



Lean Strategy Execution





”Strategy execution is a non-optional part of the management agenda, and it is essential that everybody in the organization is connected to it.”

Most organizations are struggling trying to find an effective way to develop, manage and implement strategy. It has been a well-known fact since many years that most well-developed strategies never become executed. The reasons for this can be found in all parts of the organization and ranges from claiming the lack of proper tools, contradictions between traditional budgeting (short term) and strategy (long term), and in many cases, lack of time and effort. It is ironic that we find both management teams and sub-level departments and units claiming that daily activities consume too much of their management attention. It is nevertheless hard to find organizations stating that strategy is not needed and most organizations have strategy in one way or the other. Is strategy optional? Most would say ‘no’ to this, but if you only look to the amount of time an organization puts on budgeting and financial controlling compared to strategy, it becomes clear: strategy is not at the center of the management agenda.

In some organizations strategy becomes reduced to only the ‘bigger’ questions and management may lean towards an approach where strategy becomes the decision of what products to make, where to sell them and how to integrate new acquisitions into the organization etc. (strictly top-down), forgetting that strategy is something that everybody should work with and understand to become successful (bottom-up).

ARE YOU SURPRISED WHEN YOUR strategy fails?

We can see our competitors become more successful than we are, or as it seems, doing the same thing we do, but with less effort and with more profits. So how do we explain that our own strategy fails?

"This happened due to unforeseen external factors...."

"The customers do not understand what we are trying to do..."

"The market is changing too fast..."

"We lack resources..."

"The decision was made by others..."

However, it is more likely that you had the right strategy, but failed in execution, rather than that you had the wrong strategy to begin with.

You *know* what to do, but it is *not just* happening

How can we use our management structure in such a way that we consume less energy, time and resources in making sure that the organization is moving in the right direction?

The answer may be that we need to take a second look on how we do things in the organization. Effective strategy execution is partly about managing change, but even more so, it is the way the organization functions at its core. Strategy execution is not a parallel effort when managing daily operations, it is a part of daily operations. It is something that the organization will need to focus on every day.

Effective strategy execution needs a relevant starting point. It is key to understand the importance of not making management- and support processes self-sustaining entities, slightly expanding scope and role from year to year, eventually becoming an inefficient governing structure that puts more and more work on the people of the organization, demanding more and more reports in its endless ambition to take control over everything that happens in the organization. Ironical? Not really.

No, management- and support processes must re-challenge the reason for their existence and be prepared to explain not only what explicit value they bring to the organization, but also how they will contribute to the long-term success of the company. They need to create links to specific strategies, explaining how and where to connect and how they will accelerate the execution of the strategy. Just being there to 'control' and 'support' is not good enough. Generic assumptions that 'people focus' (HR), 'customer focus' (Market) and 'cost focus' (Finance) will contribute to success is not enough either. We need to be specific, realistic and committed.

effective and lean strategy execution



Execution will address the need to:

- Have a high level of engagement and accountability in top management
- Have clear definitions of vision and strategy
- Make strategy deployment (or roll-out) effective and beneficial
- Align the organization and its processes
- Effectively connect people
- Efficiently follow-up progress, where the right questions are answered
- Make the management process lean

The points above may be expressed differently for different organizations depending on where they stand in the way they operate today, the size of the organization and how much change they are looking at. Radical (transient) change, that needs to happen in only a few weeks or months, may not require any of the points above, other than a strong entrepreneurial focus and commitment from the top executives. In the end, however, even those organizations need to focus on the points above to figure out how to manage strategy and change over time.

CLEAR PURPOSE & ENGAGED TOP MANAGEMENT ENABLES a strong foundation to build upon

1. Strong engagement and accountability in top management

Management needs to mobilize to put focus on strategy, the execution of strategy and the enablers that need to be in place. The recognition of and commitment to the strategy itself, but also what it takes to push it forward. The understanding that it may require major change in the way the management team functions and operates, along with mandates, decision power and purpose. This may require new people at positions that did not exist before, and It may require a completely new process.

2. Clear definition of vision, strategy and core values

Senior staff and members of the executive management team is key to the development of, and definition of, the company vision and strategy. They are responsible for setting the direction for the organization and ensuring that this happens. When moving into execution mode this usually means a slight revision of corporate vision, mission and strategy. It is essential that management are the owners and drivers of this, and even more essential that a real and solid effort is put to the clarification and prioritization that comes with the territory. In many cases a successful and lean execution of strategy includes a reiteration of the strategy itself to make it compatible with operations and relevant to the employees. This may, or may not, lead to a change in prioritization for selected elements in the strategy.

