

A report from the Economist Intelligence Unit

# Why good strategies fail

## Lessons for the C-suite



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## About the report

The best-laid strategies of any organisation are useless without proper implementation. This is far from straightforward, however, as corporate strategy is by its nature conceptual and often complex. *Why good strategies fail: lessons for the C-suite*, an Economist Intelligence Unit report, sponsored by the Project Management Institute (PMI), addresses how C-level executives engage in the implementation of strategies. It also explores the barriers that impede the integration of strategic initiatives into business operations and results.

The report draws on two main sources for its research and findings:

- A survey, conducted in March 2013, of 587 senior executives globally. Fifty-two percent of respondents are C-level executives; the remainder hail from senior management. Responses come from a wide range of regions: 30% each from both North America and Asia-Pacific, 21% from Western Europe, and the remainder from the Middle East, Africa, Latin America and Eastern Europe. Fifty-eight percent of participants work for companies with more than US\$1bn in annual revenue, 25% for businesses with more than US\$10bn.
- A series of in-depth interviews with senior executives and academics. We thank them for their valuable insights.

### Interviewees

**Jeff Austin**, vice-president strategy planning, DuPont Pioneer

**Michael Astrue**, former US commissioner for Social Security

**Peter Greenwood**, group executive director—strategy, CLP Group

**Bali Padda**, chief operating officer, LEGO Group

**Roland Pan**, director of strategy, Skype

**Robert Tartaglia**, managing director, managed operations and services—America, Allianz

**Lawrence Hrebiniak**, professor emeritus, department of management, The Wharton School of the University of Pennsylvania



## Executive summary

Strategy execution has always been the essential complement of strategy formulation. In an intensely competitive business environment and with the increasing speed of technology-enabled change, the importance of strategy implementation has increased exponentially. Roland Pan, director of strategy for Skype, a voice-over-Internet telephony service provider, wonders whether “it is possible to have superior insights in a world where information is so open or to presage the process when the world is moving so fast.” Companies will not necessarily differentiate themselves by their ability to see how markets are moving; they will set themselves apart by carrying out the necessary strategic response as quickly as possible.

This Economist Intelligence Unit study, sponsored by the Project Management Institute (PMI), examines strategy execution with particular emphasis on the role of those with ultimate responsibility for the company—the C-suite.

Key findings of the report include the following:

- **Senior executives recognise the importance of strategy implementation, but a majority admit that their companies fall short.** Eighty-eight percent of survey respondents say executing strategic initiatives<sup>1</sup> successfully will be “essential” or “very important” for their organisations’ competitiveness over the next three years. Yet 61% of respondents acknowledge that their firms often struggle to

bridge the gap between strategy formulation and its day-to-day implementation. Moreover, in the last three years an average of just 56% of strategic initiatives have been successful. Such poor implementation means that a company’s stated strategy fails to shape what happens in practice: only a small minority of respondents say that their business model is extremely well aligned with strategy. Not surprisingly, companies that are poorly aligned with strategy also report weaker financial results than their peers.

- **C-suite executives are often missing in action.** Survey respondents say the number-one reason for the success of strategic initiatives at their organisation is leadership buy-in and support. Nevertheless, only half of those surveyed say that strategy implementation as a whole receives appropriate C-suite attention. Moreover, 28% admit that individual projects to implement strategy do not typically obtain the necessary senior-level sponsorship. Such a lapse in leadership inevitably decreases the ability to implement strategy.
- **Rather than micromanaging, C-suite executives should identify and focus on the key initiatives and projects that are strategically relevant.** Although the details of how to implement strategy vary significantly by company, survey respondents identify several

1. In this study, a strategic initiative is defined as a project, portfolio of projects, other discrete programme or series of actions undertaken to implement or continue the execution of a strategy, or that is otherwise essential for the successful implementation or execution of a strategy. This includes some—usually high-priority—projects, but does not entail the entire project portfolio.

areas where C-suite efforts are valuable. These include general oversight, leading and supporting strategic initiatives, and communication. Top executives should also pay special attention to the key initiatives and projects that are most important to corporate strategy. This entails involving corporate leaders in high-level decisions on the selection and prioritisation of such initiatives as well as the allocation of resources to them—the core of strong project-portfolio management. Yet interviewees for the report warn that the C-suite needs to lead a structured process rather than micro-manage execution.

- **A majority of companies either lack the skills or fail to deploy the personnel needed for strategy implementation.** Only 41% of respondents say their companies provide sufficiently skilled personnel to implement high-priority strategic initiatives. Moreover, just 18% say that the hiring of people with the necessary business skills or leadership talent to drive strategy implementation is a very high priority at their firms, and a mere 11% say the same of developing those skills among existing

executives. Executives may thus be neglecting the low-hanging fruit: companies that typically provide both types of human capital succeeded in 62% of such initiatives over the past year, compared with 53% for other businesses. The survey data also indicate a correlation between companies that do better at implementation and those that focus more heavily on obtaining the requisite business and leadership skills.

- **Success results from working at implementation in a variety of ways, but the financial rewards justify the effort.** There is no silver bullet to achieve better strategic implementation, but companies that rate themselves highest in this area share a range of characteristics. They report greater levels of C-suite involvement, better feedback mechanisms, more resourcing—particularly providing human resources—for initiatives and more-robust processes. Their efforts produce strong results: 65% of these companies also report much better financial performance than their peers, compared with just 18% of other companies that say the same. ■

# 1

## Introduction: "Are we doing what we said we would?"

“It should not be a question of developing a strategy and hoping it works, but of developing a strategy and following a logical plan to reach it.”

Lawrence Hrebiniak, Professor Emeritus, Department of Management, The Wharton School of the University of Pennsylvania

In an increasingly uncertain business environment, strategy matters more than ever. Yet as Bali Padda, chief operating officer (COO) of the LEGO Group, the toymaker headquartered in Denmark, puts it, “Strategy is only as good as the execution behind it.” Indeed, formulation and execution are intrinsically linked. As John Kotter, former professor at Harvard Business School and noted expert on innovation, says, “Strategy should be viewed as a dynamic force that constantly seeks opportunities, identifies initiatives that will capitalise on them, and completes those initiatives swiftly and efficiently.”<sup>2</sup> Thus, those responsible for strategy—the C-suite—need to ensure implementation. This study looks at how well they are contributing in this area and where they need to do more (see chart below).

In a global survey conducted for this report,

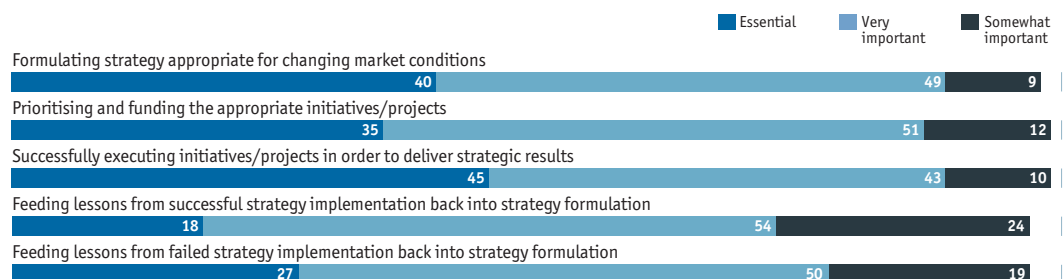
88% of respondents say that executing strategic initiatives successfully will be “essential” or “very important” for their organisations’ competitiveness over the next three years. Forty-five percent of respondents describe execution as “essential” compared with just 40% who say the same about creating appropriate strategies. This suggests that they see implementation as marginally the more important of the two.

Although such a view may seem counterintuitive, Lawrence Hrebiniak, emeritus professor at the University of Pennsylvania’s Wharton School and author of *Making Strategy Work*, supports it. He notes that “implementation is more important than strategy formulation. It should not be a question of developing a strategy and hoping it works, but of developing a strategy and following a logical plan to reach it. Creating the execution plan is difficult,



### How important will improving the various aspects of strategy implementation be to the competitiveness of your organisation over the next three years?

