MAKING STRATEGY WORK

LEADING EFFECTIVE EXECUTION AND CHANGE

LAWRENCE G. HREBINIAK

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Library of Congress Publication in Data: 2004111039

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© 2005 by Pearson Education, Inc.
Publishing as Prentice Hall
Upper Saddle River, New Jersey 07458

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Printed in the United States of America
Ninth Printing April, 2008

ISBN-10: 0-13-146745-X
ISBN-13: 978-0-13-146745-3

Pearson Education LTD.
Pearson Education Australia PTY, Limited.
Pearson Education Singapore, Pte. Ltd.
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CONTENTS AT A GLANCE

INTRODUCTION xv

CHAPTER 1 STRATEGY EXECUTION IS THE KEY 1

CHAPTER 2 OVERVIEW AND MODEL: MAKING STRATEGY WORK 31

CHAPTER 3 THE PATH TO SUCCESSFUL EXECUTION: GOOD STRATEGY COMES FIRST 65

CHAPTER 4 ORGANIZATIONAL STRUCTURE AND EXECUTION 103

CHAPTER 5 MANAGING INTEGRATION: EFFECTIVE COORDINATION AND INFORMATION SHARING 141

CHAPTER 6 INCENTIVES AND CONTROLS: SUPPORTING AND REINFORCING EXECUTION 185

CHAPTER 7 MANAGING CHANGE 225

CHAPTER 8 MANAGING CULTURE AND CULTURE CHANGE 259

CHAPTER 9 POWER, INFLUENCE, AND EXECUTION 289

CHAPTER 10 SUMMARY AND APPLICATION: MAKING MERGERS AND ACQUISITIONS WORK 323

APPENDIX 363

INDEX 369

CONTENTS

INTRODUCTION xvii

CHAPTER 1 STRATEGY EXECUTION IS THE KEY 1

Execution Is a Key to Success 3
- Making Strategy Work Is More Difficult Than the Task of Strategy Making 3
- Sound Execution Is Critical—A Focus on Making Strategy Work Pays Major Dividends 5
- Managers Are Trained to Plan, Not Execute 5
- Let the “Grunts” Handle Execution 7
- Planning and Execution Are Interdependent 8
- Execution Takes Longer Than Formulation 10
- Execution Is a Process, Not an Action or Step 11
- Execution Involves More People Than Strategy Formulation Does 12

Additional Challenges and Obstacles to Successful Execution 14
- Wharton-Gartner Survey 14
- Wharton Executive Education Survey 15
- Panel Discussions 16

The Results: Opinions About Successful Strategy Execution 16
- Poor Execution Outcomes 20

Making Sense of the Data and Going Forward 21
The Execution Challenge 22
    Having a Model or Guidelines for Execution 23
    Strategy is the Primary Driver 23
    Managing Change 24
    The Power Structure 24
    Coordination and Information Sharing 24
    Clear Responsibility and Accountability 25
    The Right Culture 25
    Leadership 25
    Controls, Feedback, and Adaptation 26
    The Next Step: Developing a Logical Approach to Execution Decisions and Actions 26
Summary 28
Endnotes 29

CHAPTER 2 OVERVIEW AND MODEL: MAKING STRATEGY WORK 31

Common vs. Unique Execution Solutions 32
A Need for Action 33
A Model of Strategy Execution 35
    Corporate Strategy 37
    Corporate Structure 38
    Need for Integration 42
    Executing Business Strategy 46
    “Demands” of Business Strategy 47
    Integrating Strategy and Short-term Operating Objectives 49
    Incentives and Controls 53
    Incentives 54
    Controls 55
Context of Execution Decisions 56
    The Execution Context 57
    Managing Change 58
    Culture 58
    The Organizational Power Structure 60
    The Leadership Climate 61
    Need for a Disciplined Approach 62
Summary 63
Endnotes 64

CHAPTER 3 THE PATH TO SUCCESSFUL EXECUTION: GOOD STRATEGY COMES FIRST 65

Is the Impact of Strategy Overrated? 66

Issue #1: The Need for Sound Planning and a Clear, Focused Strategy 68
  Corporate-Level Planning 68
  AT&T: Bad Corporate Strategy? 69
  Business Strategy 71

Issue #2: The Importance of Integrating Corporate and Business Strategies 78
  The Role of the Business Is Unclear 79
  Inappropriate Performance Metrics 80
  Battles Over Resource Allocations 81
  Assessments of Business Performance Create Additional Problems . . 81
  The Strategy Review 83

Issue #3: The Need to Define and Communicate the Operational Components of Strategy 86
  Integrating Strategic and Short-Term Objectives 87
  Need for Measurable Objectives 88

Issue #4: Understanding the “Demands” of Strategy and Successful Execution 89
  Low-Cost Producer 91
  Differentiation Strategies 92
  Developing the Right Capabilities 93
  The Demands of Global Strategy 96
  A Final Point 98

Summary 99

Endnotes 101

CHAPTER 4 ORGANIZATIONAL STRUCTURE AND EXECUTION 103

The Challenge of Structural Choice 104
  General Motors 104
  Johnson & Johnson 106
  Citibank and ABB 107

The Critical Structural Issues 108
  Structural Issue #1: Measuring Costs and Benefits of Structure 110
  Structural Issue #2: Centralization vs. Decentralization 115
  Structural Issue #3: The Strategy-Structure-Performance Relationship 127

Summary 137

Endnotes 140

CHAPTER 5 MANAGING INTEGRATION: EFFECTIVE COORDINATION AND INFORMATION SHARING 141

The Importance of Integration 143
  Boeing 143
  Royal Dutch/Shell Group 143
  Dell Computers 144
Interdependence and Coordination Methods 147
  Types of Interdependence 147
  Coordination Processes and Methods 151
  The GE “Work Out” 156
Facilitating Information Sharing, Knowledge Transfer, and Communication 159
  Creating, Using, and Sharing Knowledge 159
  Methods, Tools, or Processes for Information Sharing 161
  Informal Forces and Information Sharing 165
  Additional Informal Factors Affecting Information Flow and Knowledge Transfer 168
Clarifying Responsibility and Accountability 175
Responsibility Plotting and Role Negotiation 177
Summary 181
Endnotes 183

