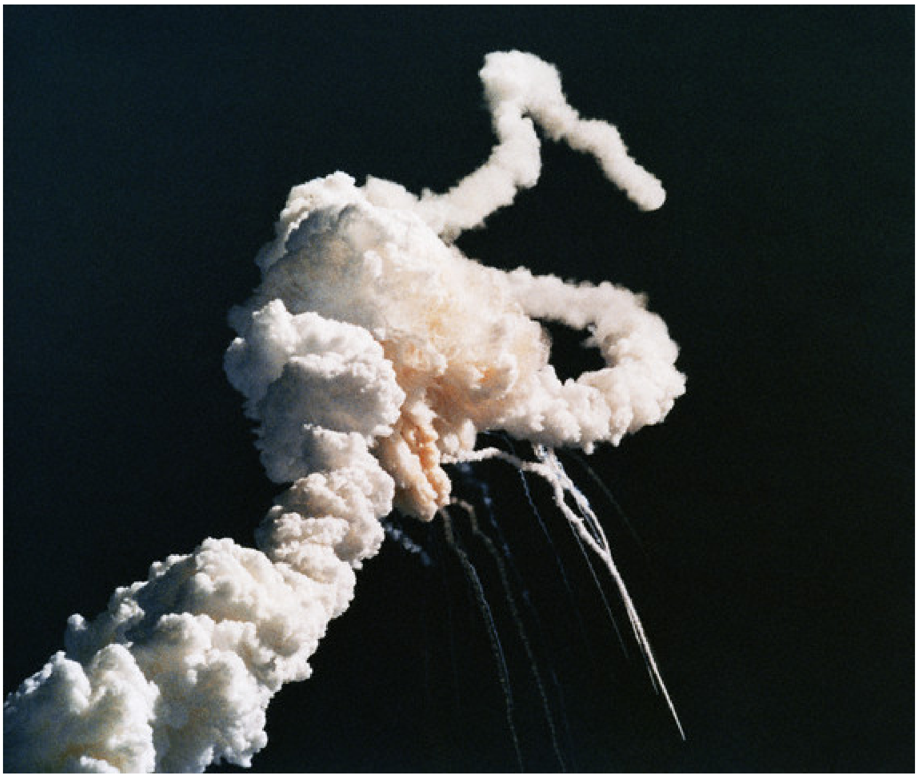
	Rankings		
Obstacles	**Wharton-Gartner Survey (n = 243)**	**Wharton-Executive Education Survey (n = 200)**	**Either Survey Top 5 Rankings**
1. Inability to manage change effectively or to overcome internal resistance to change	1	1	✓
2. Trying to execute a strategy that conflicts with the existing power structure	2	5	✓
3. Poor or inadequate information sharing between individuals or business units responsible for strategy execution	2	4	✓
4. Unclear communication of responsibility and/or accountability for execution decisions or actions	4	5	✓
5. Poor or vague strategy	5	2	✓
6. Lack of feelings of "ownership" of a strategy or execution plans among key employees	5	8	✓
7. Not having guidelines or a model to guide strategy-execution efforts	7	2	✓
8. Lack of understanding of the role of organizational structure and design in the execution process	9	5	✓
9. Inability to generate "buy-in" or agreement on critical execution steps or actions	7	10	
10. Lack of incentives or inappropriate incentives to support execution objectives	9	8	
11. Insufficient financial resources to execute the strategy	11	12	
12. Lack of upper-management support of strategy execution	12	11	

APPENDIX 3

TWO CASES OF GROUPTHINK

Space Shuttle Challenger Disaster (1986)

The Space Shuttle Challenger disaster is a classic case of groupthink. The Challenger exploded shortly after liftoff on January 28, 1986 (Vaughan 33). The launch had been originally scheduled for January 22, but a series of problems pushed back the launch date. Scientists and engineers throughout NASA were eager to get the mission underway. The day before the launch an engineer brought up a concern about the o-rings in the booster rockets.



A thick cloud of engine exhaust, solid rocket booster plume, and expanding gas fill the sky above the Kennedy Space Center in Florida after the explosion of the space shuttle Challenger, which claimed the lives of seven crew members, including that of Christa McAuliffe, a teacher and the first civilian shuttle crew

Several conference calls were held to discuss the problem and the decision to go ahead with the launch was agreed upon. The group involved in making the Challenger decision exhibited several of the symptoms of groupthink. They ignored warnings that contradicted the group's goal. The goal was to get the launch off as soon as possible. They also suffered from a feeling of invulnerability, and therefore failed to completely examine the risks of their decision. Another factor that had suppressed the few engineers who were "going against the grain" and "sounding the alarm" was that all eyes were on NASA not to delay the launch and that Congress was seeking to earmark large funding to NASA given the large amount of publicity on the Teacher in Space program.