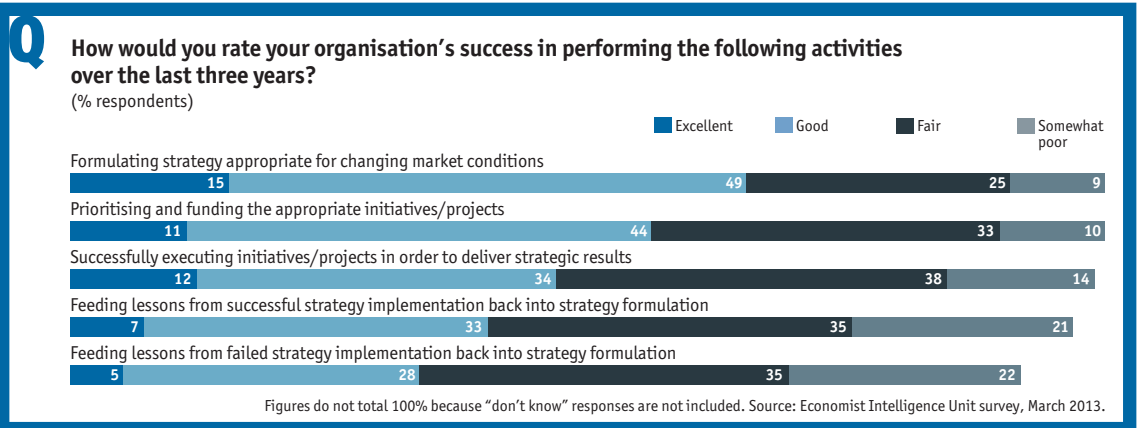
(% respondents)



Figures do not total 100% because “minimally important” and “don’t know” are not included. Source: Economist Intelligence Unit survey, March 2013.

2. “Accelerate!”, *Harvard Business Review*, November 2012).





but certainly necessary and productive." Moreover, execution sets companies apart more than strategy formulation does because fewer corporate leaders are as skilled at it. Roland Pan of Skype notes the difficulty in maintaining lasting strategic insights that are vastly superior to those of competitors; thus, he adds, "Other things will matter more, like execution."

The need to focus on implementation seems self-evident. After all, unrealised aspirations do no business any good. It is noteworthy, however, because companies are surprisingly bad at executing strategy. Sixty-one percent of respondents admit that their firms often struggle to bridge the gap between strategy formulation and its day-to-day implementation; only 11% disagree. In addition, respondents say that on average only 56% of strategic initiatives have been successfully implemented in the last three years at their organisations. It is not surprising then that less than half (46%) say their businesses are "excellent" or even "good" at executing initiatives and projects to deliver strategic results—far worse than the 64% who rank themselves this highly at formulating strategy (see chart above). Says one survey respondent: "Strategy isn't followed as closely as it should be. We often tend to formulate a strategy only to go in an opposite direction."

Poor strategic implementation hinders the ability of formal strategy to affect what the company does in practice. A majority of respondents say that their companies' activities are only somewhat aligned with their strategy

across every element of the business model. Worse, the number saying they are unaligned to some degree is greater in each case than those saying they are extremely well aligned.

This lack of alignment might merely suggest that many companies follow an emergent strategy—along the lines of the writings of Henry Mintzberg—rather than the more deliberative approach explored in the work of Michael Porter. In general, Mr Mintzberg believes that changing external conditions and experience gained during strategy implementation tend to modify a firm's original intentions. The optimal strategy thus becomes clear over time as necessary adjustments are incorporated. Mr Porter treats the creation of strategy as more of an activity that precedes its implementation.

However, this potentially benign explanation for the poor alignment between strategy and actual practice at companies does not withstand closer inspection. The survey data show no correlation between a willingness to learn and adjust on the go—typical of emergent strategy—and the degree of alignment between strategy and practice. Instead the data reflect a worrying inability for many companies to answer the central question of strategy implementation: "Are we doing what we said we would be doing?" to use the words of Jeff Austin, vice-president strategy planning at DuPont Pioneer, a US-based agricultural company.

Surprisingly, strategy implementation has received little attention. One extensive literature review indicated that, on average, only two to

Sixty-one percent of respondents admit that their firms often struggle to bridge the gap between strategy formulation and its day-to-day implementation.

## Introducing the “best executors” of strategy

Thirteen percent of respondents to the Economist Intelligence Unit survey benchmark their companies as well above average in the execution of strategy—a group we dub henceforth “best executors”. This greater ability is apparent in carrying out programmes of strategic significance: best-executing companies have successfully completed 20% more strategic initiatives than other surveyed companies in the last three years. This success is reflected in the degree to which strategy defines day-to-

day corporate practice. At over half of the best executors, strategy is well aligned with the actual business model; at other companies, this is true for only one in 16.

More strikingly, nearly two-thirds of best executors say they are “well above average” at financial performance, compared with just 18% of other companies.

A wide range of behaviours set best executors apart from the pack. Each section of this report will feature a sidebar highlighting these competencies.

	Best executors	All other respondents
Successful strategic initiatives in last three years	73%	53%
Benchmark financial performance well above average	65%	18%
Strategy well aligned with actual business model	51%	6%

three articles on the topic appeared per year in recent decades across all academic journals covered in the leading scholarly indexes.<sup>3</sup> It also receives little attention in the business press. Part of the difficulty is that, as Peter Greenwood, group executive director-strategy at CLP, a Hong Kong-based power company, points out, “all businesses are non-typical” and therefore face distinct problems in executing their strategies. In addition, the field is complex, with issues ranging from

people and culture through corporate structures to the fit between the type of company and nature of the strategy being introduced. Framing the discussion around the role of the C-suite, as this report does, addresses those who are ultimately responsible for strategy. It also identifies serious problems many companies face in this area, in no small part because academics are not the only ones who have not been paying attention. ■

3. Yang Li et al., “Making Strategy Work: A Literature Review on the Factors influencing Strategy Implementation”, in Pietro Mazzola and Franz Kellermanns, eds. *Handbook of Research on Strategy Processes*, 2010.



# 2

## Finding the right level of C-suite engagement

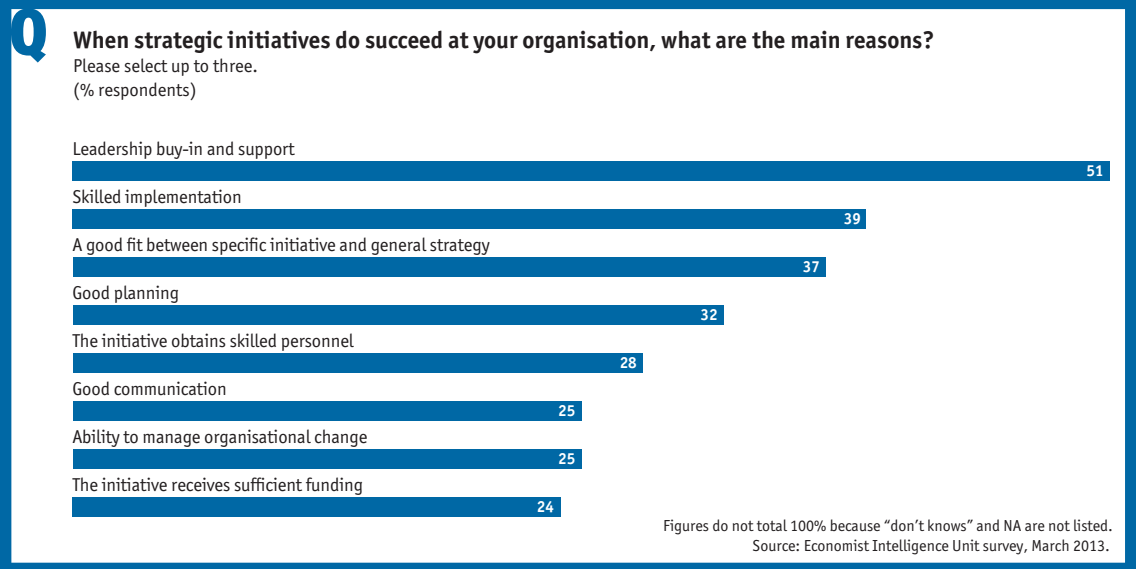
“Commonly, people put strategy together from a theoretical perspective. They have not factored in practical matters such as operational complexity and budget constraints. You need to have people at the top who can integrate all these things.”