CHAPTER 6 INCENTIVES AND CONTROLS: SUPPORTING AND REINFORCING EXECUTION 185

Role of Incentives and Controls 186
Incentives and Execution 187
  A Basic Rule: Don’t *Demotivate* People 187
  Good Incentives 188
  Reward the Right Things 192
Controls: Feedback, Learning, and Adaptation 194
  The Control Process 194
  Develop and Use Good Objectives 199
  Reward the Doers, the Performers 200
  Face the Brutal Facts Honestly 201
  Reward Cooperation 202
  Clarify Responsibility and Accountability 203
  Controls Require Timely and Valid Information 204
  Leadership, Controls, and Execution 207

The Strategy Review: Integrating Planning, Execution, and Control 210
Step 1: Strategy Formulation 212
Step 2: The Execution Plan 215
Step 3: Initiating the Control Process 217
Step 4: Cause-Effect Analysis and Organizational Learning 217
Step 5: Feedback and Change 218
Step 6: Follow Up and Continue the Process 219
Summary 220
Endnotes 223
CHAPTER 7 MANAGING CHANGE 225
Managing Change: A Continuing Challenge 225
Steps in Managing Change 228
A Model of Change and Execution 230
Components of the Model 230
Relating Change to Execution Problems 231
Sequential Change 235
Complex Change 243
Other Factors Affecting Change 254
Summary 255
Endnotes 257
CHAPTER 8 MANAGING CULTURE AND CULTURE CHANGE 259
What Is Culture? 261
Culture is Important for Execution 262
Culture is Not Homogeneous 262
Culture Affects Performance 263
Organizational Performance Affects Culture 265
A Model of Culture and Cultural Change 267
The Top Line: The Effects of Culture 267
The Bottom Line: Changing Culture 271
Summary 286
Rule 1: The Reasons for Change Must Be Clear, Compelling, and Agreed Upon By Key Players 286
Rule 2: Focus on Changing Behavior—Not Directly on Changing Culture 286
Rule 3: Effective Communication is Vital to Culture Change 286
Rule 4: Adequate Effort Must Be Expanded to Reduce Resistance to Change 287
Rule 5: Beware of Excessive Speed 287
Endnotes 288

CHAPTER 9 POWER, INFLUENCE, AND EXECUTION 289
A View of Power and Influence 291
    Strategy and Environment 292
    Problems or Dependencies 293
    Organizational Structure 294
    Uneven Resource Allocations 295
    Internal Dependencies and Power 296
    Using Power and Influence 298
    Coming Full Circle: Conclusions About Power 300
Power and Execution 301
    Define Power Bases and Relationships 301
    Form Coalitions or Develop Joint Ventures with Those in Power 303
    Focus on Value-Added, Measurable Results 304
    A Final Note on Power: The Downside 312
Summary 319
Endnotes 321

CHAPTER 10 SUMMARY AND APPLICATION: MAKING MERGERS AND ACQUISITIONS WORK 323
Making Merger and Acquisition Strategies Work 324
    Why Focus on Mergers and Acquisitions? 324
    Why Do So Many Mergers and Acquisitions Fail or Founder? 325
Using the Present Model and Approach to Execution 330
    Corporate Strategy 330
    Corporate Structure 332
    Cultural Integration in M&A 336
    Business Strategy and Short-Term Objectives 342
    Business Structure/Integration 346
    Incentives and Controls 347
Managing Change 352
Managing Culture and Culture Change 356
The Critical Role of Leadership 359
Summary 360
Endnotes 362

APPENDIX 363

INDEX 369

DEDICATION

In memory of Donna, who left us much too soon

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INTRODUCTION

This book focuses on a critical management issue: Making strategy work or executing strategy effectively.

Theories and advice about the requisites of good planning and strategy formulation abound in management literature. A vast array of planning models and techniques has been paraded before managers over the years, and managers for the most part understand them and know how to use them effectively.

The problem with poor performance typically is not with planning, but with doing. That is, strategies often aren't implemented successfully. Making strategy work is more difficult than strategy making. Sound plans flounder or die because of a lack of execution know-how. This book focuses on execution—the processes, decisions, and actions needed to make strategy work.

What differentiates this book from others, beyond its emphasis on a critical management need? I'm excited about the present approach to execution for the six following reasons.

LEARNING FROM EXPERIENCE

This book is based on data. It borrows from the experiences of hundreds of managers actually involved in strategy execution. There are multiple sources of data, which ensures complete coverage of execution-related issues. This book doesn't rely on the armchair musings of a few people relating unconnected anecdotes; it is based on real-world execution experiences, problems, and solutions—including mine over the last two decades.

WHAT YOU NEED TO LEAD

The focus of the book is on the knowledge, skills, and capabilities managers need to lead execution efforts. Its content is action- and results-oriented.

Most organizations recruit, train, and retain good managers; they are staffed by good people—even great people. Most managers are motivated and qualified people who want to perform well.

Even good people, however, can be hampered by poor incentives, controls, organizational structures, and company policies or operating procedures that inhibit their ability to execute and get things done. Even great leaders, in top management positions, will fail if they're not well versed in the conditions that affect execution success. Managers need to understand what makes strategy work. Intuition and personality simply aren't sufficient, given such a complex task. This book focuses on this knowledge and the capabilities and insights leaders need for execution success.

THE BIG PICTURE

In this book, I develop a unifying, integrated approach to execution. I focus on the big picture, as well as the nitty-gritty of the execution process and methods. I spell out a logical approach to execution and the relationships among key execution decisions.

This book not only identifies these key factors and their relationships, but also goes into detail on each of the factors needed for execution success. It provides an important, integrated approach to execution and dissects the approach to focus on its key elements, actions, or decisions. This book then provides both an overview of the execution process and an in-depth reference manual for key aspects of this process.

EFFECTIVE CHANGE MANAGEMENT

Leading successful execution efforts usually demands the effective management of change, and this book integrates important change-management issues into its treatment of execution.