These misjudgements led to the tragic loss of several astronauts, and a huge black mark on the space shuttle's (then) near perfect safety record.

Bay of Pigs Invasion (1959-1962)

Another closely-studied case of groupthink is the 1961 Bay of Pigs invasion. The main idea of the Bay of Pigs invasion was to train a group of Cuban exiles to invade Cuba and spark a revolution against Fidel Castro's communist regime.

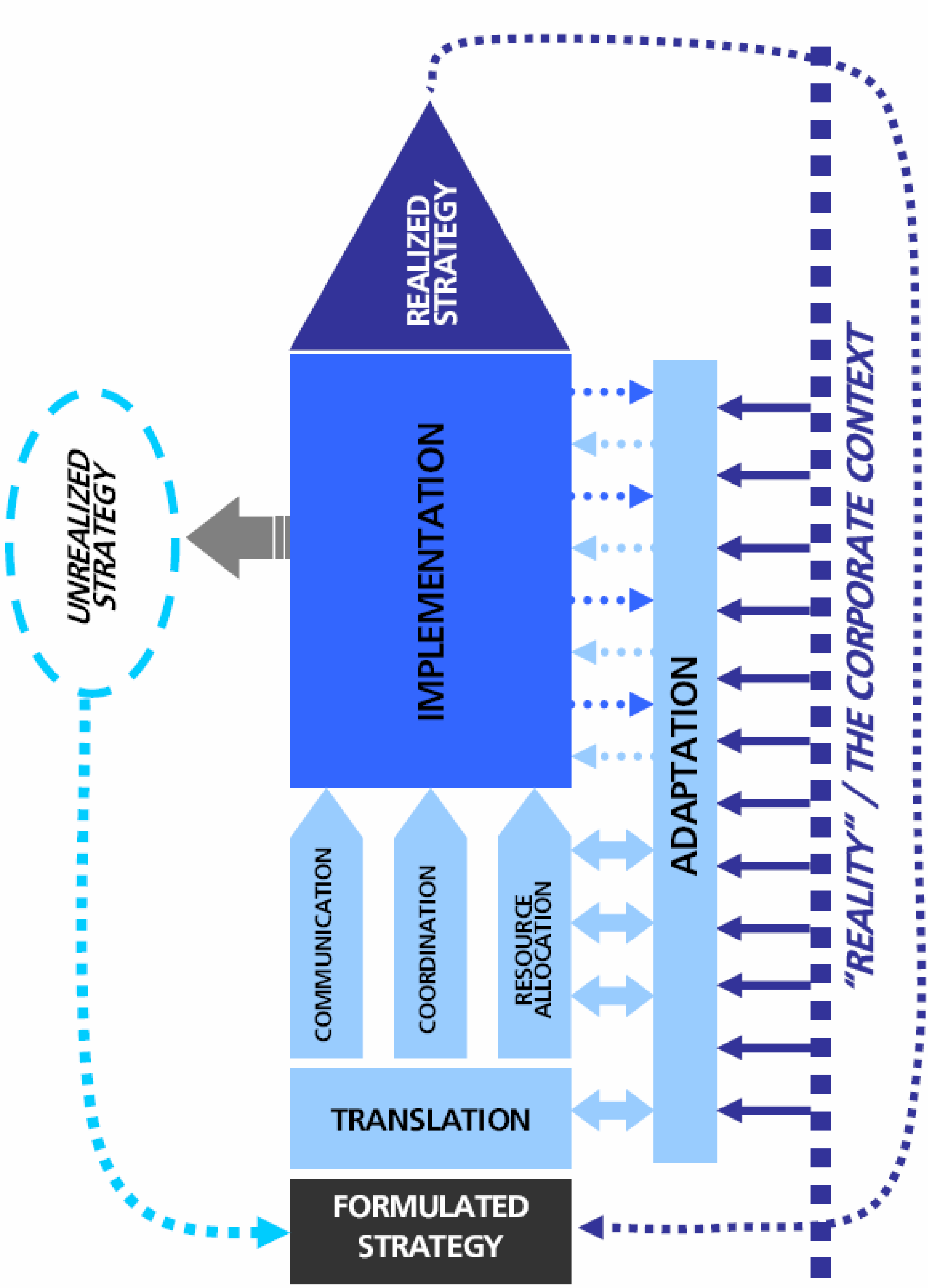
The incident was a major embarrassment for Kennedy, but he took full personal responsibility for the debacle (Wikipedia).

The plan was fatally flawed from the beginning, but none of President Kennedy's top advisers spoke out against the plan. Kennedy's advisers also had the main characteristics of groupthink; they had all been educated in the country's top universities, causing them to become a very cohesive group. They were also all afraid of speaking out against the plan, because they did not want to upset the president. The President's brother, Robert Kennedy, took on the role of a "mind guard", telling dissenters that it was a waste of their time, because the President had already made up his mind.

