

BLUE CONSULTING GROUP - Blue Research -

Strategy Creation and Implementation 2013

The research report Strategy Creation and Implementation 2013 highlights the following research findings and conclusions:

- 58% of top executives do not achieve the effect they are looking for from their strategic initiatives.
- 62% of top executives believe that their strategic priorities do not lead to focused implementation and execution.
- 47% of top executives do not believe that they have an effective process for breaking down the strategy to tasks and clarifying where in the organisation performance need to happen.
- 41% of the managing directors and board members do not believe that the board members have sufficient understanding of the progress of the strategy implementation and execution.
- There is still a considerable room for strategy improvement in most organisations.
- Most organisations are just getting started down the path toward effective strategy implementation.
- Our research confirms that an integrated systems approach is needed to close the strategy-to-execution gap.

Our research conclusions suggest that only 42% of top executives are satisfied with the output from their strategy promise. Put differently, there is a strategy-to-execution gap close to 60% among the researched top executives in terms of how they perceive their strategy promise and the actual strategy output. The causes of this strategy-to-execution gap are often not visible to top management. Leaders then sometimes pull the wrong levers in their attempts to turn around performance, pressing for better implementation and execution when they actually need either a better strategy, or opting to change direction when they really should focus the organisation on implementation and execution.

This research report is structured in four main sections: 1 Introduction, 2 Major research findings, 3 Major research conclusions and 4 Introduction to our thinking regarding strategy creation and implementation.

1. Introduction

With the hypothesis, based on numerous interactions with companies and organisations in multiple industries, that the process for strategy creation and implementation can be significantly improved by taking a systems and learning-centred approach, we decided to launch the research: Strategy Creation and Implementation 2013. The intention was to increase the understanding of how leading executives view the performance of their perhaps most vital organisational process. We also wanted to see how successful companies are creating strategies and translating their strategies into performance and if they fall short, we wanted to know the most common causes.

While the executives and organisations we researched compete with different propositions in different markets and geographies, they seem to share many concerns about strategy and its implementation and execution. Our research findings are revealing and somewhat troubling.

The result and conclusions from this research are based on the answers from 140 executives in top management positions mainly in Sweden together with a selection of reference companies and organisations in Norway, Finland, Denmark and the United Kingdom. Approximately 50% of the participants are in a managing director¹ or board member position and the remaining 50% are either in a position as head of a business unit/area or head of a business support function, i.e. sales, strategy, production, human resources, finance, IT, etc. The participating corporations represent a normal distribution of privately held and public organisations as well as the normal frequency of operating industrial and service organisations. We sincerely appreciate these individuals and organisations for taking the time to share their views and reflections with us and you as a reader of this research report.

2. Major research findings

A majority of the top executives participating in our research consider their respective organisation's strategy to be crisp and clear:

- 80% of the managing directors believed that the organisation does have a clear understanding of the organisation's current and wanted position.
- 73% of heads of business units and 82% of heads of business functions find the current overall strategy to be articulated in such a way that they can use it as a robust foundation

1. In this research we use the term Managing Director. This term is in this case also equivalent to the terms President and CEO.

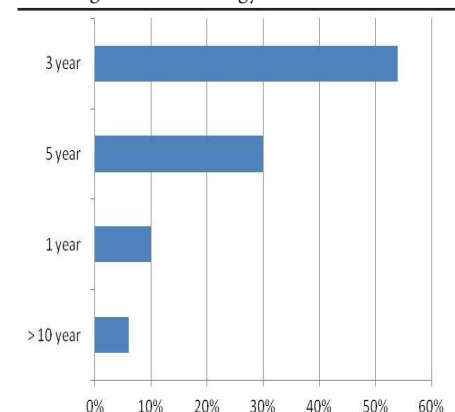
for their business unit or business function.

- 63% of the heads of business units and 77% of heads of business functions say that his or her unit's strategy is well aligned with other business units and other functional units in the organisation.

However with the revealing research finding that as many as 58% of the top executives say that they do not get the effect they are looking for from their strategic initiatives, we suggest that you continue reading this research report if you are interested in the typical challenges that many of them share and if you would like to know more about how to create and implement a winning strategy. Looking back on our past experience from supporting leadership teams, the effect of closing the strategy-to-execution gap has by all means been substantial, a significant increase in performance by a minimum of 25% for most companies. The research findings suggest a huge potential for closing the strategy-to-execution gap since close to 60% of the researched top executives strategies fails to deliver the expected output. Although this might seem surprising and perhaps not reflect the full underlying strategy performance in a given organisation, it gives a strong indication that the subject of closing the gap between what the strategy promises and the realised effects from the strategy is relevant in most situations and organisations. For 35-60% of these top executives the strategy-to-execution gap is a severe issue since they consistently do not get the results they are looking for.