This book discusses power, influence, and resistance to change. It focuses on real and practical change-related issues—such as whether to implement execution related changes quickly, all at once, or in a more deliberate and sequential fashion over time. I tell you why "speed kills" and explain how large, complex changes can severely hurt execution outcomes. I focus on the details of cultural change and the organizational power structure, and how they can be used to make strategy work.

APPLYING WHAT YOU LEARN

This book practices what it preaches. The final chapter shows how to apply the logic, insights, and practical advice of preceding chapters to a real, huge, and pervasive problem: Making mergers and acquisitions (M&A) work.

M&A strategies often flounder or fail; my last chapter explains why this is the case and how to increase the success of M&A efforts by applying the book's approach to execution. I also highlight the utility of the book's advice and guidelines when trying to make M&A efforts successful. I feel it is only fitting and proper to end an execution book on a positive and useful note—by showing how practical execution can be in confronting an important and pervasive real-world issue and how it can save management a lot of time, effort, and money.

THE BOTTOM LINE

Sixth and finally, the reasons above—taken together—distinguish this book significantly from other recent works, such as Bossidy and Charan's Execution (Crown Business, 2002). This book covers more of the important factors and decisions related to successful execution. It offers an empirically-based, integrative, complete approach to making strategy work and focuses more extensively on managing change than other publications dealing with implementation.

The bottom line is that my book greatly adds to and follows logically Bossidy and Charan's Execution. It is an important and necessary addition to the toolkit of managers looking to execute strategy and change effectively.

ON A FINAL NOTE

Leading execution and change to make strategy work is a difficult and formidable task. For the six reasons I have listed, I believe this task can be made more logical, manageable, and successful by the present book's approach and insights.

A FEW THANKS

An undertaking such as the present one is challenging and difficult because of its complexity. I alone assume responsibility for the book's content, its interpretation of data and facts, and its conclusions. Still, while the ultimate responsibility is mine, there are a number of people who helped me in my task, and I would like to recognize them for their contributions. Brian Smith of the Gartner Research Group helped immensely with the creation of the online research survey, and contributed important technical support. Cecilia Atoo of Wharton was a real stalwart as she typed the manuscript, created figures and tables, and otherwise helped meet my demands and those of the copyeditors. Many thanks are due to my editor, Tim Moore, as well as Russ Hall, Christy Hackerd, and others at Pearson Prentice Hall who helped me develop the manuscript into its present form. The anonymous reviewers who provided valuable feedback and suggestions for improving the manuscript also deserve recognition for their efforts. Finally, special thanks are due to my son, Justin, and my muse, Laura, whose encouragement, friendship, and support were constant sources of motivation to me.

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CHAPTER

1

Strategy Execution Is the Key

Introduction

Two decades ago, I was working with the Organizational Effectiveness Group in AT&T's new Consumer Products division, a business created after the court-mandated breakup and reorganization of the company in 1984. I remember one particular day that made an impression on me that would last for years.

I was talking to Randy Tobias, the head of the division. I had met Randy while doing some work for Illinois Bell, and here we were talking about his division's strategic issues and challenges. Randy later moved into the chairman's office at AT&T and then became a successful CEO of Eli Lilly, but his comments that day years ago were the ones that affected me most.[i]

Here was a new business thrust headlong into the competitive arena. Competition was new to AT&T at the time. Competitive strategy for the business was nonexistent, and Tobias was laboring to create that elusive original plan. He focused on products, competitors, industry forces, and how to position the new division in the marketplace. He handled expectations and demands from corporate as he forged a plan for the business and helped position it in the AT&T portfolio. He created a strategic plan where previously there had been none, a Herculean task and one well done at the time.

On that day, I recall asking Randy what was the biggest strategic challenge confronting the business. I expected that his answer would deal with the problem of strategy formulation or some competitive threat facing the division. His answer surprised me.

He said that strategy formulation, while extremely challenging and difficult, was not what concerned him the most. It was not the planning that worried him. It was something even bigger and more problematic.

It was the execution of strategy that concerned him above all else. Making the plan work would be an even bigger challenge than creating the plan. Execution was the key to competitive success, but it would take some doing.

I, of course, sought further clarification and elaboration. I can't remember all of his points in response to my many questions, but here are some of the execution challenges he raised that day, referring to his own organization. He mentioned the following:

- The culture of the organization and how it was not appropriate for the challenges ahead
- Incentives and how people have been rewarded for seniority or "getting older," not for performance or competitive achievement
- The need to overcome problems with traditional functional "silos" in the organization's structure
- The challenges inherent in managing change as the division adapted to new competitive conditions

This was the first elaboration of execution-related problems I had ever heard, and the message has stayed with me over the years. It became clear to me that day that:

EXECUTION IS A KEY TO SUCCESS

It also struck me in those early days with AT&T that, although execution is a key to success, it is no easy task. Here was a company with an ingrained culture and structure, a set way of doing things. For the company to adapt to its new competitive environment, major changes would be necessary, and those changes would be no simple cakewalk. Obviously, developing a competitive strategy wouldn't be easy, but the massive challenges confronting the company made it clear to me early on that:

MAKING STRATEGY WORK IS MORE DIFFICULT THAN THE TASK OF STRATEGY MAKING

Execution is critical to success. Execution represents a disciplined process or a logical set of connected activities that enables an organization to take a strategy and make it work. Without a careful, planned approach to execution, strategic goals cannot be attained. Developing such a logical approach, however, represents a formidable challenge to management.

Even with careful development of an execution plan at the business level, execution success is not guaranteed. Tobias's strategic and execution plans for the Consumer Products division were well thought out. Yet troubles plagued the division's progress. Why? The problem was with the entire AT&T corporation. The company was about to go through a huge metamorphosis that it simply was not equipped to deal with and make work. Execution plans at the business level founder or fail if they don't receive corporate support. AT&T was, at the time, a slow-moving behemoth in which change was vehemently resisted. Well-prepared and logical plans at the Consumer Products business level were hampered by a poor corporate culture. Tobias's insights and potentially effective execution actions were blunted by corporate inertia and incompetence.

Although execution is critical to strategic success, making strategy work presents a formidable challenge. A host of factors, including politics, inertia, and resistance to change, routinely can get in the way of execution success.

