

the performance factory

*it's all about  
strategy execution*

**Free Abstract**

# The Strategy Execution Research Report



*Edition 2009 / 2010*

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## Introduction

Dear Reader,

You are looking at the sneak preview of our latest international study – *The Strategy Execution Research Report 2009/2010*.

Since 2001, we have been studying Strategy Execution trends and best practices. And during these last 8 years, we have seen Strategy Execution evolve from a token discussion to a top priority in most organisations.

But this meteoric rise in importance doesn't mean all execution problems have been solved. On the contrary, international research published in *The Harvard Business Review* shows that companies continue to lose 40-to-60 percent of their strategic potential while trying to execute it.

Our research will help you close the performance gap in your organisation. *The Strategy Execution Research Report 2009/2010* offers you:

- Up-to-date Strategy Execution market data from 1100+ organisations, 36 countries and 23 sectors.
- The 30 most interesting trends analysed by our experts.
- Secret insights from the best-in-class.
- Key ingredients to build a solid action plan.

In short, this unique report will provide you with all the necessary information and insights to boost your Strategy Execution.

Order your copy today. We offer a 100 percent satisfaction guarantee.

Best regards



Koen Schreurs, Director Benchmarks & Surveys  
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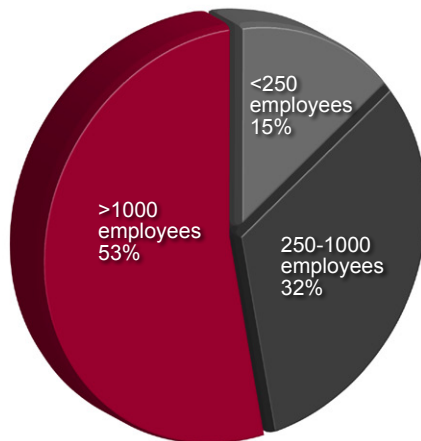
PS. Any questions?

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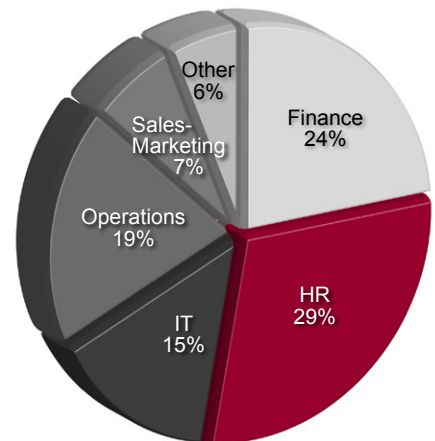
## Research demographics

This research was conducted between February and August 2009 and is the result of an in-depth analysis of 1100 organisations of varying sizes in 23 sectors, 6 continents and 36 countries. The research covered managers across all business functions and management levels.