Michael Astrue, former US Commissioner for Social Security

Survey respondents report that the main reason for the success of strategic initiatives at their businesses is leadership buy-in and support. Thus, one of the most worrying findings of our survey is that leading executives at a large number of companies do too little about strategy implementation. Only 50% of respondents say that strategy implementation secures the appropriate C-suite attention at their organisation. Similarly, 28% admit that individual projects or initiatives to put strategy into place do not typically receive the necessary senior-level sponsorship. At the latter companies, only 47% of strategic initiatives are successfully completed compared with 59% where such sponsorship is provided.

Michael Astrue, former US Commissioner for Social Security, says, “Commonly [in the public sector], people put strategy together from a theoretical perspective. They have not factored in practical matters such as operational complexity and budget constraints. You need to have people at the top who can integrate all those things. It is a big issue.” Professor Hrebiniak sees a similar problem in the private sector. He notes that corporate leaders “focus on planning but, when it comes to execution, people assume it will happen. They think, ‘The strategy is good, so of course it will work.’”

Strategy is too often a fire-and-forget activity for the C-suite. When asked—without being given



suggested options—the single most important change that would improve alignment between strategy and business activities, over one-fifth of respondents mention a change in C-suite or leadership activity. However, defining the precise roles where top executives might make the biggest difference is not an exact science. Mr Austin says, “There is no single answer. It has to be calibrated within the strategic context of each company.”

Yet interviewees point consistently to a number of areas in which the attention and activity of the C-suite are essential for successful strategy execution:

**General oversight and being perceived as leading the effort.** Professor Hrebiniak says, “Because implementation is in large part strategic, the C-suite has to be involved. Top managers must define strategy, key projects related to it, and then the structure and process of critical implementation decisions and actions. They must deal with the demands of strategy and their impact on organisational structure, co-ordination requirements, talent and the capabilities required for successful strategy execution. The C-suite clearly is essential to making strategy work.”

Such leadership involves active support for change, particularly by communicating its importance to the rest of the organisation. Robert Tartaglia, managing director, managed operations and services—America, Allianz, an insurance company, says a key role for a C-suite executive is “being the very visible person who stands in front of an audience and explains the importance of the strategy, and thereby being seen as drivers and individuals supportive of the strategy.”

**Picking your battles.** Mr Padda explains that executives at LEGO are consciously more “hands on” for those projects that address what are seen as the key challenges. Mr Austin agrees, because of both the importance of these projects themselves and the message such engagement sends: “The senior team needs to be involved in the critical few initiatives that have been identified as top priority. This includes ensuring clear accountability and

transparency, so the whole organisation understands the priority.”

The very choice of key initiatives with which to be involved inevitably requires C-suite executives to prioritise strategic projects. For Mr Padda, prioritisation is an integral part of even having a strategy: “Everybody wants to be world class at everything, so if the strategy is not making some clear fundamental choices but is broad brush and fluffy, that is where execution will fail.”

**Prioritisation and resource allocation are inextricably linked.** Mr Austin says, “Where you have resources allocated really says what you have prioritised. Ensuring that the allocation process is aligned with strategic intent is critical. To be effective, we need to ask ‘what our critical few initiatives are’”, so that resources are correctly focused on them.

Yet C-suite involvement in strategy execution poses challenges as well:

**Micromanagement.** Interviewees warn against corporate leaders becoming active in all aspects of strategic initiatives. Not only are they too busy, they could inadvertently cause damage. Mr Tartaglia believes that, in larger, more complex, firms, “The C-suite should not be involved in day-to-day aspects of these projects, other than providing top-down support. What needs to happen at the operational level is so close to the business that if C-suite executives get involved and they don’t have a very detailed understanding of operations, they might make wrong decisions.”

**Exercising power based on personal agendas.** Mr Pan says, “Strategy is intensely personality- and relationship-driven. The way you formulate and go about implementing strategy actually depends on the actors involved more than most people would believe.” This can be beneficial when people complement each other, and may be inevitable in an organisation, but it brings its own dangers: 57% of survey respondents agree that the adoption of any specific strategic initiative or project at their

“Where you have resources allocated really says what you have prioritised. Ensuring that the allocation process is aligned with strategic intent is critical.”

Jeff Austin,  
Vice-president Strategy  
Planning, DuPont Pioneer

## Best executors see much higher C-suite engagement

At 81% of best executors, strategy implementation secures the C-suite attention it merits (compared with 45% for other organisations). Moreover, at best-executing

companies, top executives take a more active role in every element of project implementation, and they recognise that not every role is important enough for their participation.

**For individual, high-priority strategic initiatives at your organisation, in which of the following would a C-level executive typically take an active lead or role?**

	Best executors	All other respondents
General oversight	72%	63%
Setting the broad scope	68%	61%
Communicating its importance to the organisation	56%	46%
Creating the project team	55%	40%
Assessing success	48%	37%
Securing resources for the initiative	39%	22%
Implementing, and tracking the results	35%	22%
Deciding upon and making necessary adjustments to the initiative as it proceeds	32%	29%
Feeding insights gained from the initiative into the strategy-making/implementation process	29%	13%

“Strategy is intensely personality- and relationship-driven. The way you formulate and go about implementing strategy actually depends on the actors involved more than most people would believe.”

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Roland Pan,  
Director of Strategy, Skype

organisation depends more on the influence of the most senior executive supporting it than an assessment of its value overall. Says Mr Greenwood: “No one person should monopolise strategy and decisions of implementation. Organisations need to have effective checks and balances.”

Although the risks of excessive or inappropriate participation in strategy implementation are real, the survey reveals that the bigger problem for companies remains under-involvement of the C-suite. Only 65% of respondents say that these executives take an active or lead role in general oversight for individual, high-profile projects, and

only 62% say the C-suite sets the broad scope of the project. More striking, less than half (47%) of respondents report C-suite involvement in communicating the importance of initiatives.

Corporate-level executives are actively involved at only 50-60% of companies in initiative selection, prioritisation and resource allocation across the portfolio of strategic initiatives and projects. A greater level of involvement would not only reduce the number of companies experiencing insufficient C-suite attention in this area, it would also help with strategy formulation, as discussed in the next section. ■

# 3

## Closing the loop of strategy formulation and implementation

“Ensuring a tight linkage between strategy development and how that translates operationally is a challenge. But in effective companies they are integrated in a holistic way ... People should see these steps as part of a continuum.”

Jeff Austin,  
DuPont Pioneer

The insufficient level of C-suite engagement in strategy execution may reflect a deeper problem: most organisations don't think that such activity is very important in practice. Only 17% of respondents say that, in their companies, implementation is seen as strategic. Instead, at 56% of firms, it is considered to be an operational task. Mr Austin says, “Ensuring a tight linkage between strategy development and how that translates operationally is a challenge. But in effective companies they are integrated in a holistic way. When am I doing strategy and when am I implementing is not really the question. People should see these steps as part of a continuum.”

Too often, though, companies do not see the continuum. A consideration of feedback mechanisms between the strategy execution and formulation illustrates the problem. Survey respondents recognise the value of learning from experience: 72% say that feeding lessons from

successful implementation back into strategy formulation will be “essential” or “very important” for corporate competitiveness over the next three years. Even more (77%) say the same about lessons from failed execution. In a recent strategy review at LEGO, Mr Padda notes, the natural starting point was to ask “what worked well and why [in the past], and to bring those lessons into the new process. That was key for us.”