Fast forwarding to the present, I just finished a few weeks working with managers from Deutsche Post, Aventis Pharmaceutical, and Microsoft, talking to them about execution problems. I also just participated in a Wharton executive program on strategic management and was debriefing with a few of the participants.

The major point cutting through all the conversations is the importance and difficulty of executing strategy. Two decades after my conversation with Randy Tobias, managers are still emphasizing that execution is a key to success. They are arguing that making strategy work is important and is more difficult than strategy making. Plans still fail or wither on the vine because of poor execution.

The striking aspect of all this is that managers apparently still don't know a great deal about the execution of strategy. It is still seen as a major problem and challenge.

Management literature has focused over the years primarily on parading new ideas on planning and strategy formulation in front of eager readers, but it has sorely neglected execution. Granted, planning is important. Granted, people are waking up to the challenge and are beginning to take execution seriously.

Still, it is obvious that the execution of strategy is not nearly as clear and understood as the formulation of strategy. Much more is known about planning than doing, about strategy making than making strategy work.

Is execution really worth the effort? Is execution or implementation truly a key to strategic success?

Consider one relatively recent comprehensive study of what contributes to company success.[ii] In this study of 160 companies over a five-year period, success was strongly correlated, among other things, with an ability to execute flawlessly. Factors such as culture, organizational structure, and aspects of operational execution were vital to company success, with success measured by total return to shareholders. Other recent works have added their support to this study's finding that execution is important for strategic success, even if their approach and analysis are less rigorous and complete.[iii] These works then, in total, support the view I've held for years:

SOUND EXECUTION IS CRITICAL—A FOCUS ON MAKING STRATEGY WORK PAYS MAJOR DIVIDENDS

Despite its importance, execution is often handled poorly by many organizations. There still are countless cases of good plans going awry because of substandard execution efforts. This raises some important questions.

If execution is central to success, why don't more organizations develop a disciplined approach to it? Why don't companies spend time developing and perfecting processes that help them achieve important strategic outcomes? Why can't more companies execute or implement strategies well and reap the benefits of those efforts?

The simple answer, again, is that execution is extremely difficult. There are formidable roadblocks or hurdles that get in the way of the execution process and seriously injure the implementation of strategy. The road to successful execution is full of potholes that must be negotiated for execution success. This was the message two decades ago, and it still is true today.

Let's identify some of the problems or hurdles affecting implementation. Let's then focus on confronting the obstacles and solving the problems in subsequent chapters of this book.

MANAGERS ARE TRAINED TO PLAN, NOT EXECUTE

One basic problem is that managers know more about strategy formulation than implementation. They are trained to plan, not execute plans.

In most MBA programs I've looked at, students learn a great deal about strategy formulation and functional planning. Core courses typically hone in on competitive strategy, marketing strategy, financial strategy, and so on. The number of courses in most core programs that deal exclusively with execution or implementation? Usually none. Execution is most certainly touched on in a couple of the courses, but not in a dedicated, elaborate, purposeful way. Emphasis clearly is on conceptual work, primarily planning, and not on doing. At Wharton, there is at least an elective on strategy implementation, but this is not typical of many other MBA programs. Even if things are beginning to change, the emphasis still is squarely on planning, not execution.

Added to the lack of training in execution is the fact that strategy and planning in most business schools are taught in "silos," by departments or disciplines, and execution suffers further. The view that marketing strategy, financial strategy, HR strategy, and so on is the only "right" approach is deleterious to the integrative view demanded by execution.

It appears, then, that most MBA programs (undergrad, too, for that matter) are marked by an emphasis on developing strategies, not executing them. Bright graduates are well versed in strategy and planning, with only a passing exposure to execution. Extrapolating this into the real world suggests that there are many managers who have rich conceptual backgrounds and training in planning but not in "doing." The lack of formal attention to strategy execution in the classroom obviously must carry over to a lack of attention and consequent underachievement in the area of execution in the real world.

If this is true—if managers are trained to plan, not to execute—then the successful execution of strategy becomes less likely and more problematic. Execution is learned in the "school of hard knocks," and the pathways to successful results are likely fraught with mistakes and frustrations.

It also follows logically that managers who know something about strategy execution very likely have the advantage over their counterparts who don't.

If managers in one company are better versed in the ways of execution than managers in a competitor organization, isn't it logical to assume, all other things being equal, that the former company may enjoy a competitive advantage over the latter, given the differences in knowledge or capabilities? The benefits of effective execution include competitive advantage and higher returns to shareholders, so having knowledge in this area would clearly seem to be worthwhile and beneficial to the organization.

LET THE "GRUNTS" HANDLE EXECUTION

Another problem is that some C-level and other top-level managers actually believe that strategy execution or implementation is "below them," something best left to lower-level employees. Indeed, the heading of this section comes from an actual quote from a high-level manager.

I was working on implementation programs at GM, under the auspices of Corporate Strategic Planning. In the course of my work, I encountered many competent and dedicated managers. However, I also ran across a few who had a jaundiced view of execution. As one of these managers explained:

> "Top management rightfully worries about planning and strategy formulation. Great care must be taken to develop sound plans. If planning is done well, management then can turn the plans over to the grunts whose job it is to make sure things get done and the work of the planners doesn't go to waste."

What a picture of the planning and execution process! The planners (the "smart" people) develop plans that the "grunts" (not quite as smart) simply have to follow through on and make work. "Doing" obviously involves less ability and intelligence than "planning," a perception of managerial work that clearly demeans the execution process.

The prevailing view here is that one group of managers does innovative, challenging work (planning) and then "hands off the ball" to lower levels for execution. If things go awry and strategic plans are not successful (which often is the case), the problem is placed squarely at the feet of the "doers," who somehow screwed up and couldn't implement a perfectly sound and viable plan. The doers fumbled the ball despite the planners' well-designed plays.

Every organization, of course, has some separation of planning and doing, of formulation and execution. However, when such a separation becomes dysfunctional—when planners see themselves as the smart people and treat the doers as "grunts"—there clearly will be execution problems. When the “elite” plan and see execution as something below them, detracting from their dignity as top managers, the successful implementation of strategy obviously is in jeopardy.