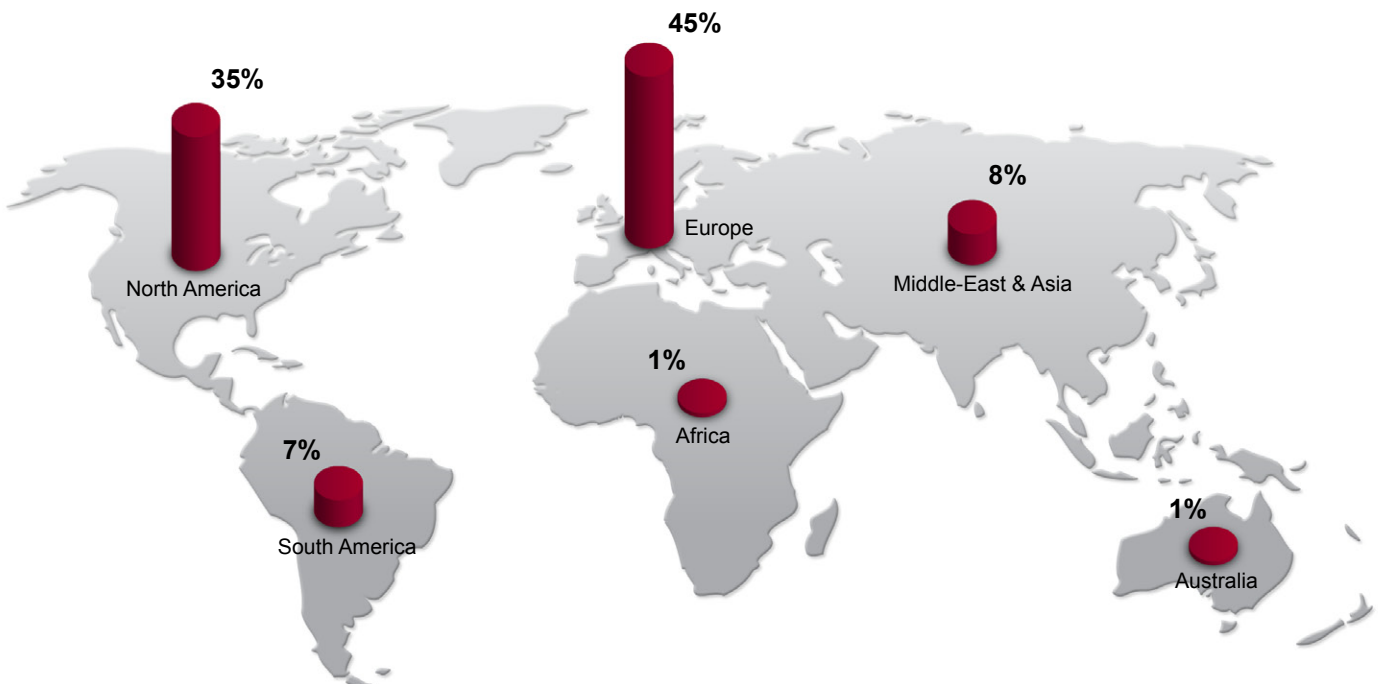
### Company Size



### Functional split respondents



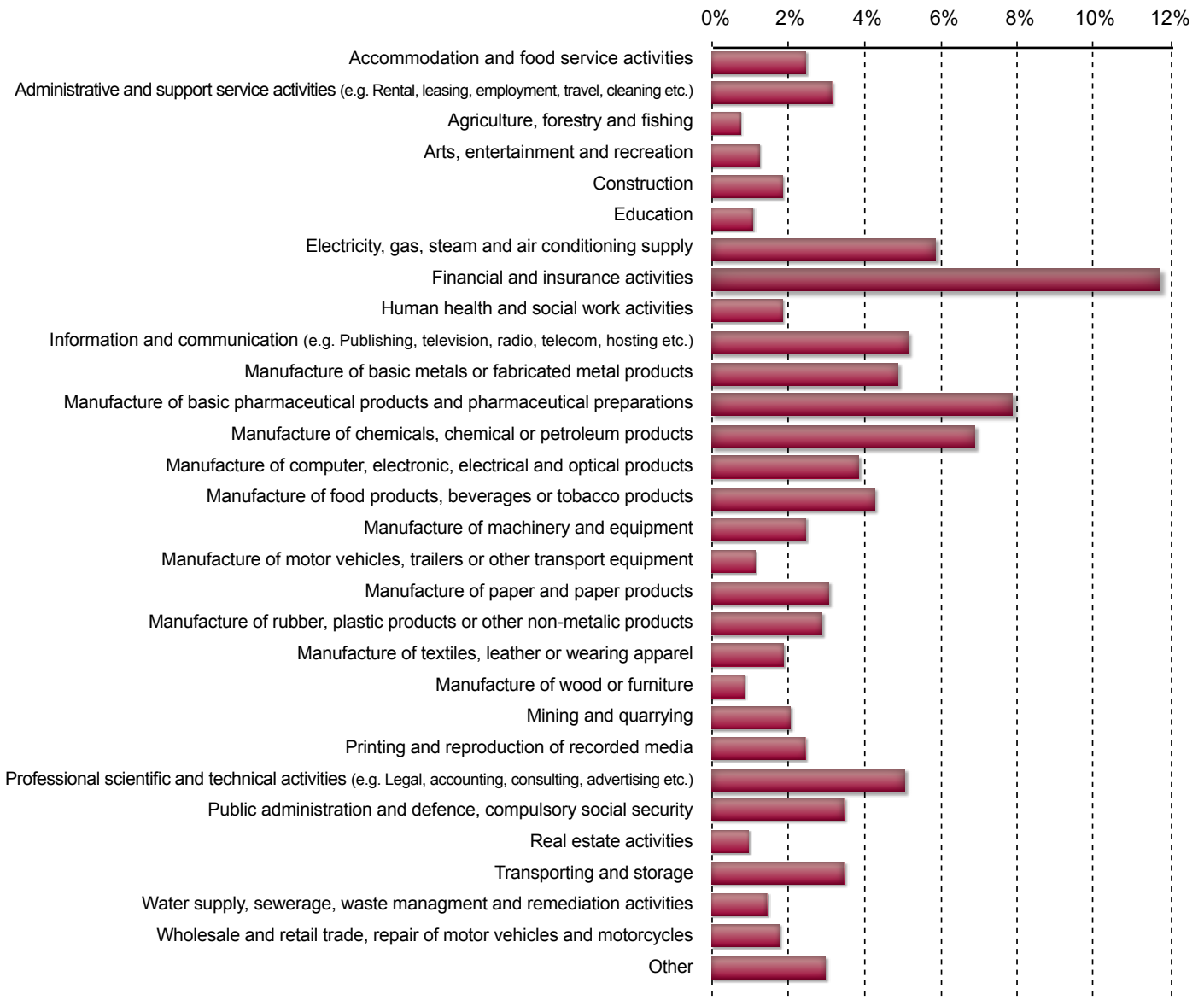
### Geography headquarters



### Country headquarters

— Australia	— Germany	— Saudi Arabia
— Belgium	— Greece	— Singapore
— Bosnia and Herzegovina	— Iceland	— Slovakia
— Brazil	— India	— South Africa
— Bulgaria	— Italy	— Spain
— Canada	— Japan	— Sweden
— China	— Korea	— Switzerland
— Czech Republic	— Mexico	— Turkey
— Denmark	— Netherlands	— United Arab Emirates
— Egypt	— Oman	— United Kingdom
— Finland	— Romania	— USA
— France	— Russia	— Yemen

### Sector distribution



Company sample





## Fourteen Striking facts

Of all respondents:

- 15 percent believe the strategy to be wrong for their company.
- Almost all – 94 percent – have indicators that relate not only to financials, but also to customers, processes or people.
- Around 1 in 3 – 30 percent – receive no information on how to execute the strategy.
- Only 61 percent is convinced that the strategic initiatives are staffed with the right people.
- As little as 27 percent believe that the strategic initiatives are being managed correctly.
- 27 percent doesn't receive any individual feedback.
- As many as 17 percent lack leadership objectives.
- 17 percent indicate that performance isn't monitored.
- 38 percent indicate that poor performers don't face any consequences.
- More than one third – 37 percent – have never had the opportunity to participate in a 360° skills assessment exercise.
- 18 percent is unable to explain how to set individual objectives.
- 27 percent receives no training on essential management skills.
- 36 percent do not question appraisals objectively.
- Of all managers, 24 percent do not receive any useful strategy information from other departments.

## Four major Strategy Execution gaps

Getting your strategy right is a big challenge. But executing your strategy proves to be an even bigger hurdle. The experts from the performance factory have identified and analysed the major implementation challenges of more than 1100 organisations. Within most of these, they found four significant execution gaps:

### 01 | Companies need to wake up and fix their initiative management.

Initiative management is the point where organisational performance meets individual performance, where people are added to the equation, where your strategy is translated into practice or remains on paper forever. It's a crucial Strategy Execution step.

But unfortunately, initiative management also proves to be the weakest link in the execution chain. Our research clearly shows that it's the implementation activity where almost all companies lose most of their strategic potential – it proves to be the biggest hole in the road between the city 'strategy' and the town 'performance'.

As few as 27 percent believe that the strategic initiatives are being managed correctly.

So what goes wrong?

Unfortunately, the list is quite long. The 4 main reasons are:

- 37 percent staff their initiatives poorly.
- 34 percent budget inadequately.
- 26 percent fail to create clear ownership.
- 21 percent launch the wrong projects.

