Strategic Execution: The Application of Strategic Agility

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## New Execution Research

**“Why Strategy Execution Unravels – And What to Do About It”**

<table>
<thead>
<tr>
<th>The Problem</th>
<th>The Research</th>
<th>The Recommendations</th>
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<tbody>
<tr>
<td>We have thousands of guides about developing a strategy – but very few on how to execute one.</td>
<td>Executives attribute poor execution to a lack of alignment and a weak performance culture.</td>
<td>To execute their strategies, companies must foster coordination across units and build the agility to adapt to changing market conditions.</td>
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<td>And the difficulty of achieving executional excellence is a major obstacle at most companies.</td>
<td>It turns out though, that in most businesses activities line up well with strategic goals, and the people who meet their numbers are consistently rewarded.</td>
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*Harvard Business Review, March 2015, pp. 60–66*
Summary of the HBR Study

- Used an in-depth survey of over 7600 managers in 262 companies across 30 industries.
- Complex organizations with high volatility in their markets.
- Surveyed managers who are “in the know” – those most critical to driving the execution, across the vertical spectrum.
- Gathered objective data when possible.
- Engaged the participants by varying questions and format – over 95% completed the survey.
- Linked the results to existing, credible research.

Myth 1: Communication Equals Understanding

REALITY: Not about volume – it’s also about clarity and prioritization
Clarity of the Intent

Ownership

Adaptability

Continued Focus on the Ultimate Goal
Strategic Execution Myths

Myth 1: Communication Equals Understanding
REALITY: Not about volume – it’s also about clarity and prioritization

Myth 2: Execution Equals Vertical Alignment
REALITY: More coordination across units
Enterprise Mindset

A system is any group of *interacting, interrelated, or interdependent* parts that form a complex and unified whole that has a specific purpose.

- The whole has at least one purpose or function that cannot be achieved optimally without all of its parts.
- Each part can affect the performance of the whole, and of at least some of the other parts.
- The whole cannot be divided into independent parts and achieve optimal performance.
A system is any group of *interacting, interrelated, or interdependent* parts that form a complex and unified whole that has a specific purpose.

**What are some of the barriers to an “enterprise mindset” in organizations?**
Key Concept of Enterprise Thinking

The performance of a system cannot be optimized by optimizing each individual part within the system.
Stakeholder Model

<table>
<thead>
<tr>
<th>High Power</th>
<th>Low Power</th>
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<tr>
<td><strong>Low Interest</strong></td>
<td><strong>High Interest</strong></td>
</tr>
<tr>
<td>Keep Satisfied And Informed</td>
<td>High Maintenance</td>
</tr>
<tr>
<td>Unintended Consequences</td>
<td>Easy to Identify</td>
</tr>
<tr>
<td>Low Maintenance</td>
<td>Get Involved Early, Keep Involved, LISTEN</td>
</tr>
<tr>
<td>Expend Minimum Effort</td>
<td>Feasibility of Execution</td>
</tr>
</tbody>
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Strategic Execution Myths

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Myth 2: Execution Equals Vertical Alignment
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Myth 3: Execution Should Be Driven from the Top
REALITY: Drive execution from the middle, guide from the top
Organizational Sustainability

Organizations that “live long” have a balance of four characteristics, according to research conducted by Arie de Geus (The Living Company):

**Financially Frugal**
Operationally efficient, wise use of finances including leverage and cash

**Persona**
Cohesive with a strong sense of identity or Persona – a deep, uncompromising set of core values and purpose that do not change over time
Organizational Sustainability

Organizations that “live long” have a balance of four characteristics, according to research conducted by Arie de Geus (The Living Company):

**Adaptability**

Ability to adapt to a changing environment by carefully monitoring the external environment

**Tolerance**

Encouragement of experimentation and unconventional thinking – initially described as “decentralization”

DRIVING FROM THE MIDDLE
Myth 1: Communication Equals Understanding  
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Myth 4: Execution Means Sticking to the Plan  
REALITY: Agility balanced with alignment
Prospect Theory: Insurance Professionals

You are a marine property adjuster charged with minimizing the loss of cargo on three insured barges that sank yesterday off the coast of Alaska. Each barge holds $200,000 worth of cargo, which will be lost if not salvaged within 72 hours. The owner of a local marine-salvage company gives you two options, both of which will cost the same.

- Plan A: This plan will save the cargo of one of the three barges, worth $200,000.
- Plan B: This plan has a one-third probability of saving the cargo on all three barges, worth $600,000, but has a two-thirds probability of saving nothing.

You are a marine property adjuster charged with minimizing the loss of cargo on three insured barges that sank yesterday off the coast of Alaska. Each barge holds $200,000 worth of cargo, which will be lost if not salvaged within 72 hours. The owner of a local marine-salvage company gives you two options, both of which will cost the same.

- **Plan A:** This plan will result in the loss of two of the three cargos, worth $400,000.
- **Plan B:** This plan has a two-thirds probability of resulting in the loss of all three cargos and the entire $600,000, but has a one-third probability of losing no cargo.

A “Sense of Urgency”
Strategic Execution Myths

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Myth 5: A Performance Culture Drives Execution
REALITY: Also reward agility, teamwork, ambition
Best Practices in Agility

- Ensure **clarity of intent**.
- Be clear about your “persona”.
- Be a leader who has an **enterprise view**.
- Create a **sense of urgency** to encourage change.
- As a leader, remember it’s all about **culture, culture, culture**! What behaviors are rewarded?