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The Secrets to Successful Strategy Execution

Key ideas from the [Harvard Business Review](#) article By Gary L. Neilson, Karla L. Martin, Elizabeth Powers

The Idea in Brief

A brilliant strategy may put you on the competitive map. But only solid execution keeps you there. Unfortunately, most companies struggle with implementation. That's because they overrely on structural changes, such as reorganization, to execute their strategy.

Though structural change has its place in execution, it produces only short-term gains. For example, one company reduced its management layers as part of a strategy to address disappointing performance. Costs plummeted initially, but the layers soon crept back in.

Research by Neilson, Martin, and Powers shows that execution exemplars focus their efforts on two levers far more powerful than structural change:

Clarifying decision rights--for instance, specifying who "owns" each decision and who must provide input

Ensuring information flows where it's needed--such as promoting managers laterally so they build networks needed for the cross-unit collaboration critical to a new strategy

Tackle decision rights and information flows first, and only then **alter organizational structures** and **realign incentives** to *support* those moves.

The Idea in Practice

The following levers matter *most* for successful strategy execution:

Decision Rights

Ensure that everyone in your company knows which decisions and actions they're responsible for.

In one global consumer-goods company, decisions made by divisional and geographic leaders were overridden by corporate functional leaders who controlled resource allocations. Decisions stalled. Overhead costs mounted as divisions added staff to create bulletproof cases for challenging corporate decisions. To support a new strategy hinging on sharper customer focus, the CEO designated accountability for profits unambiguously to the divisions.

Encourage higher-level managers to delegate operational decisions.

At one global charitable organization, country-level managers' inability to delegate led to decision paralysis. So the leadership team encouraged country managers to delegate standard operational tasks. This freed these managers to focus on developing the strategies needed to fulfill the organization's mission.

Information Flow

Make sure important information about the competitive environment flows quickly to corporate headquarters. That way, the top team can identify patterns and promulgate best practices throughout the company.

At one insurance company, accurate information about projects' viability was censored as it moved up the hierarchy. To improve information flow to senior levels of management, the company took steps to create a more open, informal culture. Top executives began mingling with unit leaders during management meetings and held regular brown-bag lunches where people discussed the company's most pressing issues.

Facilitate information flow across organizational boundaries.

To better manage relationships with large, cross-product customers, a B2B company needed its units to talk with one another. It charged its newly created customer-focused marketing group with encouraging cross-company communication. The group issued regular reports showing performance against targets (by product and geography) and supplied root-cause analyses of performance gaps. Quarterly performance-management meetings further fostered the trust required for collaboration.

Help field and line employees understand how their day-to-day choices affect your company's bottom line.

At a financial services firm, salespeople routinely crafted customized one-off deals with clients that cost the company more than it made in revenues. Sales didn't understand the cost and complexity implications of these transactions. Management addressed the information misalignment by adopting a "smart customization" approach to sales. For customized deals, it established standardized back-office processes (such as risk assessment). It also developed analytical support tools to arm salespeople with accurate information on the cost implications of their proposed transactions. Profitability improved.

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Further Reading

Article

Mastering the Management System

Harvard Business Review

January 2008

by Robert S. Kaplan and David P. Norton

It's hard to balance pressing operational concerns with long-term strategic priorities. But balance is critical: World-class processes won't produce success without the right strategic direction, and the best strategy won't get anywhere without strong operations to execute it. To manage both strategy and operations, companies must take five steps: 1) Develop strategy, based on the company's mission and values and its strengths, weaknesses, and competitive environment. 2) Translate the strategy into objectives and initiatives linked to performance metrics. 3) Create an operational plan to accomplish the objectives and initiatives. 4) Put the plan into action, monitoring its effectiveness. 5) Test the strategy by analyzing cost, profitability, and correlations between strategy and performance. Update as necessary.

Book Chapter

Build Execution into Strategy

Harvard Business School Press

October 2006

by W. Chan Kim and Renée Mauborgne

The authors identify an additional lever essential for strategy execution: the alignment of people behind a strategy. Incentives don't in themselves create alignment. You also need a culture of trust and commitment. This chapter, from *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*, shows how to build such a culture, particularly by establishing fair strategy-formulation processes. When people perceive a process as fair, they go beyond the call of duty and take initiative in executing the strategy. To create a fair strategy-formulation process: 1) Involve people in the strategic decisions that affect them, by asking for their input. 2) Explain why final strategic decisions were made. 3) Clearly state the new behaviors you expect from people and what will happen if they fail to fulfill them.

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