The truth is that all managers are “grunts” when it comes to strategy execution. From the CEO on down, sound execution demands that managers roll up their sleeves and pitch in to make a difference. The content and focus of what they do may vary between top and middle management. Nonetheless, execution demands commitment to and a passion for results, regardless of management level.

Another way of saying this is that execution demands *ownership* at all levels of management. From C-level managers on down, people must commit to and own the processes and actions central to effective execution. Ownership of execution and the change processes vital to execution are necessary for success. Change is impossible without commitment to the decisions and actions that define strategy execution.

The execution of strategy is not a trivial part of managerial work; it defines the essence of that work. Execution is a key responsibility of all managers, not something that “others” do or worry about.

PLANNING AND EXECUTION ARE INTERDEPENDENT

Even though, in reality, there may be a separation of planning and execution tasks, the two are highly interdependent. Planning affects execution. The execution of strategy, in turn, affects changes to strategy and planning over time. This relationship between planning and doing suggests two critical points to keep in mind.

Successful strategic outcomes are best achieved when those responsible for execution are also part of the planning or formulation process. The greater the interaction between “doers” and “planners” or the greater the overlap of the two processes or tasks, the higher the probability of execution success.

A related point is that strategic success demands a "simultaneous" view of planning and doing. Managers must be thinking about execution even as they are formulating plans. Execution is not something to "worry about later." All execution decisions and actions, of course, cannot be taken at once. Execution issues or problem areas must be anticipated, however, as part of a "big picture" dealing with planning and doing. Formulating and executing are parts of an integrated, strategic management approach. This dual or simultaneous view is important but difficult to achieve, and it presents a challenge to effective execution.

Randy Tobias had this simultaneous view of planning and doing. Even as he was formulating a new competitive strategy for his AT&T division, he was anticipating execution challenges. Competitive strategy formulation wasn't seen as occurring in a planning vacuum, isolated from execution issues. Central to the success of strategy was his early identification and appreciation of execution-related factors whose impact on strategic success was judged to be formidable. Execution worries couldn't be put off; they were part and parcel of the planning function.

In contrast, top management at a stumbling Lucent Technologies never had this simultaneous view of planning and execution.

When it was spun off from AT&T, the communications, software, and data networking giant looked like a sure bet to succeed. It had the fabled Bell Labs in its fold. It was ready to hit the ground running and formulate winning competitive strategies. Even as the soaring technology market of the late 1990s helped Lucent and other companies, however, it couldn't entirely mask or eliminate Lucent's problems.

One of the biggest problems was that management didn't anticipate critical execution obstacles as they were formulating strategy. Its parent, Ma Bell, had become bureaucratic and slow moving, and Lucent took this culture with it when it was spun off. The culture didn't serve the company well in a highly competitive, rapidly changing telecom environment, a problem that was not foreseen.

An unwieldy organizational structure, too, was ignored during Lucent's early attempts at strategy development, and it soon became a liability when it came to such matters as product development and time to market. More agile competitors such as Nortel beat Lucent to market, signaling problems with Lucent's ability to pull off its newly developed strategies.

One thing that was lacking at Lucent was top management's having a simultaneous view of planning and doing. The planning phase ignored critical execution issues related to culture, structure, and people. The results of this neglect were extremely negative, only magnified by the market downturns in 2000 and thereafter.

EXECUTION TAKES LONGER THAN FORMULATION

The execution of strategy usually takes longer than the formulation of strategy. Whereas planning may take weeks or months, the implementation of strategy is usually played out over a much longer period of time. The longer time frame can make it harder for managers to focus on and control the execution process, as many things, some unforeseen, can materialize and challenge managers' attention.

Steps taken to execute a strategy take place over time, and many factors, including some unanticipated, come into play. Interest rates may change, competitors don't behave the way they're supposed to (competitors can be notoriously "unfair" at times, not playing by our "rules"!), customers' needs change, and key personnel leave the company. The outcomes of changes in strategy and execution methods cannot always be easily determined because of "noise" or uncontrolled events. This obviously increases the difficulty of execution efforts.

The longer time frame puts pressure on managers dealing with execution. Long-term needs must be translated into short-term objectives. Controls must be set up to provide feedback and keep management abreast of external "shocks" and changes. The process of execution must be dynamic and adaptive, responding to and compensating for unanticipated events. This presents a real challenge to managers and increases the difficulty of strategy execution.

When the DaimlerChrysler merger was consummated in 1998, many believed that the landmark deal would create the world's preeminent carmaker. Execution since has been extremely difficult, however, and the six years after the merger have seen many new problems unfold. The company has faced one crisis after another, including two bouts of heavy losses in the Chrysler division, a series of losses in commercial vehicles, and huge problems with failed investments in an attempted turnaround at debt-burdened Mitsubishi Motors.[iv] Serious culture clashes also materialized between the top-down, formal German culture vs. the more informal and decentralized U.S. company. Angry shareholders at the 2004 meeting created and mirrored internal dissent and issued an ultimatum to Jurgen Schrempp to turn things around fast.

The six years after the merger presented problems unforeseen at the time of the merger. Execution always takes time and places pressure on management for results. But the longer time needed for execution also increases the likelihood of *additional* unforeseen problems or challenges cropping up, which further increases the pressure on managers responsible for execution results. The process of execution is always difficult and sometimes quarrelsome, with problems only exacerbated by the longer time frame usually associated with execution.

EXECUTION IS A PROCESS, NOT AN ACTION OR STEP

A point just made is critical and should be repeated: Execution is a process. It is not the result of a single decision or action. It is the result of a series of integrated decisions or actions over time.