Independent of the time frame for an organisation's strategy (See fig 1, page 1), organisations that create a tight link between their strategy, their plans, and, ultimately, their performance often experience other positive effects. Over time, as they turn their strategies into great performance, executives, managers and co-workers in these organisations become much more

Fig 1. How long is the time frame for your organisation's strategy?



confident in their own capabilities and much more willing to make stretch commitments and deliver high performance.

A core task for a leadership team is to discover crucial factors in situations and design ways to coordinate and focus on actions to win. Hence, several perspectives need to be taken into account. Our research presents important findings from the following key stakeholder perspectives:

- **The customer perspective:** 30% of the top executives do not think their respective organisation is consistently able to attract target customers with their current propositions. Furthermore 15% do not think their respective organisation is consistently able to retain and build long-term relationships with their target customers.
- **The employee perspective:** 62% of the top executives do not think their organisation has become the employer of choice for the highest quality employees in their target labour markets. 58% of the top executives also say that they do not believe that their organisations are doing a great job of retaining and motivating the highest potential and highest performing employees.
- **The shareholder perspective:** 45% of the top executives say their respective organisation does not show a consistent record of superior financial performance relative to their peers. 57% of the top executives say that their organisation's operational efficiency and effectiveness is underperforming to that of their peers.

Fig 2. Our main areas of improvement for the creation of a winning strategy, viewed by all top executives that participated in the research.

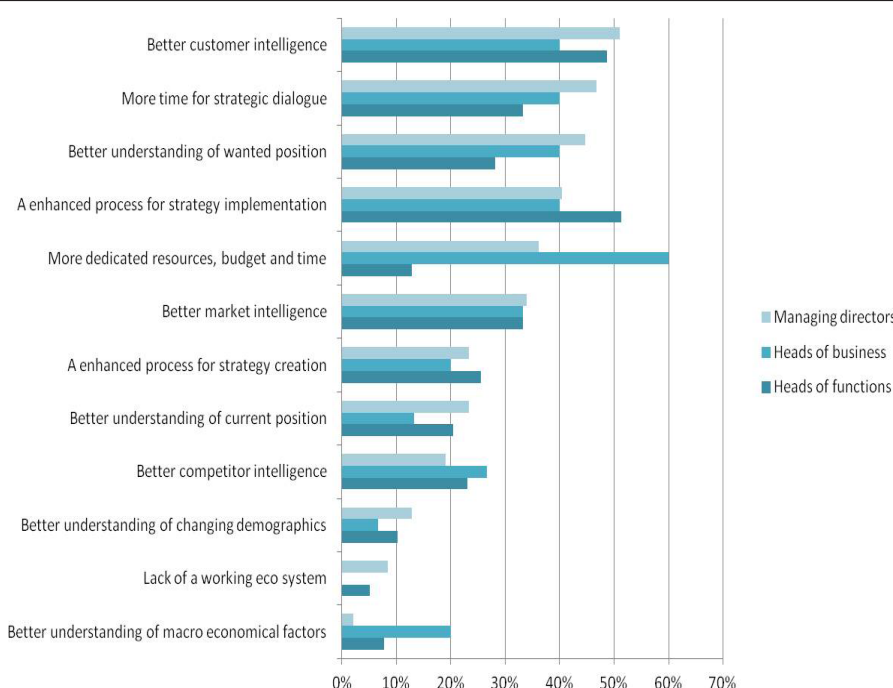
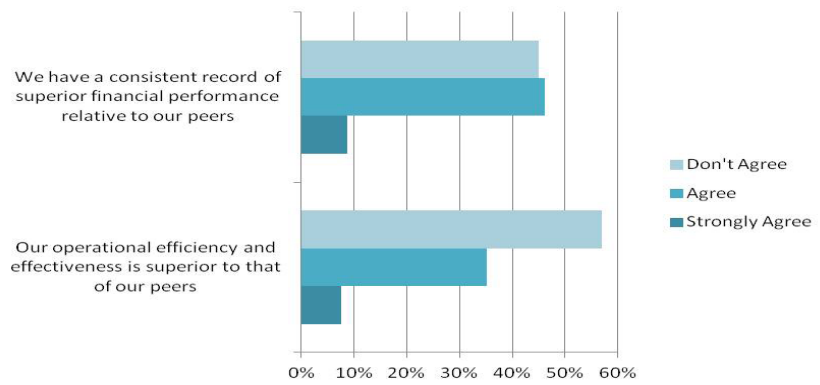


Fig 3. Indication of organisational performance, viewed by all top executives that participated in the research.



- **The corporate citizenship perspective:** 39% of the top executives do not think their respective organisation is recognised as an outstanding corporate citizen.

