

All too often businesses develop great strategies but are unable to translate them into value. Research studies consistently suggest that, on average, organisations leave around 40% of the value of their strategies on the table. This often happens because there is little linkage between strategy development and strategy implementation. Even the best strategy is worth nothing if it gathers dust in the filing cabinet. In this article, we outline the UGM end-to-end, process-based approach to strategy and strategy implementation. We also highlight the knowing-doing gap as a widespread problem and share some of the latest thinking on the strategy-implementation cycle.

Are you frustrated by the amount of value your business leaves on the table?

Do you feel at the end of the financial year that, despite having had great strategic intentions for the year, your business left value on the table? At UGM we find this is a common problem, and the source of much frustration for senior leaders. Our own experience mirrors recent research findings that even businesses with the best strategic plans seem to have difficulties in converting all of their strategies into action. Perhaps the most unpalatable aspect relates to the fact that the lack of implementation is not due to a lack of knowledge of what to do. Despite knowing what needs to be done, and even having a solid set of plans, it still doesn't happen!

Just how bad is it?

It's pretty difficult to be a 100% sure exactly what value a particular strategic direction will deliver. Even with solid metrics in place, how a strategy unfolds in today's complex global business environment is usually different from what was anticipated. Clients of UGM Consulting often find, particularly as they reach the end of their strategy cycle, that the conditions which informed the formulation of their strategies up to 18 months prior have radically changed. For example, the business environment of August 2008 is quite different from just a year ago. The buoyant global economy was unaffected by the sub-prime melt-down which was only days away. Oil was cheap at \$75 a barrel, when compared with mid-2008 highs of \$140 per barrel.

Currently, the global economy is highly volatile. But even when we find ourselves in a calmer period, things aren't static. We are always faced with change. So, our clients have found it helpful to think about implementing strategy in the same way as thinking about implementing change. This immediately highlights the degree of risk associated with successful implementation. Although estimates vary widely, research studies suggest that between 40% and 70% of change efforts range from failing completely through to failing to achieve all intended outcomes. Separate studies involving hundreds of large companies globally have found that, on average, around 40% of value is not realised when strategy is implemented. If your business fails to convert only 20% of strategy to value during implementation, what will the impact be on your bottom line?

You don't just lose value – you lose competitive advantage

Dropping value from the bottom line hurts! Quite simply, returns are lower than they might otherwise have been. However, from a strategic perspective, failure to convert strategy to performance has the potential for much longer-term damage that is often not immediately apparent. One of our clients recounted how a senior manager on his team expressed great satisfaction at year-on-year increases in revenue. The problem was that in the good times anyone could make money, and often did so without considering and developing the effectiveness of strategy implementation. Closer inspection revealed that the business was rapidly losing market share as its competitive position declined. If your business is able to translate strategy into value more effectively than your competitors, then you can create or sustain competitive advantage.

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How UGM tackles strategy implementation

UGM always promotes the view that strategy and implementation need to be connected. Our practice is to base strategy on the key value drivers that 'move the needle' for the business. Appropriate tools support the identification and implementation of initiatives that deliver on the core drivers. This leads directly to value creation which positively impacts the bottom line. Our tailored processes result in continuity between strategy formulation and subsequent implementation and monitoring of plans to realise the strategy. See our piece on Strategy Design and Facilitation for additional detail on our strategy processes.



The UGM approach to strategy and implementation is holistic and end-to-end

The Knowing-Doing Gap

Respected Stanford University scholars, Jeffery Pfeffer and Robert Sutton, surveyed thousands of businesses in a four-year study and confirmed a startling fact about strategy implementation. In most cases, people know what needs to be done to implement their strategies but they just don't do it.

Are you in an organisation where there is a lot of talk and not as much action? Or perhaps you experience a culture that is entrenched and inflexible? What about change – does your business embrace it or fear it? Do your teams and divisions spend more time posturing and defending their turf than they do competing with your true opposition? How about measurement – do you avoid effectively measuring and tracking performance of strategic plans, including those that span multiple planning cycles?