This helps explain why sound execution confers competitive advantage. Firms will try to benchmark a successful execution of strategy. However, if execution involves a series of internally consistent, integrated activities, activity systems, or processes, imitation will be extremely difficult, if not impossible.[v]

Southwest Airlines, for example, does many things differently than most large airlines. It has no baggage transfer, serves no meals, issues no boarding passes, uses one type of airplane (reducing training and maintenance costs), and incents fast turnaround at the gate. It has developed capabilities and created a host of activities to support its low-cost strategy. Other airlines are hard pressed to copy it, as they're already doing everything Southwest isn't. They're committed to different routines and methods. Copying Southwest's execution activities, in total, would involve difficult trade-offs, markedly different tasks, and major changes, which complicates the problem of developing and integrating new execution processes or activities. This is not to say that competitors absolutely cannot copy Southwest; indeed, other low-cost upstarts and traditional airlines are putting increasing competitive pressure on Southwest. This is simply arguing that such imitation is extremely hard to do.

Execution is a process that demands a great deal of attention to make it work. Execution is not a single decision or action. Managers who seek a quick solution to execution problems will surely fail in attempts at making strategy work. Faster is not always better!

EXECUTION INVOLVES MORE PEOPLE THAN STRATEGY FORMULATION DOES

In addition to being played out over longer periods of time, strategy implementation always involves more people than strategy formulation. This presents additional problems. Communication down the organization or across different functions becomes a challenge. Making sure that incentives throughout the organization support strategy execution efforts becomes a necessity and, potentially, a problem. Linking strategic objectives with the day-to-day objectives and concerns of personnel at different organizational levels and locations becomes a legitimate but challenging task. The larger the number of people involved, the greater the challenge of effective strategy execution.

I once was involved in a strategic planning project with a well-known bank. Another project I wasn't directly involved in had previously recommended a new program to increase the number of retail customers who used certain profitable products and services.

A strategy was articulated and a plan of execution developed to educate key personnel and to set goals consistent with the new thrust. Branch managers and others dealing with customers were brought in to corporate for training and to create widespread enthusiasm for the program.

After a few months, the data revealed that not much had changed. It clearly was business as usual, with no change in the outcomes that were being targeted by the new program. The bank decided to do a brief survey to canvas customers and branch personnel in contact with customers to determine reactions to the program and see where modifications could be made.

The results were shocking, as you've probably guessed. Few people knew about the program. Some tellers and branch personnel did mention that they had heard about "something new," but nothing different was introduced to their daily routines. A few said that the new program was probably just a rumor, as nothing substantial had ever been implemented. Others suggested that rumors were always circulating, and they never knew what was real or bogus.

Communication and follow-through for the new program were obviously inadequate, but the bank admittedly faced a daunting task. It was a big bank. It had many employees at the branch level. Educating them and changing their behaviors was made extremely difficult by the bank's size. Decentralized branch operations ensured that problems were always "popping up" in the field, challenging employees' attention and making it difficult to introduce new ideas from corporate to a large group of employees.

In this example, the number of people who needed to be involved in the implementation of a new program presented a major challenge to the bank management. One can easily imagine the communications problems in even larger, geographically dispersed companies such as GM, IBM, Deutsche Post, GE, Exxon, Nestlé, Citicorp, and ABB. The number of people involved, added to the longer time frames generally associated with strategy execution, clearly creates problems when trying to make strategy work.

ADDITIONAL CHALLENGES AND OBSTACLES TO SUCCESSFUL EXECUTION

The issues previously noted are serious, potentially impeding execution. Yet there are still other challenges and obstacles to the successful implementation of strategy. These need to be identified and confronted if execution is to succeed.

To find out what problems managers routinely encounter in the execution of strategy, I developed two research projects to provide some answers. My goal was to learn about execution from those most qualified to give me the scoop—managers actually dealing with strategy execution. I could have relied solely on my own consulting experiences. I felt, however, that a more widespread approach—surveys directed toward many practicing managers—would yield additional positive results and useful insights into execution issues.

WHARTON-GARTNER SURVEY

This was a joint project involving the Gartner Group, Inc., a well-known research organization, and me, a Wharton professor. This is a relatively recent project, with data collection and analysis in 2003.

The purpose of the research, from the Gartner introduction, was as follows:

"To gain a clear understanding of challenges faced by managers as they make decisions and take actions to execute their company's strategy to gain competitive advantage."

The research instrument was a short online survey sent to 1,000 individuals on the Gartner E-Panel database. The targeted sample comprised managers who reported that they were involved in strategy formulation and execution. Complete usable responses were received from a sample of 243 individuals, a return rate that is more than sufficient for this type of research. In addition, the survey collected responses to open-ended questions to provide additional data, including explanations of items covered in the survey instrument.

There were 12 items on the survey dealing with obstacles to the strategy-execution process. They focused on conditions that affect execution and were originally developed in conjunction with a Wharton Executive Development Program on strategy implementation. Let's briefly consider this program and the survey it generated, and then we'll look at the items involved.

WHARTON EXECUTIVE EDUCATION SURVEY

I have been running an executive program on strategy implementation at Wharton a number of times a year for about 20 years. I have met hundreds of managers with responsibility for strategy execution, many of whom confronted major hurdles in their attempts to execute strategy successfully. As part of the formal program, managers brought their real-world problems with them. Time was allocated to air out the problems and focus on their solution in the course of the program.

Based on these presentations and my discussions with managers, I developed a list of execution hurdles or challenges to the execution process. I discussed this list with managers, asking them to rank the problems or obstacles in order of importance. Over time, items were modified, added to, or deleted from the list until I settled on 12 items that made sense and had "face" validity. These items, managers felt, clearly had a relationship to strategy execution.

Using the 12 items to gather opinions over a large number of executive education programs provided me with responses from a sample of 200 managers. They provided a ranking of the items' impact on strategy execution. Open-ended responses to questions about execution issues, problems, and opportunities were also collected over time, providing additional valuable data. Coupled with the data collected in the Wharton-Gartner Survey using the same 12 items, I had complete responses from more than 400 managers involved in strategy execution who told me about their execution problems and their solutions to them.

PANEL DISCUSSIONS

In subsequent Wharton executive programs after the data collection, I held informal panel discussions to collect additional insights into what the data were actually saying. I asked managers why, in their opinion, people responded the way they did. “What are the surveys telling us about execution problems or issues?” was the predominant question.

These discussions forced managers to read between the lines and interpret the formal data. They also enabled me to probe into what could be done to overcome the obstacles and achieve successful execution outcomes. Insights were collected, then, not only on the sources of execution problems but their *solutions* as well.