When taking a broader view of the value chain in which an organisation is active, it is obvious that suppliers heavily impact an organisation's strategy. 35% of the participating top executives say they do not believe that they have built excellent long-term relationships with their suppliers.

The answers from all of the top executives give a **strong indication that there is a significant potential for improvements in the way strategy is created and implemented.**

- 30% of the top executives say they do not have a vision and strategy that is aspirational, compelling, well articulated and aligned to the current market conditions.
- 42% of the top executives do not feel they have high commitment to the strategy throughout their respective

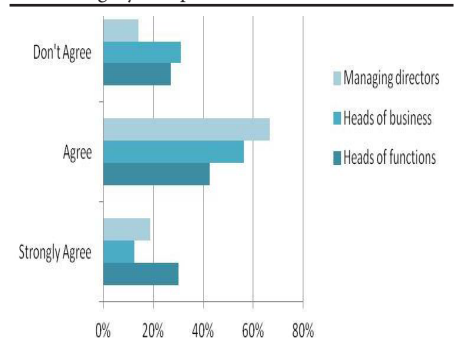
organisation. 45% believe they are not conveying a clear focus and straight priorities from the top team into the larger organisation.

- 60% of the top executives do not think the current leadership executed from the top management team effectively manages the strategic agenda with the same rigor as daily operations.
- 60% of the top executives say they lack effective resource allocation and do not have conflict resolution in place when implementing strategy.

Obviously, most executives more or less struggle with getting their strategies translated into actions. However, are the strategies crisp and clear enough to be conveyed to the field? Can the executives and the cadre of managers summarise the strategy in 35 words or less? If so, would their colleagues put it in the same way? Is the strategy underpinned by a winning proposition that attracts customers and a profit proposition that enables the company to make earnings from the proposition? Is there a people proposition in place that motivates those working for or with the company to implement and execute the strategy? Unless a company or organisation creates a complete set of consistent propositions, it is unlikely to produce a winning and sustainable strategy.

With the strong indication that the process for strategy creation and implemen-

Fig 4. We have a crisp and clear strategy in our whole organisation, view by respective category of top executive.

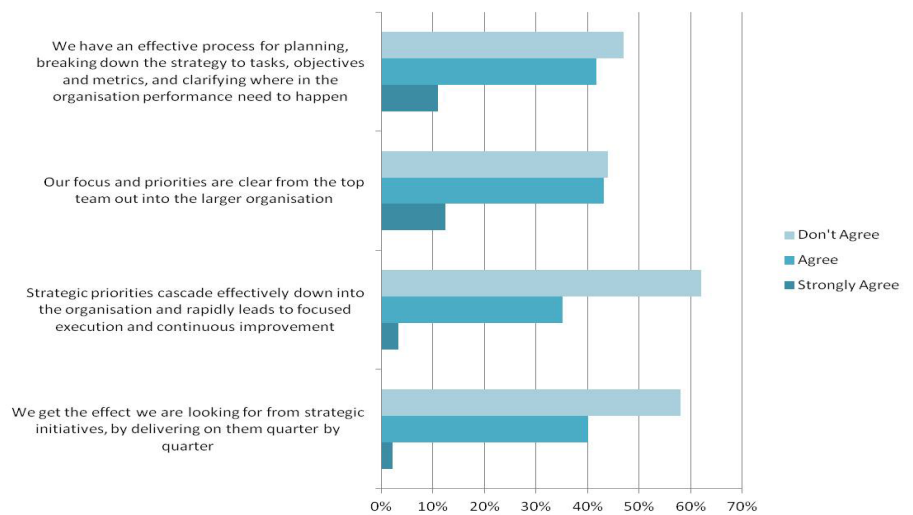


tation can be significantly improved, let's move away from the above current state of affairs regarding a company's or organisation's general performance. Instead, let's look at the top executives' view of how well the process of strategy creation and implementation really works in their respective organisations.

Our research reveals that 55-65% of the top executives (depending on executive role) say that strategy creation and implementation is conducted in a good or very good way in their respective organisations. But delving a bit deeper into the current state of affairs of strategy creation and implementation concludes that **45% of the managing directors do not believe that the current process for strategy creation in use is well defined, robust and anchored in the organisation.** Equally, many managing directors do not believe that the current process for strategy implementation is well functioning and robust throughout the organisation. Obviously, there is room for improvement in this key management process.