Fortunately there are exceptions: the top performers. These organisations are able to translate their overall strategy into the appropriate strategic initiatives that deliver what the strategy promises.

Let's look at what we can learn from the best-in-class. We identified the 5 initiative management fundamentals that separate the poor, the good and the great. The best-in-class outperform all the others in each of these 5 activities.

They are:

- 1 | Collect, select and prioritise the right initiatives.
- 2 | Optimise resource allocation and planning.
- 3 | Develop project managers.
- 4 | Excel in project and programme management.
- 5 | Manage the overall strategic initiative portfolio.

## 02 | Most leaders are poor strategy communicators.

The second topic causing significant execution problems is strategy communication. Whereas most companies try (hard) to get it right, many fail to communicate their strategy effectively.

Our research shows that 22 percent of managers aren't happy with the way strategy is communicated within their organisation, 13 percent are unable to explain the strategy, 15 percent believe it's the wrong strategy and 24 percent have no idea what the strategic goals from other departments are.

Let's now focus our attention on performers. What can we learn from the best-in-class strategy communicators?

- These organisations understand that the communication of strategy and its execution comes in different shapes and forms, from individual conversations during objective setting over group interactions around the Balanced Scorecard and from intranet postings, to writing a memo regarding a strategy shift.
- But they are also aware that all strategy communication efforts serve only one purpose: to get the strategy into the heads, hearts and hands of the people:
  - Heads:* You want everyone to understand the strategy.
  - Hearts:* You want everyone to be motivated by the strategy.
  - Hands:* You want everyone to take action to get things done.
- They make their communication efforts an essential, ongoing component of their implementation efforts.
- They put in the right effort and skills. Top communicators realise that even communication aspects that seem trivial and simplistic on the surface, demand substantial skills and effort to get it right. And getting it right means communicating relevant information to the right person that results in the required execution action. In other words: best-in-class communicators don't focus on the question 'Was my message communicated?' but rather on 'Was my message effective?'. They look beyond the send button and shift the focus to the receiving end.

## 03 | Everybody agrees that skills are crucial to performance but few are able to build an adequate development platform.

Being able to do what your competitors can't demands a unique set of capabilities. But these skills don't just grow on trees. They demand:

- Tough choices: you can't be good at everything.
- Long-term commitment: it doesn't happen overnight.
- Motivated people: learning new skills demands effort and a change of behaviour.

So in order to succeed with this triple challenge, organisations need a solid development approach. But have organisations adopted such a way of working?

Unfortunately not. The study clearly show that skills development is an issue. In fact, it's a major one, as training, coaching and other development-related actions receive poor scores within most of the 1100 organisations. 28 percent of all respondents don't even offer development support for basic skills – those that should belong to the repertoire of any manager. One other striking fact: 40 percent of all participants don't evaluate the business impact of their development effort.

This gives you a view on the bad performers. But what about the secret of the best-in-class? Well, top performers in the 'skills building' category set themselves apart by constructing strong, long-term development foundations in their organisation. They approach skills improvement as a marathon, not a sprint. Their foundation building focuses on the following 6 fundamentals:

- 1 | Link skills development with the overall strategy.
- 2 | Manage the development portfolio – the collection of all development actions within the organisation.
- 3 | Design world-class learning interventions.
- 4 | Execute flawlessly.
- 5 | Set development objectives for everyone in the organisation.
- 6 | Measure success.

### 03 | **The Strategy Execution process often fails.**

The Strategy Execution process is your highway to performance. To be more precise, you should picture your Strategy Execution process not as a single street but as a network of unique roads – smaller and larger ones – all interlinked together. And the roads carry names like 'strategy review process', 'initiative management process', 'coaching process', 'individual objective setting process' and so on. And all of these processes, and the interaction between them, are vital to your execution success.

Here are 2 striking results. Almost 20 percent of all managers – the key people involved – cannot explain the implementation process and 25 percent believe that their execution job is made more difficult due to the complexity of the processes.