The surveys and follow-up discussions provided data right from “the horse’s mouth.” These were not idiosyncratic data, the opinions or observations of a few managers or CEOs who, against all odds, “did it their way.” The number of managers providing answers, coupled with an emphasis on real problems and solutions, added a strong sense of relevance to the opinions gathered about strategy execution.

THE RESULTS: OPINIONS ABOUT SUCCESSFUL STRATEGY EXECUTION

Table 1.1 shows the results of the surveys. The 12 items are shown, with the respective rank orderings for the Wharton-Gartner Survey and the Wharton Executive Education Survey. (The actual questionnaire, for those interested, appears in the appendix to this book.)

Table 1.1 Obstacles to Strategy Execution

	Rankings		
Obstacles	**Wharton-Gartner Survey (n = 243)**	**Wharton-Executive Education Survey (n = 200)**	**Either Survey Top 5 Rankings**
1. Inability to manage change effectively or to overcome internal resistance to change	1	1	✓
2. Trying to execute a strategy that conflicts with the existing power structure	2	5	✓
3. Poor or inadequate information sharing between individuals or business units responsible for strategy execution	2	4	✓
4. Unclear communication of responsibility and/or accountability for execution decisions or actions	4	5	✓
5. Poor or vague strategy	5	2	✓
6. Lack of feelings of "ownership" of a strategy or execution plans among key employees	5	8	✓
7. Not having guidelines or a model to guide strategy-execution efforts	7	2	✓
8. Lack of understanding of the role of organizational structure and design in the execution process	9	5	✓
9. Inability to generate "buy-in" or agreement on critical execution steps or actions	7	10	
10. Lack of incentives or inappropriate incentives to support execution objectives	9	8	
11. Insufficient financial resources to execute the strategy	11	12	
12. Lack of upper-management support of strategy execution	12	11	

It is obvious that there is strong agreement on some of the items. The importance of managing change well, including cultural change, is first on both surveys. Inability to manage change effectively clearly is seen as injurious to strategy-execution efforts. Although culture was not mentioned explicitly in the item, the open-ended responses and panel discussions placed culture at the core of many change-related problems. To many of the respondents, "change" and" "culture change" were synonymous.

Trying to execute a strategy that conflicts with the prevailing power structure clearly is doomed to failure, according to the managers surveyed. Confronting those with influence at different organizational levels who disagree with an execution plan surely will have unhappy results in most cases.

Poor sharing of information or poor knowledge transfer and unclear responsibility and accountability also can doom strategy-execution attempts. These two items suggest that attempts at coordination or integration across organizational units can suffer if unclear responsibilities and poor sharing of vital information needed for execution is the rule. Again, this makes sense because complex strategies often demand cooperation and effective coordination and information sharing. Not achieving the requisite knowledge transfer and integration certainly cannot help the execution of these strategies.

There is also agreement on the unimportance of some of the items. Both survey groups clearly agreed that a lack of upper-management support and insufficient financial resources were not major problems for strategy execution in their organizations. These results were extremely surprising, so I pursued them further.

Presenting these results to managers in the panel discussions helped clarify the findings. Basically, the story is that top-management support and adequate financial resources are absolutely critical, but that support is primarily manifested during a planning stage, when deciding on execution plans and methods. Commitment to plans of actions and commitment of resources occur as part of planning, so they are "givens," predetermined inputs to the execution process.

Execution plans and activities already have the blessing and approval of top management, and commitment of the requisite resources has already been made. Occasionally, top management may renege on its support during execution, but managers said that this was the exception, not the rule.

This explains, then, why the items dealing with financial support and top management buy-in were rated as only minor execution problems, not serious obstacles. The issues related to support and commitment had already been confronted and resolved, according to the managers interviewed. They definitely are saying, however, that had the blessing of top management not been attained, execution success would be far less probable, if not impossible, to achieve. Given that buy-in and financial support were a reality and in place, the focus could turn to other execution tasks and activities.

It is important to note, too, that top management and financial support are seen by managers as different issues than the power issue previously reported as significant for execution. Power has a broader and more pervasive influence than financial allocations, although there clearly is some relationship. Even after the approval of an execution project and the attendant budget allocations, power and social influence come into play and can affect execution. Managers were adamant in their opinion that, while power certainly includes elements of hierarchy and budgeting, power differences are deeper, more complex, and permeate the entire organization, regardless of hierarchical level.

There are some differences between managers in the two surveys on a few of the items. Having a “poor or vague strategy,” for example, was ranked as the second biggest execution obstacle by the Wharton Executive Education group, but it was ranked fifth by the Wharton-Gartner managers. “Not having a model or guidelines to guide strategy execution efforts” was ranked as the second biggest obstacle by the Executive Education group but was seventh in the Wharton-Gartner Survey. There were also small perceived differences on the importance of organizational structure or design in the execution process.

Why the differences? It may be due in part to the makeup of the samples in the two surveys. The Wharton-Gartner Survey tapped the opinions of managers, some of whom, we can infer, were successful in execution and some of whom weren't. Surely, some of the individuals sampled were successful in their implementation efforts, meaning they weren't having problems.

In contrast, many of the managers in the Executive Education Survey attended the Wharton program because they were having actual execution problems. They came to the program to help solve them and to overcome real implementation obstacles. Their focus was clearly on righting or avoiding execution mistakes. They could see problems, say, with organizational structure or not having a model to guide execution efforts, whereas managers in the Wharton-Gartner Survey may have already overcome those problems and, hence, ranked them lower in importance. Whatever the reason, there were some differences between the two groups.

POOR EXECUTION OUTCOMES

There was strong agreement between the research groups on the impact of the execution problems on performance results. In addition to "not achieving desired execution outcomes or objectives," managers in the surveys ranked a few additional results of poor execution methods as being highly problematical. These include the following:

- Employees don't understand how their jobs contribute to important execution outcomes.
- Time and money are wasted because of inefficiency or bureaucracy in the execution process.
- Execution decisions take too long to make.
- The company reacts slowly or inappropriately to competitive pressures.