- 62% of all participating top executives do not think that the strategic priorities cascade effectively down into their respective organisations and rapidly leads to focused implementation, execution and continuous improvement. 65% also say that they do not have access to an effective learning mechanisms for capturing and transferring knowledge to convert short-term results into lasting capabilities.
- 47% of all top executives say they lack an effective process for planning, breaking down strategy to tasks, objectives and metrics, and clarifying where in the organisation performance needs to happen. This finding gives an indication that there is an obvious risk of strategy dilution, regardless of how crisp and clear the strategy might be from the beginning.
- When it comes to means of monitoring strategy implementation and execution, 44% of the managing directors say that they do not have a clear and transparent governance model in place to support and monitor implementation and execution of the chosen and decided strategy. This view is more or less equally shared among the heads of business units and functions.
- 41% of the managing directors and board members do not believe that the board members have sufficient understanding of the progress of the strategy implementation and

Fig 5. Top executives detailed assessment of how well strategy creation and implementation is done in the whole organisation. Viewed by all top executives that participated in the research.



execution, although 65% of them say that the board members are heavily engaged in strategy creation. A minority, 13-18%, of the heads of business units and business functions feel they are not heavily involved in the creation of the overall strategy for the whole organisation.

- 42% of the managing directors do not believe that roles, responsibilities and accountabilities for the strategy process in their organisation are clearly defined.

We believe that the research input thus far confirms our initial hypothesis that there are some vital areas of improvements still to be harvested in most companies' or organisations' most important process, the process of strategy creation and implementation.

3. Major research conclusions

Our research on how strategy creation and implementation currently are being conducted in a wide range of organisations and geographies has resulted in an increased understanding of several strengths and weaknesses, some specific for each company or organisation and some more commonly shared. The following conclusions are based on strong indications of commonly shared strengths and weaknesses received from the participating executives.

Strengths:

- Managing directors and other top executives generally regard the current strategy to be created in a crisp and clear way, hence enabling the organisation to have a clear understanding of the current and wanted position (See fig 4, page 2). Most top executives regard the current strategy to be articulated and expressed in a way so that it can be used as a robust

foundation for specific business unit and functional strategies. Most top executives also regard their business unit's or function's detailed strategy to be aligned with the strategy for the whole organisation.

- Heads of business units and functions are in general involved in the process of creating the overall strategy for the organisation. The overall strategy creation process is also in most cases conducted in an iterative way so that there is a foundation for integration between the overall strategy creation and the separate business unit's and function's strategy creation.

Weaknesses:

- Managing directors and other top executives generally regard that the current ways of working when creating and implementing strategy need improvement. The process of creating and implementing strategy often lack an effective structure and clearly defined roles and responsibilities. There is a need for increased clarification regarding ways of working, accountability, chain of command and a more defined and anchored process.
- Furthermore, there is a common concern that the governance model

Fig 6. We have a clear and transparent governance model to support and monitor implementation and execution of the strategy.

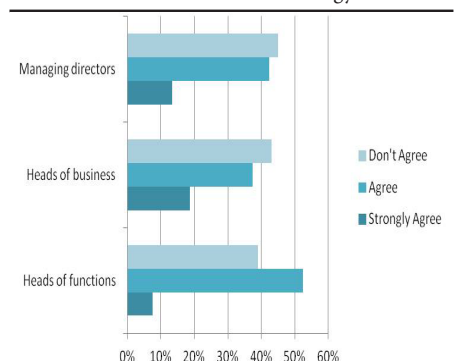
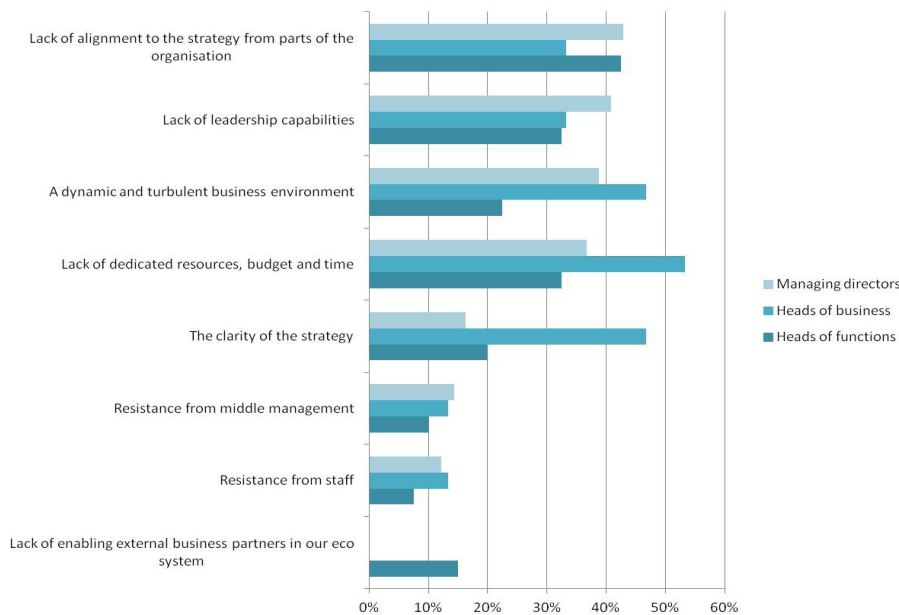