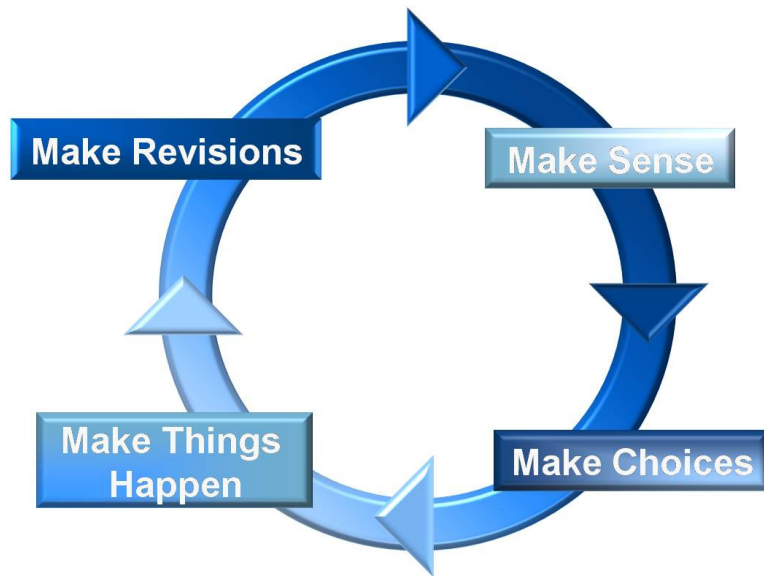
If you answered 'yes' to one or more of these questions, then your business may be suffering the effects of a knowing-doing gap and, more important, losing value through less than optimal implementation of your strategies. We work with our clients to assess which of the factors that lead to a knowing-doing gap might be present, and then help them develop clearly defined action plans to transform knowing into doing.

How does your business see strategy?

At UGM we have ceased to be amazed when prospective or new clients fetch out and dust off a few SWOTs in response to our request to see their business strategy. Often strategic planning involves a few selected individuals who lock themselves away for a day or two, develop a set of SWOTs or equivalent, and then, job considered done, stow the plans safely in the filing cabinet until the next year. Too few strategies are living blueprints that guide daily action and, in turn, are assessed against emerging information and varied when required. Perhaps, under these circumstances, businesses are fortunate that only 40% of value is left on the table! Our approach, which includes plans for implementation and metrics to assess progress, ensures that businesses continually return to their strategy document, updating it as needed.

The strategy-implementation loop

Donald Sull of the London Business School recently suggested that instead of viewing the strategy process as linear, starting with planning and ending with execution, we would benefit from conceptualising the process as iterative. Strategy is never complete but instead is continuously a work-in-progress. The four major steps include: making sense of the situation; choosing what to do and what not to do; taking action and implementing; and then making revisions based on new information. To work effectively, the approach need input and application from many in the business at all stages. This, of course, links with the increasingly popular ideas about distributed leadership which you can read by clicking on [‘Leadership Development’](#)



The Strategy Loop

The Strategy Loop idea closely mirrors the end-to-end strategy process we use at UGM Consulting, where we start by gathering and assessing data. We consider the plan a success only when it is implemented and meets or exceeds targets.

Conclusion

Businesses are leaving a substantial amount of unrealised value on the table because strategy and implementation are not seen as a continuous and iterative process. Businesses seldom lack people who know what needs to be done, but they do suffer from the lack of action needed to achieve desired bottom line outcomes! We often find ourselves advising clients to engage many more of their people in an ongoing strategy-implementation process, because that usually leads to superior results – additional value and even a source of competitive advantage. To maximise the outcome of your strategic plans, you should consider the strategy-implementation cycle, which includes a series of steps and tools that ensure end-game success, as a core business process. Clients of UGM Consulting who have adopted this approach have benefitted from superior strategic outcomes and, ultimately, improved their bottom line results.