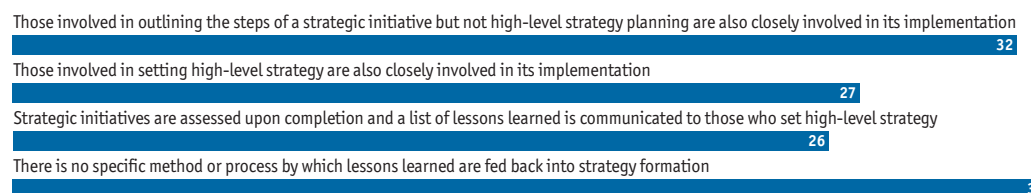
Of course, recognition of the importance of an activity does not mean it is well executed. Only 40% of survey respondents say their companies are “good” or “excellent” at feeding back lessons from successful implementation into strategic planning, and just 33% when it comes to unsuccessful ones. Worse, 33% have no method for doing so, and most companies rely on informal ones—such as an overlap between those who engage in formulation and those who take on implementation.

This “is something companies are not always

### Q

#### How are the lessons from strategic initiatives fed back into the strategy-making and implementation process?

Please select all that apply.  
(% respondents)



Source: Economist Intelligence Unit survey, March 2013.

## Best executors value their experience

One-third of survey respondents at best-executing companies say implementation itself is seen as a strategic activity at their firms, compared with just 15% at other companies. Accordingly, a much closer link exists at these

companies between execution and formulation. Perhaps the same people are involved closely in both or formal processes may be used to record lessons learned.

	Best executors	All other companies
Those involved in setting high-level strategy are also closely involved in its implementation	59%	23%
Those involved in outlining the steps of a strategic initiative but not high-level strategy planning are also closely involved in its implementation	44%	30%
Strategic initiatives are assessed upon completion and a list of lessons learned is communicated to those who set high-level strategy	36%	24%
There is no specific method or process by which lessons learned are fed back into strategy formation	11%	37%

“  
The need for both expedient resolution of complex issues and compromise among leadership creates a tendency to present ambiguously articulated strategies.”

”

Roland Pan,  
Skype

good at”, says Mr Austin. “People don’t like to dwell on things that weren’t successful, there is always a shortage of time and always other things to do.” Accordingly, most of those interviewed saw it as essential to incorporate a structured post mortem as an integral part of strategic initiatives. Mr Tartaglia believes, “if you don’t have the processes and platform in place to document adequately and archive the changes, you will not be able to rely solely on those people who participated. People change and you can lose that memory, particularly on projects with long delivery timelines.” However, says Mr Greenwood, informal communication within the company on the reasons for successful or failed implementation can be an essential supplement to formal processes: “It can’t replace formal reporting but can be more rapid and informative.”

Plans made without reference to the

practicalities of implementation all too easily become dangerously unrealistic. Mr Greenwood notes, “Strategies almost by definition are optimistic. You need to have a degree of it, but you also need to have some means to inject realism into the optimism.” Mr Pan adds that the attractions of vagueness can result in unrealistic or meaningless strategies. “The need for both expedient resolution of complex issues and compromise among leadership naturally creates a tendency to present ambiguously articulated strategies.” At an extreme, he says, this can lead to “unicorn strategy” that is impossible to implement because it makes few choices or is too vague in its implications. “Remaining ‘agile’ and open to refinements to strategy beyond the confines of the planning process allows an organisation more time and space to align and cope with this tendency,” he says. ■

# 4

## Looking beyond the C-suite: skills and processes

“The real problem is vying for the resources: people, time and funding. You are going to have to prioritise, which typically means sacrifice.”

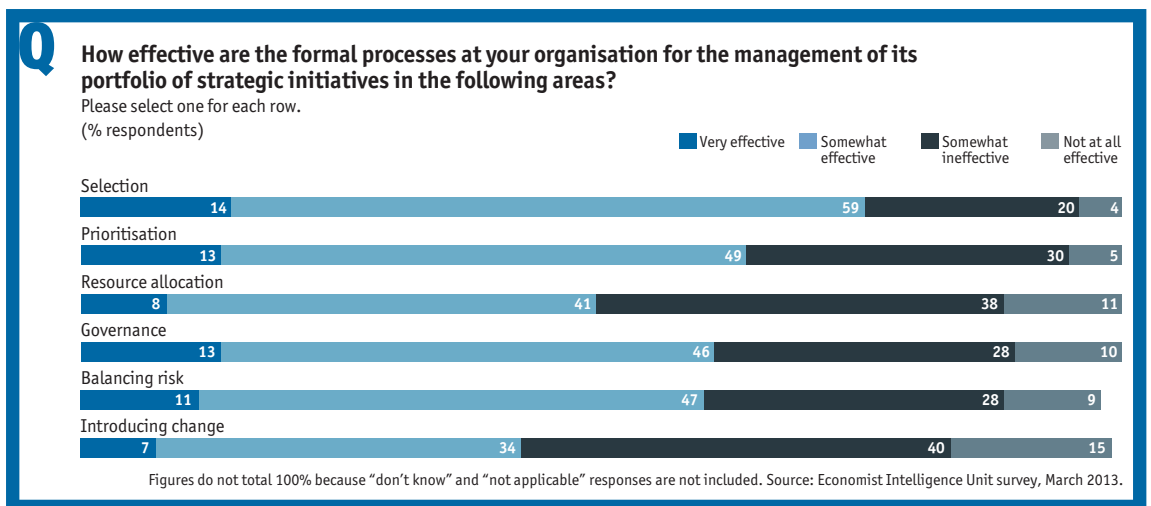
Robert Tartaglia, Managing Director, Managed Operations and Services—America, Allianz

As noted above, corporate level executives cannot, and should not, become mired in all the details of strategy implementation. The survey data illustrate the importance of such capabilities throughout the company: skilled implementation is the second-most commonly cited reason for the success of strategic initiatives (39% after leadership support).

Yet survey respondents’ businesses show worrying insufficiencies in skills. Respondents say that the leading barrier to successful implementation is a lack of change-management skills (45%). The second-most-common issue is poor resourcing (29%), but this also has an important skills component. The implementation of even high-priority strategic initiatives and projects typically receives sufficiently skilled personnel for

the task at just 41% of respondents’ companies, and an adequate staffing level at only 37%.

Finding skills, and other resources, for strategy implementation is rarely easy. Mr Tartaglia says, “I have rarely come across a situation where each of the entities [in a company] was not already operating at 100% capacity to run the existing operations [when a new strategy needs to be implemented]. The real problem is vying for the resources: people, time and funding. You are going to have to prioritise, which typically means sacrifice.” Such sacrifices, however painful, can have a substantial positive effect. Companies that devote sufficiently high levels of personnel and skills to project and programme implementation report that, on average, 62% of their strategic initiatives have been successful in the last three



## Best executors accord a higher priority to resources, skills and processes

Strategic initiatives and projects are much more likely to secure adequate resources at best-executing companies. The differences are notable for senior leadership support and investment, but they are also particularly significant for human

resources. For example, nearly twice as many respondents from best-executing companies report that sufficiently skilled personnel are provided for strategic initiatives than do from all other companies.

### Strategic initiatives normally receive sufficient level of resources

	Best executors	All other companies
Investment	79%	61%
Senior-leadership support	82%	65%
Sufficiently skilled personnel	67%	37%
Sufficient number of personnel	56%	34%

Meanwhile, hiring or development of individuals with the relevant business and leadership skills is considered much more important for best

executors, with around three-quarters of them seeing various elements of this as a high priority, compared with half or less at other companies.

### Issues that are a somewhat or very high priority

	Best executors	All other companies
Hiring of talent with the necessary business skills in implementing strategic initiatives	79%	51%
Hiring of people with the necessary leadership talent to drive implementation	76%	48%
Developing strategy-implementation skills among existing executives	76%	37%
Creating a culture receptive to change	72%	40%

years, compared with 53% at other businesses.

Interviewees for the report note that strategy implementation involves specific abilities—including but not limited to change and project management. Mr Padda says that consideration of skills issues should be integrated into strategy. “What is important in setting strategy”, he explains, “is doing so based on the capabilities inside the business, understanding the gaps up front and addressing them”.

The survey suggests that too few companies are addressing the skills issue. Indeed, only 18% see the hiring of people with the necessary business

skills or leadership talent to drive strategy implementation as a very high priority at their firms. Just 11% say the same of developing those skills among existing executives. Perhaps surprisingly, a large majority of the firms that see these areas as very or even somewhat high priorities are already performing “above average” at strategy implementation. Rather than the best getting better, these skills need to become a priority for the others as well.

