

Turning Strategy into Performance: Part I

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Keep your strategy crystal clear.

Wal-Mart is one of the great business success stories of our time. From its founding in 1962 until 2005, the firm racked up incredible growth with its laser focus on one strategy: “everyday low prices.” Ask any employee what the company represented and what it strove for, and there was zero ambiguity. That clarity made it easy for the firm to focus on what needed to be done each year.

But in 2005, Wal-Mart stumbled. Attracted by the higher margins of fashion-forward apparel, the company launched two in-house product lines, featuring items such as gold lamé vests and skinny-legged pants. Both collections bombed. Then it instituted a hybrid approach combining low-cost basics along with some exclusive well-known national brands, such as Starter, OP and Danskin. That failed, too. Finally, Wal-Mart introduced a lifestyle collection by famous designers such as Norma Kamali and Max Azria. No success.

The effect of this ill-conceived foray into fashion was dramatic. Inventories of unsold apparel, along with home décor and outdoor products, jumped. Same store sales, which were in the 6-8% range during the 1990s, fell below 2%.

Even a company as large as Wal-Mart can’t pursue multiple strategies and succeed. No company has the resources—the people, the systems, the real estate, the design strength, etc.—to execute more than one strategy at a time. “Everyday low prices, plus medium-high fashion”? I don’t think so.

Contrast Wal-Mart’s loss of focus with Southwest Airlines, one of the most relentlessly focused companies in the U.S. Everything the firm does is aligned behind one strategy: providing the lowest-cost air travel in the country. Every decision the firm makes is aimed at lowering costs, from restricting its fleet to only one type of plane, to avoiding high-priced air hubs, to deploying systems enabling rapid turnaround at the gate.

Southwest CEO Herb Kelleher perfectly expressed the inescapable need to keep strategy crystal clear and shockingly simple:

“Of course we have a ‘strategic’ plan. It’s called doing things.”

Questions to answer:

- Can everyone in the organization clearly articulate that strategy?
- Are all decisions made to further that strategy?
- Are all systems aligned towards that strategy?