Fig 7. Our main barriers for implementing and executing our strategy in the whole organisation, viewed by all top executives that participated in the research.



needs to be improved in many organisations to better track and monitor the different phases and steps in the implementation and execution of the strategy throughout the whole organisation (See fig 6, page 3). Our research has also identified that **37% of the top executives simply do not know whether or not their organisation get the effect that the strategy promises.** The need for an enhanced governance model in this context is also reinforced by a commonly expressed concern from many managing directors and board members that the board members, who most often are involved in the creation of the strategy, seem to lack a sufficient understanding of the actual progress of strategy implementation and execution in the organisation.

A mandatory requisite for a successful strategy implementation is a governance model that enable an effective way of monitoring real-time progress of the implementation. Experience has time over time shown that a strategy, by the time it reaches the execution level may be either already obsolete due to changed circumstances or blurred by unclear communication, priorities, etc. Executives and managers need real-time feedback to make all various types of decisions and be fully engaged in all the hands-on activities of strategy implementation. This type of real-time information often also needs to be shared and reviewed with the board members, for them to gain sufficient understanding of actual progress.

Strategy performance – Are you a high performing organisation?

A high performing organisation often carries attributes such as strong financial results, satisfied customers and employees, high levels of individual initiative, productivity and innovation, aligned performance measurement and reward systems, and strong leadership. A key revisit and a solid enabler for a high performing organisation is also a crisp and clear strategy. The strategy creation and implementation challenge has become more and more complicated, in virtually every industry. Increased volatility, environmental and sustainability concerns, rapid globalisation, the rise of new technologies, industry convergence, and changes in the workforce, all have contributed to an environment in which top-down planning needs to be balanced with quick and agile implementation and execution.

To provide situational context to this research, we also researched the current general level of strategy performance by the participating organisations. **The conclusion is that there is on average a considerable opportunity for strategy improvement.**

- Most of the participating organisations are showing high performance by consistently being able to attract and build long-term relationships with their target customers and building excellent relationships with their suppliers. Most of the organisations are also recognised as good corporate citizens. Although the top executives' perception of their organisation's performance is high from these important perspectives, there are some troubling concerns regarding the

financial and employee perspectives.

- From a financial perspective, it is on average a considerable concern since many of the participating top executives responded that their organisations are currently having trouble keeping up with the effectiveness and efficiency of their peers (See fig 3, page 2). This is also reflected in the financial performance in relation to the peers. Another concern is that many top executives believe that they currently are having difficulties attracting high quality employees in their target labour markets and having concerns how they are motivating and retaining the highest performers and potentials in their organisations.

Strategy performance – Does your strategy process cycle work?

A brilliant strategy can put you on the competitive map, but only solid implementation and execution can keep you there. For some managers and co-workers in an organisation, strategy might be a highly abstract concept, sometimes confused with vision or aspiration and not something that can be easily communicated or translated into action. But without a clear sense of where the company or organisation is headed and why, lower levels in the organisation cannot put in place executable plans. If a clear link between strategy, implementation and execution cannot be drawn, then the strategy is neither sufficiently concrete, nor ready for execution.

To provide additional situational context to this research, we also researched the current general performance level of the process cycle for strategy creation and implementation (See fig 5, page 3). **The conclusion is that most organisations are just getting started down the path toward effective strategy implementation.**

- An overall perception among the participating top executives is that they have a vision and a strategy in place that are aspirational, compelling, well articulated and aligned to market conditions. But in contrast to the perceived current state of the vision and strategy, the effect from strategic initiatives does not often meet the expectations. Many top executives simply do not get the effect they are looking for from their strategic initiatives.

Our research concludes that the process for strategy creation and implementation, which companies and organisations use, shows decreasing and sometimes counterproductive signs. The listed signs below are manifestations of the relative low de-

gree of maturity and robustness in many of the participating organisations' strategy cycles. This often implies that the strategy gets somewhat stuck somewhere in the middle of the effort or organisation:

- The leadership team do not manage the strategic agenda with the same rigor as daily operations.
- Unfocused and unclear priorities are communicated from the leadership team into the larger organisation.
- There is ineffective resource allocation and conflict resolution when implementing strategy.
- There is an ineffective process for planning, breaking down the strategy to tasks, objectives and metrics, and clarifying where in the organisation performance need to happen.
- There are ineffective learning mechanisms for capturing and transferring knowledge to convert short-term results into lasting capabilities.