Keep it real. Keep it tangible still. Keep it focused. Ask yourself; What is important for our organization? What do we need to focus on in the way we act and behave? And finally, pressure test your company core values against strategy. Will it fit in? Is it aligned with what we are trying to do? Make the company core values a real tool for effective strategy execution. Do not forget to ask: do we agree on definitions used in the strategy process? Do we have the same understanding of what an activity or initiative is? What a measurement, a PI or KPI is? What do we mean with target setting? What is a goal? All examples of what can cause considerable confusion and poor quality if misused.



“Make the company core values a real tool for effective strategy execution”

Strategy deployment

3. Effective and beneficial strategy deployment

Deployment of strategy is a response to the need for the organization to align to the overall strategy. It is the answer to the question 'how can we get the people in the organization to focus on what's important and stop doing the wrong things?' Look at point 2 above: the need to have a clear vision and strategy. When vision and strategy are hazy and sometimes philosophical or even generic, it is likely that the organization will not understand what to do to move in the right direction. It is essential to keep the deployment process pragmatic. Focus on the right issues. Keep it simple. Think Lean. Be clear.

The logic of deployment of strategy is different between business and support functions:

- Deployment to business departments and units: deployment is more direct and linear and contribution from levels below are targeting the generation of business value, being part of a supply chain or delivery of a service to customers.
- Deployment to support functions: deployment is sometimes in-direct as support functions are not required to generate direct business value to end customers or users.

Note that Finance-, HR-, Legal-, Communications departments etc. are not only there to support business generically. They need to form their own support functions strategies in such a way that they adapt to the circumstances required by business strategy (look to point 2 above again). Support functions also have a very important role in the execution of strategy over-all. If there exists an internal Finance or HR policy, or set of internal rules, that restricts the possibility for the organization to execute strategy effectively, this should be considered. Make your staff functions relevant to strategy.

4. Aligning the organization and its processes

It is key to spend time on the dialogue needed to make strategy understandable, and allow the organization to spend time on aligning responses and point of views. Effective alignment may depend on:

- To what degree each team (functional or process) can assess and understand the strategy, trying to identify where to contribute. Teams and units will benefit from being empowered to reach a decision on what to focus on and why, based on assumptions of relevant contribution and where real difference can be made
- That sub-level department and units can negotiate priorities when explaining why certain changes are needed. Sometimes a small change within a single department or unit can unlock the entire strategy for the whole organization.
- A clear separation of strategy execution and continuous improvement. Forcing sub-level departments and units to define and report on all types of improvements (strategic, tactical and operational) will overload the alignment process. Continuous improvement works at it best when it exists only within a specific process.

if movement is in the right direction



Organizational alignment is a continuous process and it depends on how good managers are trained and what type of support that is given by support functions. However, do not forget to ask the big question in relation to organization: do we have the right organizational structure to drive this strategy? Do we have the right fit? What needs to change? Are we focusing on the critical areas?



5. Effectively connecting people

Linking people development plans to strategy and the long-term goals of the organization is normal. Most of us have done this and it is not unlikely that you also have questioned the benefit of doing so.

Look to point 4 above. If the department or unit you belong to have done its homework in relation to how to contribute to and fit with strategy, aligning people becomes much easier:

- Challenge each employee on how to contribute to the success of the unit or department.
- Identify a clear way to measure or assess success, but do not overdo it. Keep it simple.
- Link reward systems to long term success to avoid short term sub-optimization.
- Do not freeze the plan for a year, lock it away, and follow-up afterwards. Effective people development requires a constant and even informal dialogue between the manager and the employee, and the understanding of what to prioritize and focus on may change several times over a year, much like strategy itself.
- Ensure that internal communication is based on actual strategy when addressing long term success of the company. (In some cases, internal communication is not in sync with strategy. Strategy dictates what internal communication should focus on long term, not vice versa.).