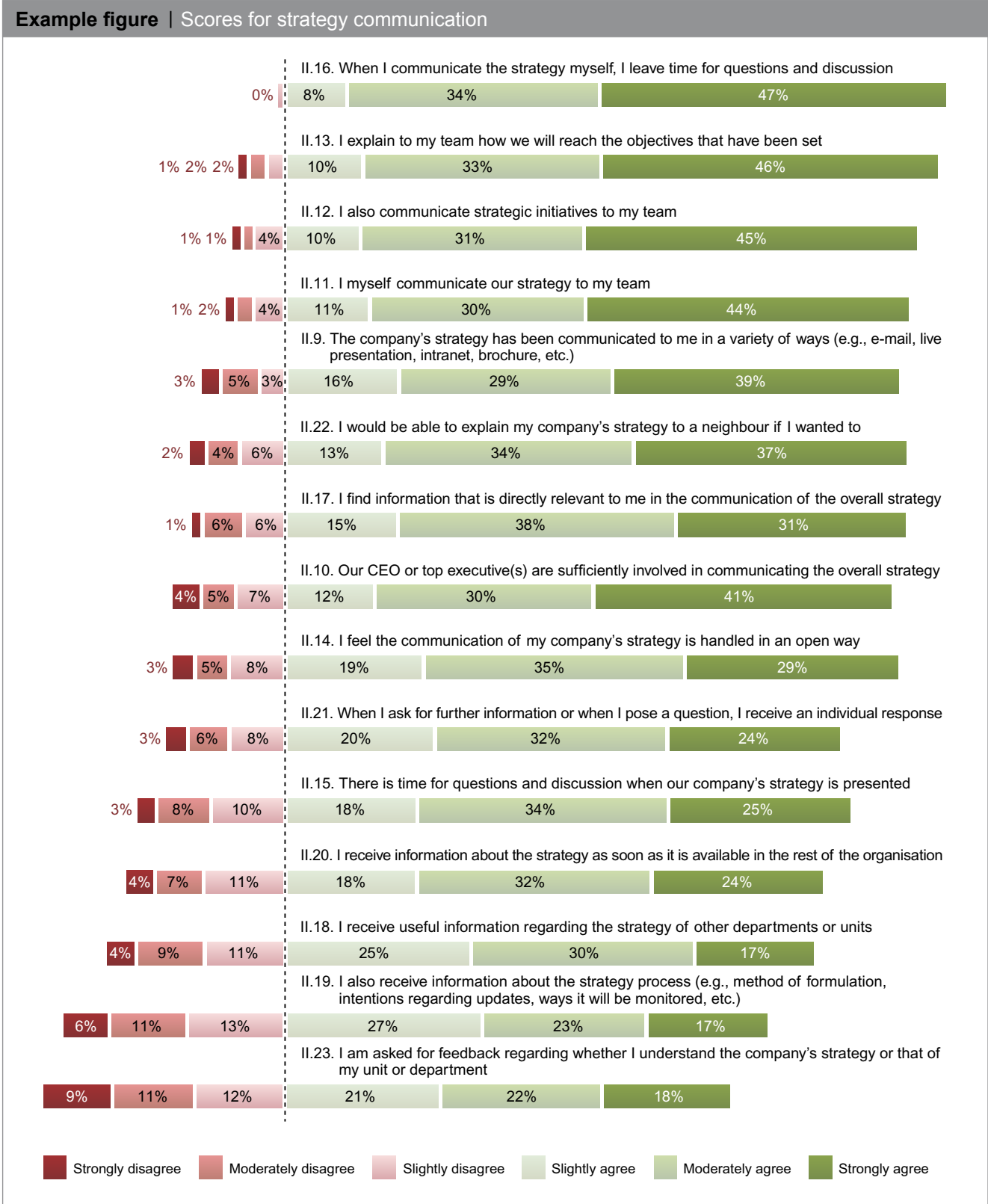
To join the Strategy Execution elite – the best-in-class – organisations need to overcome the following 9 bottlenecks:

- 1 | There is too much complexity.
- 2 | Managers don't understand the process.
- 3 | Clear ownership is lacking.
- 4 | The process and improvement actions are not visible on the executive radar.
- 5 | Managers fear proposing, and making, changes.
- 6 | The process isn't adapted to the needs of the organisation.
- 7 | The quality of the process isn't measured.
- 8 | One part of the process gets all of the attention, and others none.
- 9 | It's too expensive.