Improvement areas for an effective strategy performance and strategy cycle

Our research has identified a number of barriers and areas of improvement for creating and implementing a winning strategy (See fig 2, page 2 and fig 7, page 4). There are a few key themes that are common and need to be addressed:

- **Know your numbers and your business environment!** Generally, there is a clear need to learn and understand more about target markets and customers. There is a clear need for better market and customer intelligence, which is of course necessary when determining the current and wanted position for a company or organisation. This task tends to be more and more difficult for many organisations primarily due to the digitalisation, increased globalisation, sustainability, deregulation and the convergence of customer needs and industries, as well as a more dynamic and turbulent financial and business environment.
- **Mobilise and get your people involved!** In order to create engagement for the strategy and mobilise the organisation's internal forces, there is a common understanding among top executives in many organisations that there is a need to further sharpen and clarify the strategy. Even though top executives themselves consider the strategy to be clear, the strategy is often not perceived to be clear enough or clearly communicated by the greater audience in the organisation. This commonly shared weakness blurs the organisation's understanding of

the current and wanted position and makes it impossible to draw a straight link between strategy, implementation and execution. An expressed concern from many managing directors is also the lack of leadership skills in the organisation as one key reason for not being effective in translating strategy in to action. This is further exemplified by the fact that many of the top executives are concerned with the current lack of organisational alignment behind the strategy from parts of the organisation.

- **Forge a strategic identity!** A widely expressed concern is the constant lack of time for conducting the strategic dialogue in order to forge a strategic identity. The common fact that operational issues tend to squeeze out the more strategic issues from the agenda is a serious problem. One of the main tasks of an executive leadership team is to set the direction and guide the organisation into the future. If they do not prioritise this, then who will do it? In addition, a widely expressed concern is the need to engage more man-hours, resources and budget into the strategy creation and implementation activities.
- **Run a continuous end-to-end strategy process!** The final theme has to do with the need for an enhanced continuous process including both strategy creation and implementation. Even though an improved process many times effectively helps closing the strategy-to-execution gap, it is not the single answer for most organisations.

To be fully comprehensive, the strategy process should embrace activities covering the themes above. Hence, **we believe that the full answer for truly gaining from an effectively working strategy cycle has to do with taking an integrated and continuous systems approach to this key management process.**

4. Introduction to our thinking regarding strategy creation and implementation

Strategy is about winning. A good strategy acknowledges the challenges you face and provides an approach to overcoming them. In contrast to the world of sports where coming second or third can be regarded as a victory, at least over oneself..., coming second or third in the world of business is often a complete waste of time, effort and resources in the pursuit of winning business. Earning the right to win is never easy but implementing a winning strategy is the most direct, and effective way to get there. With the right capabil-

ities in place, strengthened and refined over time, companies with a winning strategy and outstanding implementation and execution are better positioned for the right kind of growth. They lead their market by delivering unique values to its customers, values which competitors cannot beat.

If asked to define strategy, most executives would probably say that strategy involves discovering and targeting attractive markets and customers and then crafting positions that deliver sustained competitive advantage in them. Most companies and organisations achieve these positions by configuring and arranging resources and activities to provide either unique value to customers or common value at a uniquely low cost.

When executives develop corporate strategy, they nearly always begin by analysing the industry or environmental conditions in which they operate. They then assess the strengths and weaknesses of the competition they are up against. With these industry and competitive analyses in mind, they set out to carve a distinctive strategic position where they can outperform their rivals by building a competitive advantage. To obtain such advantage, a company generally chooses either to differentiate itself from the competition by product excellence, lowest cost or customer intimacy. The organisation then aligns its value chain accordingly, creating manufacturing, marketing, and human resource strategies, etc. in the process. On the basis of these strategies, financial targets and budget allocations are set.

We believe that competitive advantage is essential to strategy. But it is not the full story. A single minded focus on competitive advantage is akin to the complete-contract view, in which all the thinking is done at the beginning and the key job of the strategist is to get that analysis right. If this were so, the role of the strategist would be limited and easy to separate from the leadership of a company or organisation. Hence, the strategist would neither have to be concerned how the organisation gets from current to wanted position nor how to capitalise on the learning it accumulates along the way. Michael Porter, the leading proponent of strategy as positioning, has argued², "Efforts to grow blur uniqueness, create compromises, reduce fit, and ultimately undermine competitive advantage. In fact, the growth imperative is hazardous to strategy."

² What is the Theory of Your Firm, Harvard Business Review, June 2013.

We think that a growing challenge among leaders today is not just to obtain or sustain competitive advantage but perhaps foremost to find new, unexpected ways to create value for the customers, employees, shareholders and society.