The survey revealed a final area of weakness: the lack of formal processes for managing strategic initiatives. According to respondents, for every



aspect of strategy implementation, these in general are only somewhat effective or even somewhat ineffective (see chart, page 13).

Nevertheless, only 11% see development of such processes as a very high priority. For Professor Hrebiniak, this is a mistake. “Companies have to develop formal processes here—project management, strategic scorecard, whatever it is. It

is a question of controls, learning and feedback, and adaptation. If you don’t manage change well, you are in trouble.” Ultimately, he says, this leads back to the C-suite. They need to create appropriate reporting requirements and incentives in order to develop a culture and environment that encourages effective strategic implementation. ■

## 5

## Conclusion

Senior executives recognise that strategy implementation is fundamental to competitiveness, perhaps even more so than strategy formulation itself. Yet they admit to poor performance in this area. Worse still, the C-suite often looks the other way, not providing the appropriate resources, prioritisation and attention.

There is no single route to improvement. Instead, in order to improve strategy execution, and join those companies for which it is a marked competitive advantage, business leaders should consider a range of steps, including the following:

- **Increase C-suite attention to implementation.** Leadership support is the most important factor in successful strategy execution, yet a substantial number of survey respondents indicate that the C-suite is insufficiently involved.
- **Focus C-suite activity on the correct areas.** Corporate-level executives cannot, and should not, conduct every aspect of implementation. The areas in which they have the most impact, according to interviewees, are general oversight, communication and support for strategic initiatives and projects, and providing a concerted focus for the key activities.
- **The C-suite's role includes prioritisation of initiatives and allocation of resources.** Companies cannot do everything simultaneously. Success depends on doing the most important things first. Hence, selecting which initiatives and projects should have a higher priority, and corresponding access to resources, is itself a strategic choice that should be made at the corporate level.
- **Integrate implementation and strategy formulation.** Strategy-making informed by the successes and failures of the past is much more likely to be realistic and itself successful. Although having an overlap between those involved in implementation and formulation helps, formal, standardised processes to analyse and record lessons learned is the most effective approach.
- **Develop the necessary skills throughout the company.** Because the C-suite cannot do everything, companies need other executives capable of helping to implement strategy. Hiring in and developing appropriate skills, especially the necessary leadership abilities to drive execution, should be a higher priority.

All of these measures flow from giving strategy implementation the importance it deserves. As Mr Greenwood concludes, "Companies fail or fall short of their potential not because of bad strategies, but because of a failure to implement good ones." ■

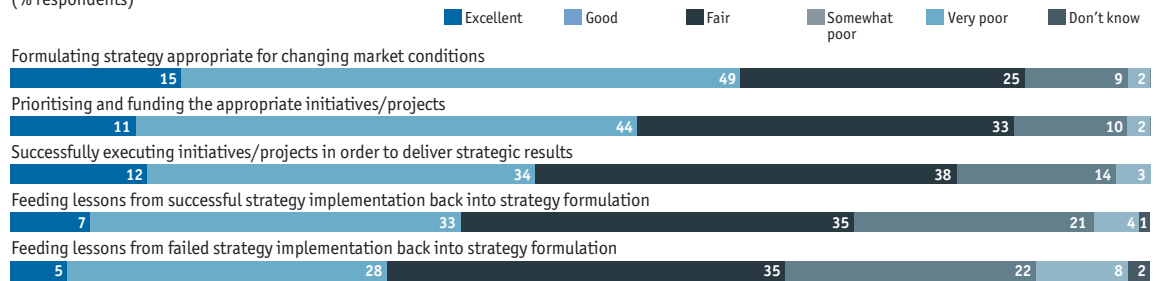
# Appendix: survey results

Percentages may not add to 100% owing to rounding or the ability of respondents to choose multiple responses.

## How would you rate your organisation's success in performing the following activities over the last three years?

Please rate on a scale from 'Excellent' to 'Very poor'.

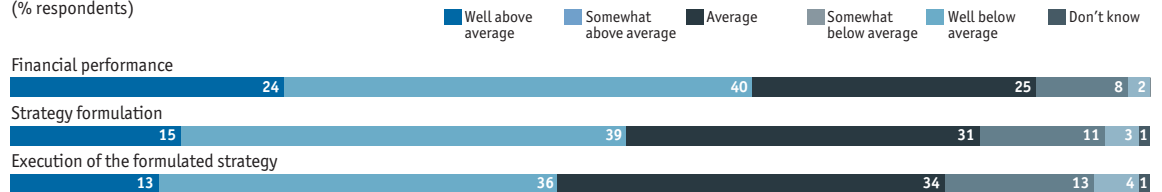
(% respondents)



## Compared with peer companies, how would you rank your organisation?

Please select one for each row.

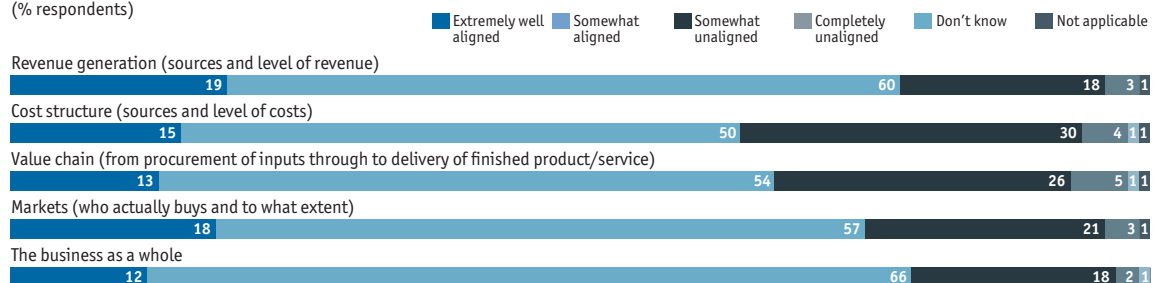
(% respondents)



## How well are your organisation's actual operations aligned with the strategic portfolio?

Please select one for each row.

(% respondents)



**Over the last three years, what percentage of strategic initiatives in your organisation was successfully implemented?**

Please enter a whole number (eg, without decimals) between 0 and 100.

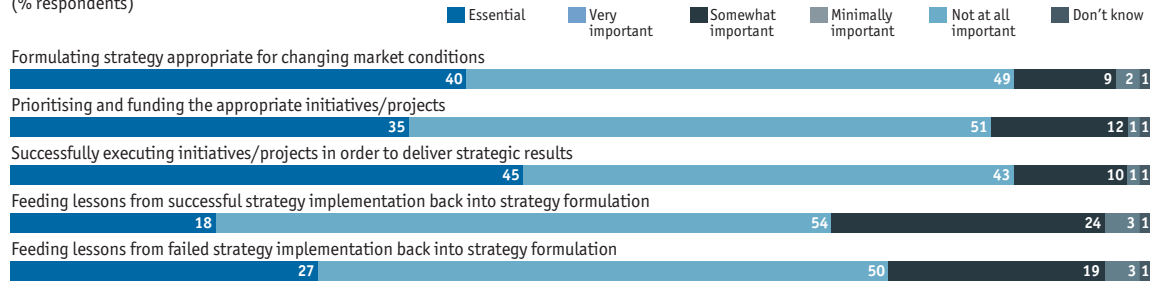
(% respondents)

Average percentage of strategic initiatives successfully implemented **56**

**How important will improving the various aspects of strategy implementation be to the competitiveness of your organisation over the next three years?**

Please rate on a scale from 'Essential' to 'Not at all important'.