# Market data – a sneak preview of strategy communication

## 01 | Detailed scores for strategy communication

Strategy communication is one of the 8 Strategy Execution dimensions that we have analysed. The scoring ranks from best-to-worst.



**02 | Example finding : Managers lack information on their colleagues' goals**



**FAST FACT**

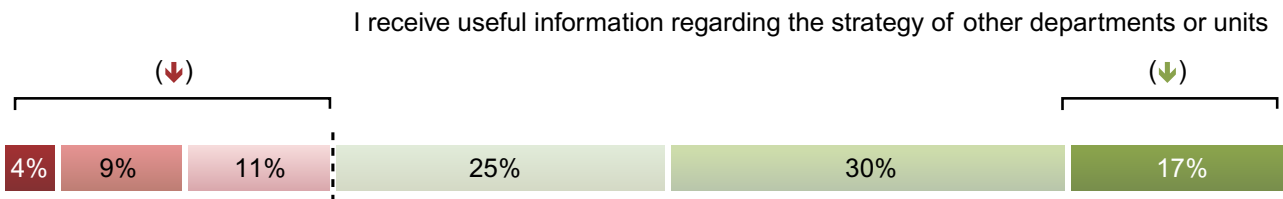
Of all managers, 24 per cent do not receive any useful strategy information from other departments.

It's crucial that you know the strategy priorities of other departments. It helps you to see the big picture and enables smooth-running, cross-functional collaboration. This requires information about goals and priorities to flow freely throughout the entire organisation.

That's how it should be. But our research shows that critical strategy information is often missing. In fact, just 17 percent (↓) is happy with the strategy intelligence received from colleagues. And 24 percent (↓) doesn't receive anything at all.

When we compare these results with the other strategy communication findings, we can conclude that sharing information on strategic priorities is one of the first steps you should take to improve your overall communication scores. Think beyond your silo and be part of the bigger picture.

**Example figure |** Score 11.18.



## Learn from the best-in-class – A sneak preview

Apart from our research results, we also give you the opportunity to learn from the best. This section of the report covers:

- Strategy Execution as it should be – twelve insights.
- Market data and comparison with best-in-class.

Here's an overview of the twelve insights, a sneak preview of # 4 and some illustrative examples of market data and scores of top performers.

### 01 | Strategy Execution as it should be – Twelve insights



#### INSIGHT

Strategy Execution requires your attention from the start.

- Strategy Execution is a vast area with blurred borders.
- Strategy Execution is a discipline of its own.
- Great Strategy Execution requires a great strategy.
- Strategy Execution requires your attention from the start.
- Strategy Execution has a strong timing sequence.
- Strategy Execution requests a seamless integration between organisational and individual performance.
- Strategy Execution demands clear responsibilities.
- Strategy Execution requires horizontal alignment.
- Strategy Execution needs heroes.
- Strategy Execution asks for measurement.
- Strategy Execution is a resident.
- Strategy Execution is on its way to maturity.

### 02 | Sneak preview: Insight 4 - Strategy Execution requires your attention from the start.



#### QUOTE

*“Culture eats strategy for lunch, every day”*

Dick Clark, CEO, Merck

And the start is the strategy formulation phase. Execution isn't something you worry about after you have already finished crafting your strategy. You need to think about the implementation challenges at the same time you design your strategy.

Here's an overview of the 5 most important implementation hazards to think about while developing your strategy. To give you a head start, I have included for each one the key question(s) to ask during the strategy design phase.

- *The existing culture.* Strategies that demand a large cultural shift are doomed to failure as cultural change is very hard to accomplish. Ask yourself: 'How big is the culture change needed in order to execute the new strategy?' and 'Is the required change realistic?'.
- *The existing power structures.* Each organisation has its own power structures, invisible at the surface and part of the 'unwritten rules' within the organisation. But they do exist. And they will influence your execution capabilities. Pose the following questions: 'What are the current power structures in our organisation?' and 'How will they impact the implementation of the strategy we are developing?'.