To successfully find new and unexpected ways to create value and profitable growth, leaders must effectively reach out beyond the executive sphere when creating a winning strategy. To achieve this, we believe it is helpful to view an organisation as a system and thus taking a systems view, i.e. look outside-in to better understand what type of value and demand customers desire and how value and demand are created. This often results in a better understanding of the needs and desires from the customers' and other stakeholders' point of views. A company's or organisation's strategy will adapt better to changes in the world and in the targeted customer segments when leaders take a systems approach which embraces, develops and disseminates knowledge to strategy creation. Taking a systems approach will also embrace strategic learning in the organisation resulting in an efficient way to translate strategy into winning actions.

Strategy becomes meaningful first when it is executed

A leadership team, which creates a strategy that they believe will generate a certain level of financial performance and value over time, may experience that the strategy gets blurred during implementation and execution. Some strategies never get executed because they remain closely guarded secrets of the leadership team. To be effective, the workforce must be mobilised. Other barriers blocking strategy implementation and execution may be failure to have the right resources in the right place at the right time, poor communication, poor action planning, blurred accountabilities, etc. Of course, these causes may not be representative for every organisation or every strategy. Nonetheless, they do highlight some of the issues that top executives need to look out for when they review their organisation's process for creating and implementing strategy.

We believe that people who perform non-strategic roles also should know the general outline of the strategy so they can become more engaged and find ways to contribute. A leadership team that is unified around the strategy is perhaps the most important prerequisite for successful strategy implementation and execution. Getting the right people, in the right seats, is also a prerequisite for successful strategy implementation and execution because

strategy typically requires affirmative levels of cross-functional integration.

If a strategy is approved but poorly communicated, it is very difficult to translate it into specific actions and resource plans. Hence, to deliver any strategy successfully, executives and managers need to communicate it effectively. This makes the translation of strategy into specific actions and resource plans possible. Executives and managers must all make numerous tactical decisions to translate the strategy into action. Therefore, strategy implementation and execution may be seen as the result of numerous decisions made every day by executives, managers and co-workers, all acting according to the information they have and their own self-interest. If lower levels in the organisation do not know what they need to do, when they need to do it, or what resources will be required to deliver the performance that is expected by top management, then consequently, the expected results will never materialise.

Once you realise that all these decisions make up strategy implementation and execution, you will find that decisions regarding resource allocation has a particularly strong impact on successful implementation and execution. No planning or capital budgeting procedure can substitute for the leadership team making considered judgments about how to allocate resources. Because of its impact on the strategy, the executive management has to engage itself in the debates that mark inflection points in the process of strategy implementation in order to get decisions on resource allocation right.

Let us now, after having introduced some of our thinking, provide you with a proven framework that might excite your interest. We usually use this framework when advising clients on strategy creation and implementation issues. If you think this framework is useful for improving your organisation's strategy performance and your current strategy cycle, feel free to use it.

A framework for strategy creation and implementation

Strategy is a singular thing. There is one strategy for a given business, not a set of strategies. It is one integrated set of choices. Creation of strategies is a creative and analytical process. It is a process because particular functions are performed in a sequence over the period of time. The process involves a number of activities and their analyses to arrive at a decision. Even though there may not be unanimity over these activities particularly in the context of organisational variability, a complete process of strategy creation and imple-

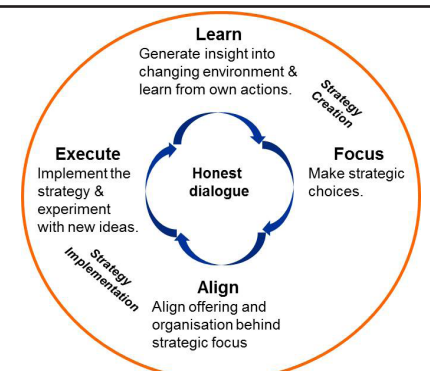
mentation is a must to deliver sustainable results to customers and other stakeholders.

Today's competitive environment presents unique challenges for organisations, such as high levels of uncertainty and complexity, disruptive technologies, and a premium on speed, choice, and innovation. These new challenges demand a new type of dynamic strategy creation. This means creating an organisation with the built-in ability to sense and rapidly adapt to changes in the environment on a continuous basis.

The recognition that learning is central to successful adaptation has given rise to a body of thinking on what has come to be called the learning organisation. A learning organisation facilitates the learning of its members and continuously transforms itself. Learning organisations develop as a result of the pressures facing modern organisations and enables them to remain competitive in the business environment. Strategic learning is a key ingredient of a learning organisation and aims to generate learning in support of future strategic initiatives that will, in turn, foster knowledge that leads to improvements in business performance. Strategic learning is a systems approach to strategy creation and implementation that embraces, develops and disseminates knowledge and is able to adapt to changes in the world so that it benefits customers, employees, shareholders and society.