Source: Wikipedia (http://en.wikipedia.org/wiki/Groupthink)

APPENDIX 4

THE STRATEGY EXECUTION MODEL



APPENDIX 5

STRATEGY EXECUTION SURVEY

The purpose of this survey is to evaluate the strategy execution performance in an organization as well as to identify the areas for improvement, in order to ensure successful strategy execution.

How to answer the survey:
Each query is formulated as a statement, for which the respondent must rate both the perceived performance and the perceived importance for the strategy execution process. Each question or statement requires that the respondent answer both how the organization performs in the specific area, as well as the perceived importance of that area, to the success of strategy execution. Below are the possible ratings:

5 = Completely agree	5 = Very good/high
4 = Agree	4 = Good/high
3 = Neither agree nor disagree	3 = Neither good nor bad (high/low)
2 = Disagree	2 = Bad/low
1 = Completely disagree	1 = Very bad/low
DK = Don’t know	DK = Don’t know

By conducting the Strategy Execution Survey, the organization should be able to uncover most signs of symptoms of the strategy execution syndromes as well as getting a somewhat clear impression of the overall strategy execution performance.

STRATEGY & STRUCTURE	PERFORMANCE						IMPORTANCE					
	1	2	3	4	5	DK	1	2	3	4	5	DK
I am aware of the corporate strategy.												
I understand the corporate strategy.												
I know how and/or what to do to achieve my strategic objectives.												
It is clear to me, who is responsible/accountable for execution decisions and/or actions.												
It is clear to me, how I contribute to executing the strategy.												
I have relatively easy access to the strategy if I want to read/study it.												
I have easy access to information that is important for execution decisions/actions.												
The required resources needed to achieve the strategic objectives, have been identifyed and granted.												
It is a regular practice to track business results against prior year's strategic plans and/or forecasts.												
The strategy does not conflict with the current power structure.												

ERROR & RISK	PERFORMANCE						IMPORTANCE					
	1	*2*	*3*	*4*	*5*	*DK*	*1*	*2*	*3*	*4*	*5*	*DK*
The organization embraces error rather than punishes people for making them.												
The organization is positive about taking risks.												
I feel that I can openly and honestly express my concern about the strategy and/or the execution process, without fearing for reprisals.												
It is acceptable to change/revise strategic targets during the execution/implementation process.												
If I make a mistake I always admit it and assume full responsibility for it.												
When deciding on targets, I only choose targets I am certain that I can achieve.												

OPENNESS & HONESTY	PERFORMANCE						IMPORTANCE					
	1	*2*	*3*	*4*	*5*	*DK*	*1*	*2*	*3*	*4*	*5*	*DK*
Execution/implementation decisions are made only after careful consideration of alternatives.												
When something bad happens, it is mostly due to external factors, over which we have no real control.												
I don't think there is anything that can truly threaten the organization.												
If I have opinions, ideas or information that conflicts with the current situation, consensus or decisions, I feel reluctant to promote them.												
If I advocate opinions or ideas that conflicts with the natural consensus, it is often played down, explained away or ignored.												
I often feel that decisions are made hastily and without careful consideration of alternatives.												
Top management encourages and/or welcomes critical ideas/questions about the strategy and/or the execution process.												

BUREAUCRACY & MOTIVATION	PERFORMANCE						IMPORTANCE					
	1	2	3	4	5	DK	1	2	3	4	5	DK
I feel that I have "ownership" in the strategy.												
Some or all of my rewards and/or incentives are dependent on achieving strategic objectives.												
I feel heard and that my opinion matters, when we execute strategy.												
The organization is highly bureaucratic.												
Stretch goals or bold visions have little chance of success here.												
I feel that my work is subject to heavy scrutiny, control and inspection.												
Rivalries between managers often confuse or hamper the strategy formulation/execution process.												
I generally feel stressed due to time restraints, demands or other pressures.												
When the organization attempts to pursue new strategic initiatives, the pace is often fast and proactive.												

RESISTANCE	**PERFORMANCE**						**IMPORTANCE**					
	1	*2*	*3*	*4*	*5*	*DK*	*1*	*2*	*3*	*4*	*5*	*DK*
There are many resisters to new strategic initiatives in this organization.												
We have a tendency to ignore new strategic initiatives from top management.												
It is relatively easy to generate "buy-in" or agreement on critical execution steps or actions.												
When a new strategic initiative is presented I often expect it to fail.												
There is often a lot of resistance towards new strategic initiatives.												
Rumors always flourish about the strategy.												
The phrase: *"Everyone agrees, but nothing changes"* often captures the essence of how we work.												
When a new strategy is presented, I often become suspicious about the intentions of top management.												