- *The ability to change.* Each strategy will demand a change effort. And I can tell you the effort is always bigger than you anticipate at the start. Ask yourself: 'How much change can our organisation handle?'.
- *The maturity of execution process.* Once finished, the strategy will use the existing execution processes in your organisation. Upgrading is possible but takes time. So ask yourself: 'What's the current maturity of our execution capabilities?', 'Is there a need to upgrade?' and 'How long will the upgrade realistically take to accomplish?'.
- *The maturity of Strategy Execution skills.* Related to previous. Processes need skilled people to operate them. The questions to ask: 'What's the current maturity of the manager's execution skills?', 'Is there a need to upgrade?' and 'How long will the upgrade realistically take to accomplish?'.



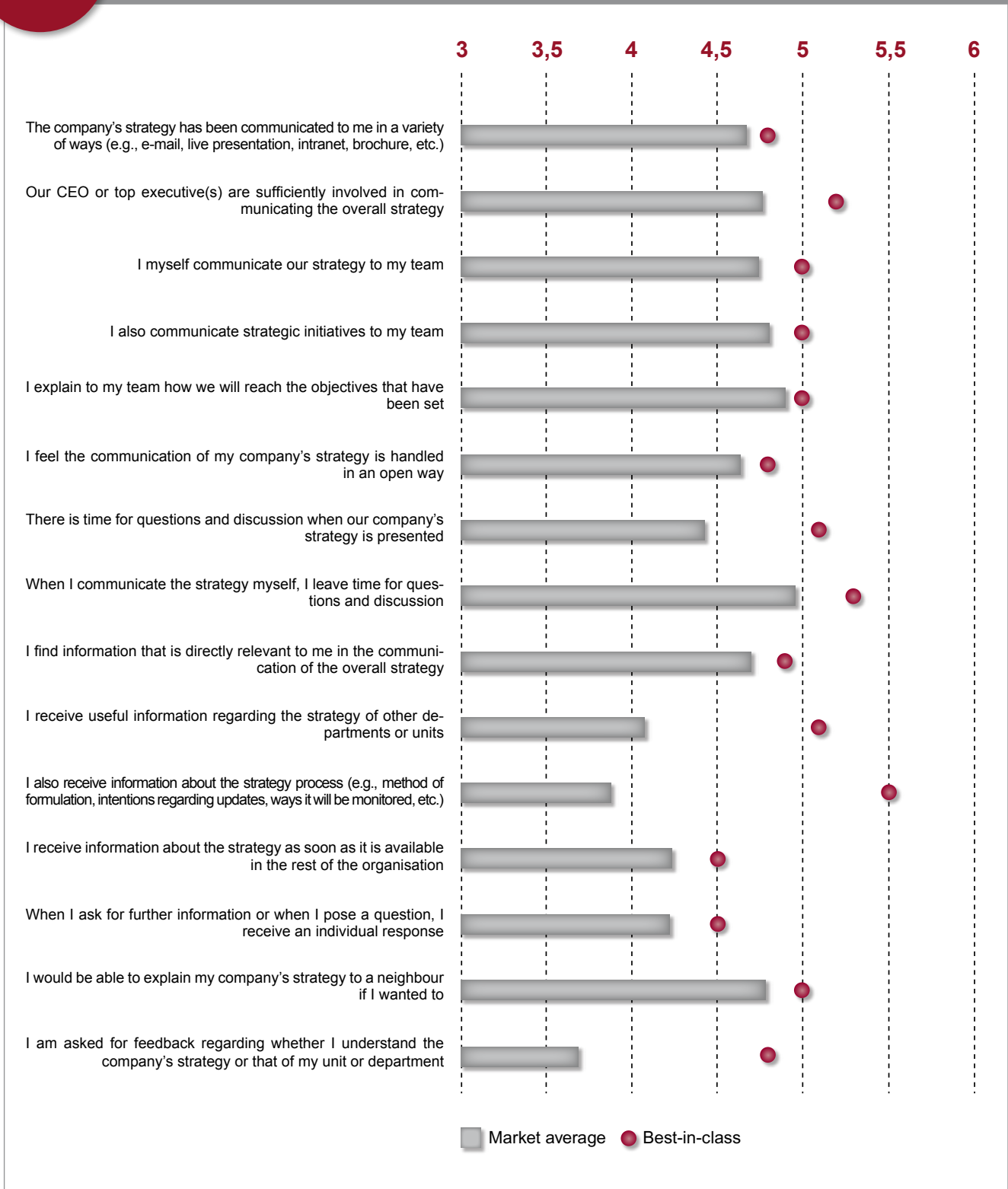
03 | Sneak preview: Market data and scores of top performers