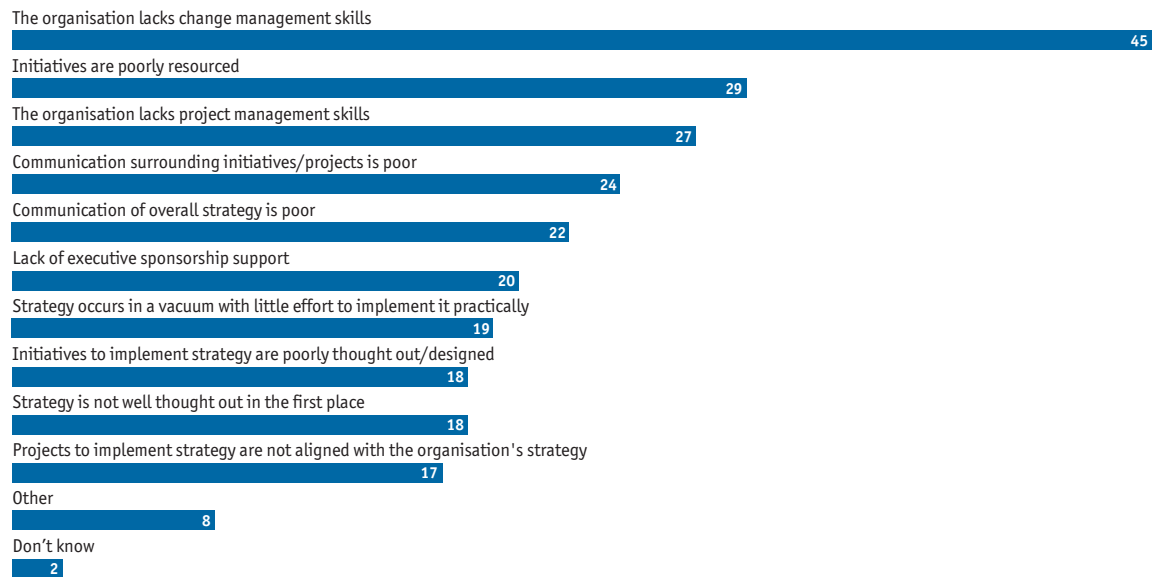
(% respondents)



**What are the biggest barriers to successful strategy implementation at your organisation?**

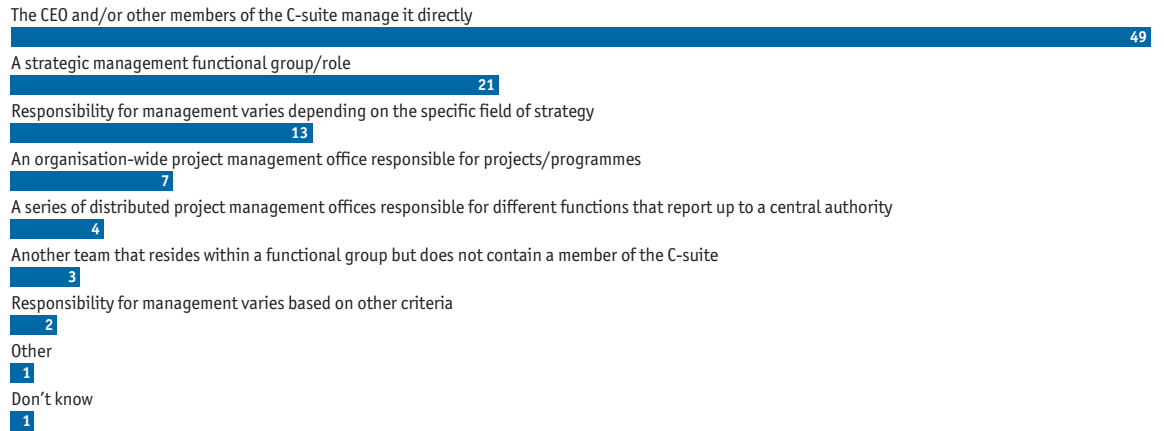
Please select up to three.

(% respondents)



**Where in your organisation does responsibility lie for managing the implementation of strategy through high-priority initiatives and projects?**

(% respondents)



**Which management functional group/role is responsible for managing the implementation of strategy?**

(% respondents)



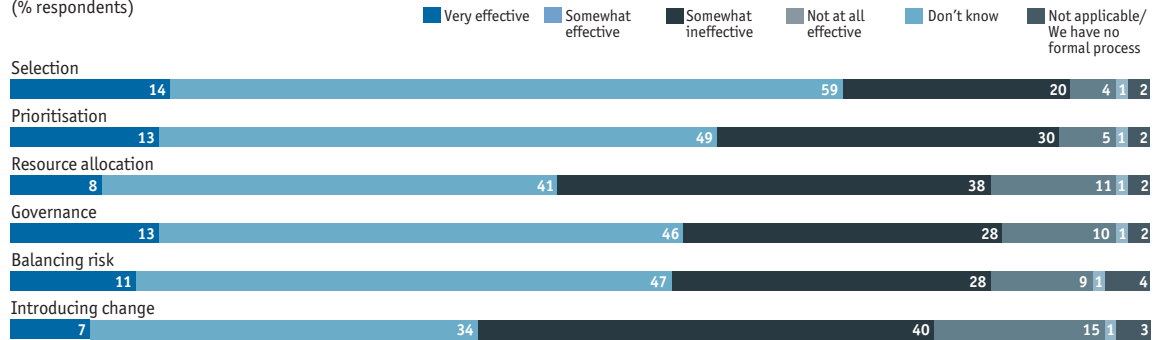
**Who has overall responsibility for your organisation-wide project management office?**

(% respondents)



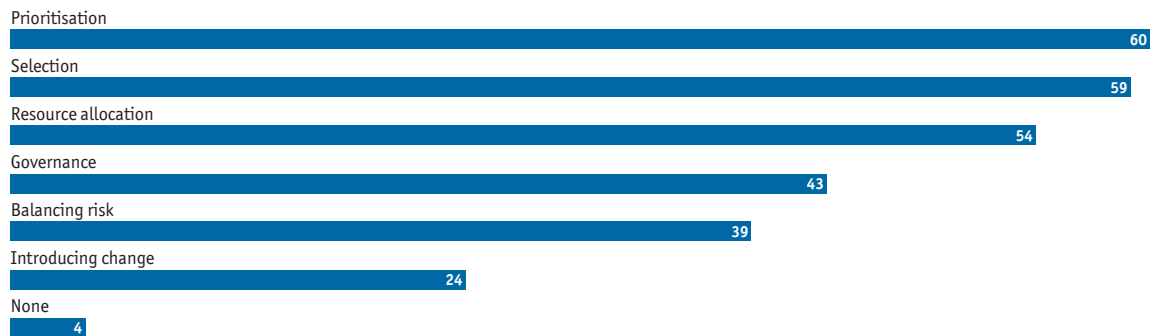
**How effective are the formal processes at your organisation for the management of its portfolio of strategic initiatives in the following areas?**

Please select one for each row.  
(% respondents)



**Which of the following high-priority initiatives receive ongoing, active oversight by one or more C-level executives at your organisation?**

Please select all that apply.  
(% respondents)



**Do the high-priority strategic initiatives at your organisation normally receive a sufficient level of the following resources?**

Please select one for each row.  
(% respondents)



**Which statement best describes how investment decisions are made for strategic initiatives/projects?**

(% respondents)

Investments are allocated competitively with other initiatives and are based on expected return on investment (ROI) from a common source available for strategic initiatives



Investments are made on an ad-hoc basis for each project



Investments are based on prioritisation within the portfolio in relation to strategic alignment



Investments are allocated non-competitively and are based on money set aside in a function's budget for initiatives



Other



Don't know



**How are the lessons from strategic initiatives fed back into the strategy-making and implementation process?**

Please select all that apply.

(% respondents)

Those involved in outlining the steps of a strategic initiative but not high-level strategy planning are also closely involved in its implementation



Those involved in setting high-level strategy are also closely involved in its implementation



Strategic initiatives are assessed upon completion and a list of lessons learned is communicated to those who set high-level strategy



Other



There is no specific method or process by which lessons learned are fed back into strategy formation



Don't know



**For individual, high-priority strategic initiatives at your organisation, in which of the following would a C-level executive typically take an active lead or role?**

Please select all that apply.