6. Focused follow-up on progress, asking the right questions, taking the right decision

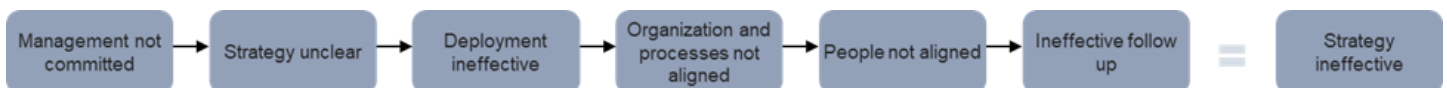
The culture of financial and operational reporting states that we must be precise, to know exactly how it is and furthermore, if it is in line with expectations. Strategy execution however, is not at all about that. As strategy is about moving (pushing) the development of the organization in a certain direction and we need only to understand if we are moving, if we are moving in the right direction and possibly at what pace. It's about trends, to have situational awareness, to understand what to do next, and the ability to take corrective actions. The ability to reach a decision is more important than the decision itself. The more time we spend on analysis, trying to make sense of what the right decision might be, the more time we lose, and the productivity of the management structure becomes lower. The amount of decisions that are reached over a specified amount of time is likely to decrease.

7. ESTABLISHING A

Lean management process

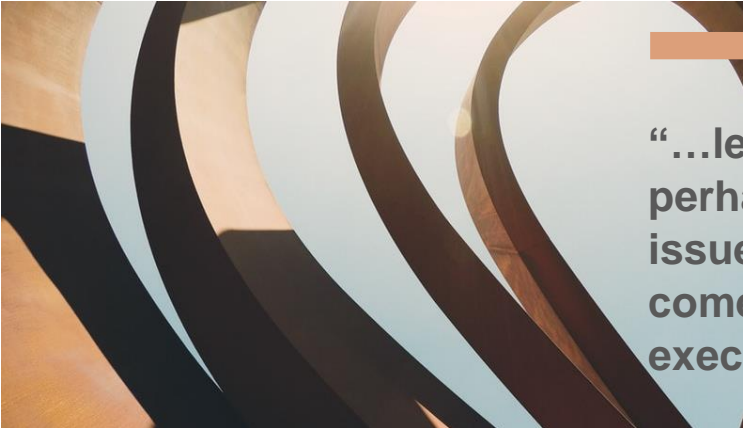
Finally, and as a sum of all other points above; we look to a lean management process reducing waste when identifying, reaching and implementing short- and long-term decisions. Waste in a management process is not hard to find:

- Unnecessary iterations, revisiting the same issue repeatedly without reaching a decision.
- 'Dual' management teams, where different management teams seem to address the same type of issues due to unclear roles and responsibilities or due to unclear company priorities (strategy).
- Too many meetings within a management team due to lack of discipline or an organized way of working, with clear agendas, meeting minutes, decision data base etc.
- Too many forums, creating the feeling that the organization is not focusing and that too much is delegated upwards in the organization.
- Unclear mandates, or lack of trust, having management teams at lower levels constantly 'ask' for permission to do something.
- Different understanding of what is important long term can cause management teams and experts hassle each other of which one has the correct perspective while spending hundreds if not thousands of man-hours not creating value for the organization.



It all starts with management commitment and in the end, this will impact many other areas of strategy execution where the strategy fails due to negative causality. Strategy collapses. One factor is a prerequisite for the next one and cannot be managed separately.

Keeping the management process lean, clean and focused is perhaps the most important issue among all others when it comes to effective strategy execution. If nothing else, this can cause critical or strategic issues to drag for years and the organization will lose trust in management, not forgetting that competition will have a great chance to surpass you in market performance. To keep the management team(s) focused on the right issue, to sort out how to work and govern the organization without too much waste of time and resources is critical for effective strategy execution and all other efforts should strive for this end-goal. Does it sound obvious? Well, are you doing it the right way then?



“...lean, clean and focused is perhaps the most important issue among all others when it comes to effective strategy execution.”

with a lean implementation mindset

Effective and lean strategy execution is to constantly revisit the strategy itself and take corrective actions and set new directions. It is important to recognize that strategy definition and execution is intimately linked, and many times you learn as you go, not forgetting to keep strategy execution on the agenda with same weight as daily operations.

As new strategic competences are highly likely to arise, especially within the 'new' economy, so should your organization follow, not just to figure out what to do, but how to do it. This also affects your ability to execute as less confusion in new fields will reduce waste, and the risk of being too late in the market with new products and services.



Conclusion – looking forward

Speed and agility in strategy execution tomorrow will be completely different from the industrial era with very long development- and sales cycles, where management teams could work in the same modus operandi for years and years. Tomorrow, you will need speed, but also have the agility to change direction quickly, without losing the rest of the organization on the doorstep of success.

Strategy execution is a competence field. Make sure that you get this right. It is important that leaders and employees are not requested to know this without proper training and experience sharing, having access to the right tools and the right type of coaching.



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