The Strategic Learning strategy process framework has a four-step dynamic cycle of learn, focus, align, and execute (See fig 8, page 6). The dynamic cycle has the same logic as the Plan-Do-Check-Analyse cycle which today is widely used to improve organisational performance. Like the PDCA cycle the four-step dynamic cycle of learn, focus, align, and execute build on one another and are repeated to create and sustain a winning performance. The more often an organisation repeats this cycle, the better it will become at doing it, thus enhancing its adaptive capacity. The result is a process of on-going renewal that characterises the truly adaptive organisation.

Fig 8. The 4 steps in the Strategic Learning Process.



Step one: Situation Analysis (Learn)

The essential starting point in The Strategic Learning process is the Situation Analysis — a systematic exercise in diagnostic learning. The Situation Analysis is the engine room of strategy creation. Its aim is very specific: to develop superior insights as the basis for the company's strategic choices. All breakthrough strategies are based on unique insights.

The task of the Situation Analysis is to generate superior insights into at least the following key areas:

- Customers
- Competitors
- The company's own realities
- Industry dynamics
- The broader environment

Customer decisions can play a huge role in real strategy formation, particularly in businesses with a few very powerful customers. Companies that stay close to their best customers give them a competitive advantage on product development and distribution.

Step two: Vision and Strategic Choices (Focus)

The Vision and Strategic Choices are the key deliverables of strategy creation. They are based on the insights generated in the Situation Analysis and represent the strategic focus of the company. A vision is a concise word picture of what an organisation aspires to be in the future that provides a clear sense of direction that everyone can understand. Coherence is essential; the vision should be an extension of the company's strategic choices, not a thing apart. Strategy is about making choices. No lasting success has ever been achieved without an intense focus on the right things.

A successful strategy shall focus on one of two things, either do things that no one else does or do things that others do, but in a different better way. Trying to compete by doing the same thing in the same way is not meaningful. The way decisions are made throughout an organisation has vital consequences for strategy. The Strategic Learning process is designed to ensure that your choices are based on insights rather than guesswork and that you make the most intelligent choices possible.

The focus phase addresses these perspectives;

1. Customer Focus, defines which customers the company will serve (and which it will not), and what products or services it will offer them.
2. The Winning Proposition. This an-

swers the question, "What will we do differently or better than our competitors to achieve greater value for our customers and superior profits for our company?"

3. The Five Key Priorities, a list of the top priorities the company will pursue to realise its winning proposition.

Before moving to the alignment step in the process, the strategic priorities need to be translated into operational goals that clearly spell out what must be done for the company's strategy to be effectively implemented. Crafting strategy is an iterative, real-time process; commitments must be made, then either revised or stepped up as new realities emerge.

Step three: Align the Organisation

Now that the Strategic Choices have been clearly defined, a company is ready to tackle the issue of strategy implementation. The big question is, "How do we get our organisation to do what we want it to do?" In large, complex organisations, this can be a daunting task.

For many executives, this is the hardest part of all. The right competence, culture, processes, structure, disciplines, measurements, and accountabilities must be applied to closing gaps, and follow-through must be relentless. Most strategy analysts ignore the role operating managers have on strategy outcomes, assuming that these managers are too tied up with operational issues of the business to think strategically. On the other hand, senior executives tend to overlook the very real impact operating managers have on strategy implementation and execution. The "silo-logic" of traditional thinking is not enough, a systems view of the organisation need to be applied. For implementation of any strategy to be successful, all the key elements of the business system must reinforce each other in support of the strategy. 94%³ of the variations in managers' and employees' performance can be traced to an organisation's system. Therefore, it is important to focus on understanding and developing the organisation as one system. Taking a systems view is to look outside-in to understand how demand, value and flow will result in a better fulfilment of needs from the customers' and other stakeholders' point of views. No single part of the organisation can do this job on its own.

It is necessary to examine each element in turn and make the changes necessary to ensure that they are acting in concert to support the strategy.

3. W.E. Deming, in Scholtes, 1998

Step four: Implement and Experiment (Execute)

Effective alignment, as described in Step Three, ensures that the company's key organisational resources and the energy of its people are concentrated as a powerful driving force behind the strategy. The company is now in a position to execute the strategy successfully and rapidly. Step Four is the actual implementation phase of Strategic Learning. It should include a deliberate set of experiments to fuel organisational learning. We can never know for sure what is going to work. Like nature and its evolution, we must maximise our chances of finding favourable variations through continuous experimentation. Step Four then feeds back into the Situation Analysis. The company updates its insights, learning by examining its own actions and by rescanning the environment, and then modifies its strategies accordingly. The process never stops.

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