(% respondents)

General oversight of the initiative as a whole



Setting the broad scope of the initiative



Communicating the importance of the initiative to the organisation



Creating the project team



Assessing the success of the initiative



Deciding upon and making necessary adjustments to the initiative as it proceeds



Building the business case/securing resources for the initiative



Implementing, and tracking the results of the initiative



Planning the initiative in detail



Feeding insights gained from the initiative into the strategy-making/implementation process



Other



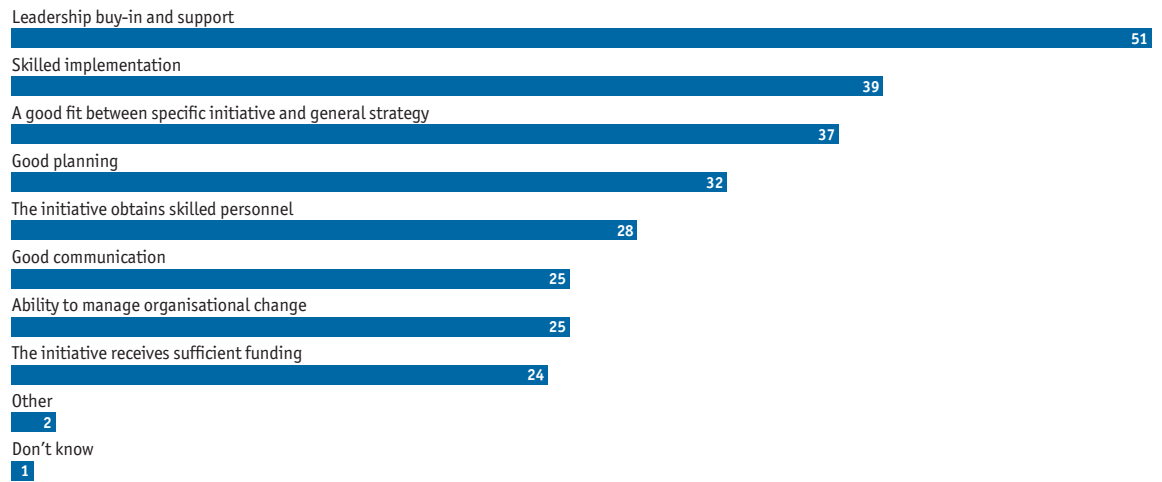
Don't know





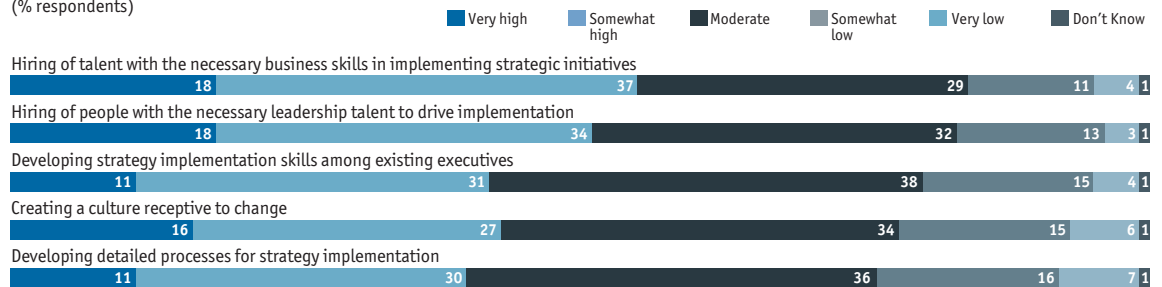
**When strategic initiatives do succeed at your organisation, what are the main reasons?**

Please select up to three.  
(% respondents)



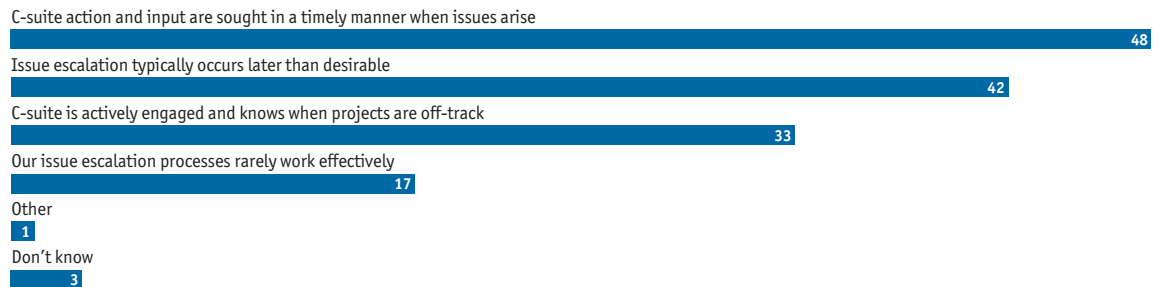
**How high a priority at your organisation are the following?**

Please rate on a scale from 'Very high' to 'Very low'.  
(% respondents)



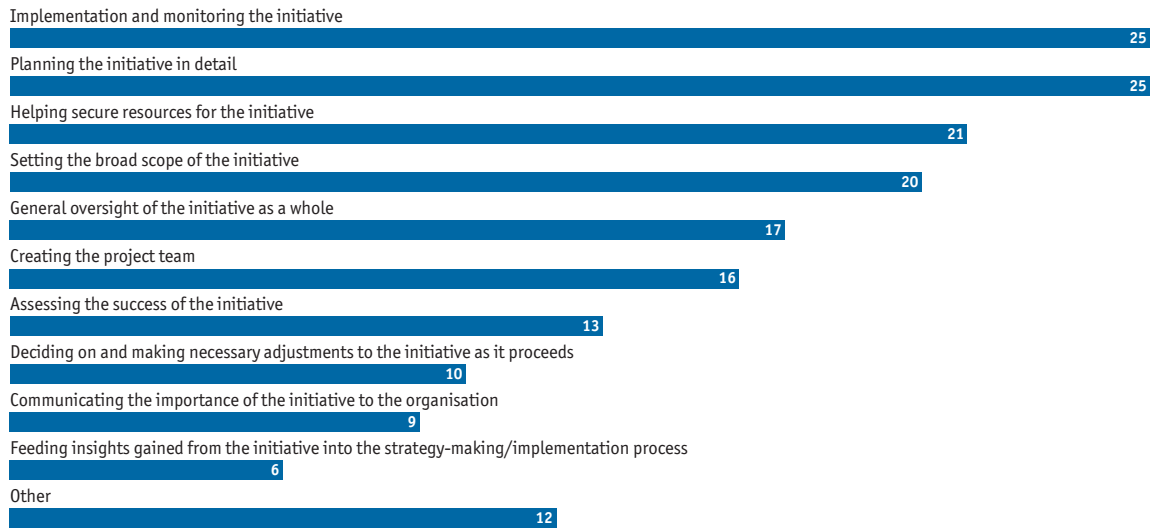
**Which of the following statements characterise your organisation's processes for issue escalation if something goes wrong with projects of strategic importance?**

Please select all that apply.  
(% respondents)



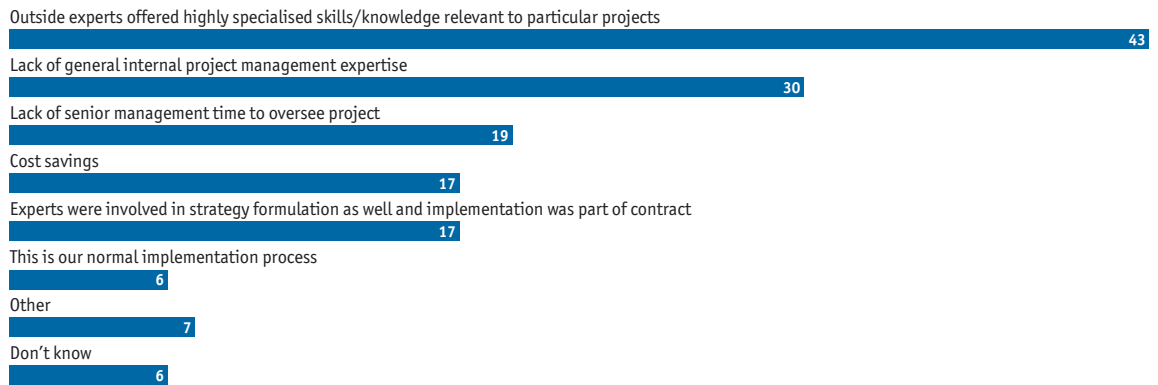
**For strategic initiatives at your organisation in the last three years, has your organisation outsourced an active or lead role in any of the following to an outside expert or agency?**