Illustrative example: Detailed gap analysis per dimension

This is an example of the output you will receive when purchasing the full report. Please note that the numbers you see in this example are illustrative only.

Illustrative only

Example figure | Gap analysis



**Illustrative example: Detailed analysis of all gaps ranked smallest-to-largest**

This is an example of the output you will receive when purchasing the full report. Please note that the numbers you see in this example are illustrative only.



#	Topic	Gap	Dimension	Difficulty to close the gap
1	I feel excited by my company's strategy	4%	Strategy focus	High
2	My unit or department has specific strategic objectives	19%	Individual objective setting	High
3	My objectives not only relate to financials but also to customers, processes, people or other elements	10%	Skilled managers	High
4	I also communicate strategic initiatives to my team	2%	Strategy communication	High
5	There is time for questions and discussion when our company's strategy is presented	7%	Engaged people & performance-driven culture	Medium - High
6	I receive useful information regarding the strategy of other departments or units	13%	Initiative management	Medium - High
7	I receive information about the strategy as soon as it is available in the rest of the organisation	18%	Strategy focus	Medium - High
8	I would be able to explain my company's strategy to a neighbour if I wanted to	17%	Strategy focus	Medium - High
9	All strategic initiatives or projects that I know of are staffed with the right people	5%	Performance-related pay	Medium - High
10	My objectives are specific regarding what is to be attained	3%	Strategy communication	Medium - High
11	I do influence the setting of my own objectives	9%	Individual objective setting	Medium - High
12	I believe I can attain the objectives that have been set	6%	Skilled managers	Medium - High
13	My objectives give me the energy to go the extra mile	11%	Initiative management	Medium - High
14	My objectives are changed during the year when a change in the context makes this necessary	12%	Initiative management	Medium
15	I believe that managerial skills are crucial to performing my job well	1%	Support for managers	Medium
16	If I don't perform, my manager talks to me about it	8%	Skilled managers	Medium
17	I stimulate my direct reports to continuously learn new skills and challenge themselves	14%	Individual objective setting	Medium
18	Rewards generally follow quickly after the performance for which they were earned	16%	Engaged people & performance-driven culture	Medium
19	I have received adequate training on how to evaluate my direct reports	15%	Support for managers	Medium

## About this research

The Strategy Execution Research Report – of which this document is an extract – is the result of research executed by *the performance factory*. We believe its findings to be objective and represent the best analysis available at the time of distribution. Nevertheless, *the performance factory* specifically disclaims all warranties.

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## About the performance factory

*the performance factory* is a leading research, training and advisory firm focused solely on Strategy Execution.

Our products and services help managers, future managers and organisations to increase performance through best-in-class Strategy Execution.

With more than nine years' experience, we know what it takes to turn a great strategy into great performance. We offer you:

- State-of-the-art Strategy Execution benchmarks and surveys.
- Strategy Execution skills boosters for managers – the key actors in the implementation arena.
- In-depth Strategy Execution coaching and advisory services to improve your organisational and individual performance.

You can reach us at <http://www.the-performance-factory.com> or by phone on +32 2 535 74 04.

## HOW TO OBTAIN THE FULL REPORT



### The Strategy Execution Research Report 2009/2010

Practical, fact-based Strategy Execution market data:

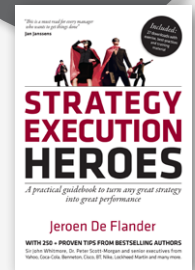
- \_ 1100+ companies, 36 countries and 23 sectors
- \_ 30 key findings with experts' comments
- \_ 12 insights to learn from the best-in-class

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