Please select all that apply.  
(% respondents)



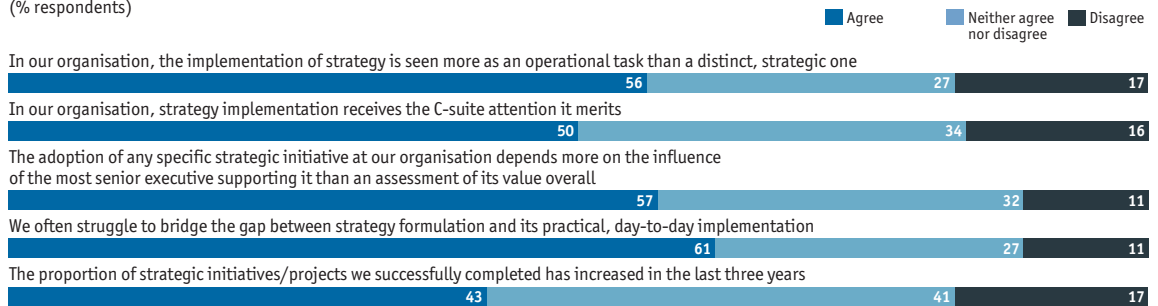
**If you did outsource an active or lead role in any of these areas to an outside expert or agency, what drove the decision?**

Please select up to three.  
(% respondents)



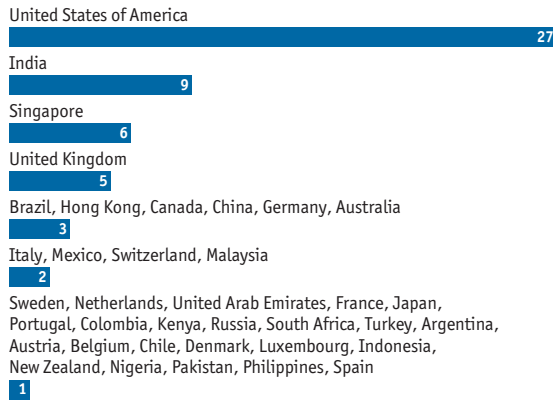
**Do you agree or disagree with the following?**

Please select one for each row.  
(% respondents)



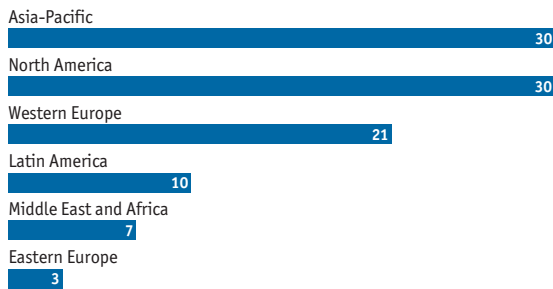
**In which country are you personally located?**

(% respondents)



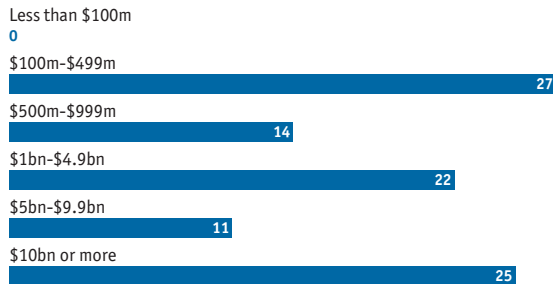
**In which region are you personally located?**

(% respondents)



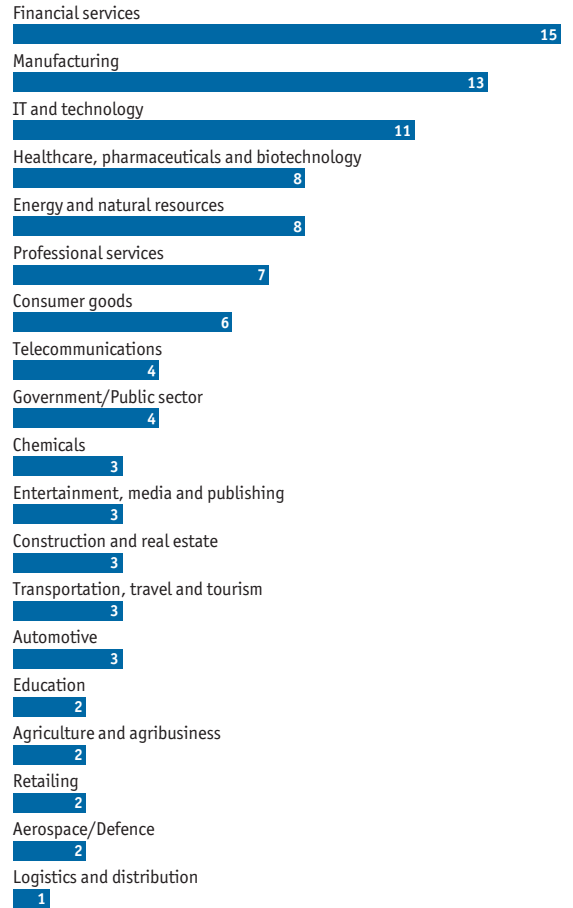
**What are your organisation's global annual revenues in US dollars?**

(% respondents)



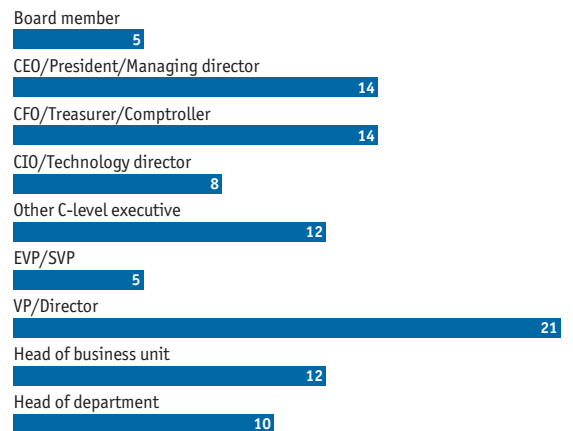
**What is your primary industry?**

(% respondents)



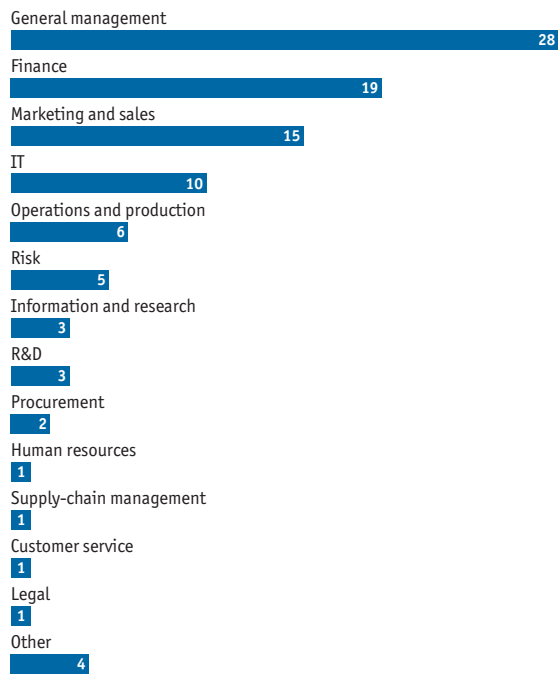
**Which of the following best describes your title?**

(% respondents)



**What is your main functional role?**

(% respondents)



### About the sponsor

PMI is a global leader in project, program and portfolio management standards, practices and guidelines that enhance and improve organization performance, operational efficiencies, and strategic alignment. As a not-for-profit global thought leader and knowledge resource PMI is an advocate for project management as a strategic competency that implements an organization's most important initiatives, delivering expected results, business value, and competitive advantage.

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