These are not trivial issues. Execution problems can cost the organization dearly. Time and money are wasted, and a company can face serious competitive setbacks because of an inability to respond to market or customer demands. Execution problems must be addressed, but which ones and in what order?

MAKING SENSE OF THE DATA AND GOING FORWARD

Given the responses from managers just noted, what does all this mean? What really affects execution? What should we focus on in subsequent chapters of this book?

The first thing I did to answer these questions was to include all items that were ranked fifth or higher in either or both samples of managers. If either or both groups felt that strongly about an execution obstacle, I felt that the item deserved consideration. The far right-hand column in Table 1.1 shows checkmarks by these items.

Second, I looked to the open-ended responses, panel discussions, and my own notes taken during the Wharton programs and panel discussions to flesh out the items in Table 1.1. This proved to be enlightening. I determined easily that "managing change" included managing cultural change to many of the respondents, a point emphasized earlier. The impact of culture itself on execution and company performance was often emphasized, even though culture was not one of the 12 survey items. Managers basically said that culture was an underlying explanatory element in responses dealing with incentives, power, and change, items that were included in the survey. Some argued strongly for the importance of culture as a separate factor affecting execution success.

From these discussions and open-ended responses, I learned why there were many strong comments for certain items, such as the need for an execution model or plan. If a plan existed to guide execution efforts in their company, managers did not rank it as a significant problem. If such a plan didn't exist, it was considered to be a major shortcoming that gave rise to yet additional problems in the execution process.

I read and heard the lamentations of many about execution problems that arise from poor strategy or inadequate planning. Vague strategies cannot easily be translated into the measurable objectives or metrics so vital to execution. Unclear corporate and business plans inhibit integration of objectives, activities, and strategies between corporate and business levels. Poor strategies result in poor execution plans. Points such as these derived from the panel discussions and open-ended responses provided helpful insights into the meaning of the survey items and the factors affecting execution.

Finally, managers told me about the importance of controls or feedback in the execution process. What they were emphasizing is the importance of strategy reviews that provide feedback about performance and allow for changes in execution methods. These points are consistent with the importance of managing change and organizational adaptation, issues already discussed, but the managers' additional emphasis on the importance of controls, feedback, and change were duly noted.

After carefully examining all the data, I then tried to "cluster" the items logically to see which obstacles to successful execution seemed to "stick together." Here is my take on what the data seem to be saying.

THE EXECUTION CHALLENGE

There are eight areas of obstacles or challenges to strategy execution. Or, to put it positively, there are eight areas of opportunity: Handling them well will guarantee execution success. The areas relating to the success of execution are as follows:

1. Developing a model to guide execution decisions or actions
2. Understanding how the creation of strategy affects the execution of strategy
3. Managing change effectively, including culture change
4. Understanding power or influence and using it for execution success
5. Developing organizational structures that foster information sharing, coordination, and clear accountability
6. Developing effective controls and feedback mechanisms
7. Knowing how to create an execution-supportive culture
8. Exercising execution-biased leadership

HAVING A MODEL OR GUIDELINES FOR EXECUTION

Managers need a logical model to guide execution actions.

Without guidelines, execution becomes a helter-skelter affair. Without guidance, individuals do the things they think are important, often resulting in uncoordinated, divergent, even conflicting decisions and actions. Without the benefit of a logical approach, execution suffers or fails because managers don't know what steps to take and when to take them. Having a model or roadmap positively affects execution success.

STRATEGY IS THE PRIMARY DRIVER

It all begins with strategy. Execution cannot occur until one has something to execute. Bad strategy begets poor execution and poor outcomes, so it's important to focus first on a sound strategy.

Good people are important for execution. It is vital to get the "right people on the bus, the wrong people off the bus," so to speak. But it's also important to know where the bus is going and why. Strategy is critical. It drives the development of capabilities and which people with what skills sit in what seats on the bus. If one substitutes "jet airplane" for "bus" above—given today's high-flying, competitive markets—the importance of strategy, direction, and the requisite critical skills and capabilities necessary for success are emphasized even more.

Strategy defines the arena (customers, markets, technologies, products, logistics) in which the execution game is played. Execution is an empty effort without the guidance of strategy and short-term objectives related to strategy. What aspects of strategy and planning impact execution outcomes the most is a critical question that needs answering. Another critical question deals with the relationship between corporate- and business-level strategies and how their interaction affects execution outcomes.

MANAGING CHANGE

Execution or strategy implementation often involves change. Not handling change well will spell disaster for execution efforts.

Managing change means much more than keeping people happy and reducing resistance to new ideas and methods. It also means knowing the tactics or steps needed to manage the execution process over time. Do managers implement change sequentially, bit by bit, or do they do everything at once, biting the bullet and implementing change in one fell swoop? The wrong answer can seriously hamper or kill execution efforts. Knowing how to manage the execution process and related changes over time is important for execution success.

THE POWER STRUCTURE

Execution programs that contradict the power or influence structure of an organization are doomed to failure. But what affects power or influence? Power is more than individual personality or position. Power reflects strategy, structure, and critical dependencies on capabilities and scarce resources. Knowing what power is and how to create and use influence can spell the difference between execution success and failure.

COORDINATION AND INFORMATION SHARING

These are vital to effective execution. Knowing how to achieve coordination and information sharing in complex, geographically dispersed organizations is important to execution success. Yet managers are often motivated *not* to share information or work with their colleagues to coordinate activities and achieve strategic and short-term goals. Why? The answer to this question is vital to the successful execution of strategy.

CLEAR RESPONSIBILITY AND ACCOUNTABILITY

This is one of the most important prerequisites for successful execution, as basic as it sounds. Managers must know who's doing what, when, and why, as well as who's accountable for key steps in the execution process. Without clear responsibility and accountability, execution programs will go nowhere. Knowing how to achieve this clarity is central to execution success.

THE RIGHT CULTURE

Organizations must develop execution-supportive cultures. Execution demands a culture of achievement, discipline, and ownership. But developing or changing culture is no easy task. Rock climbing, white-water rafting, paint-gun battles, and other activities with the management team are fun. They rarely, however, produce lasting cultural change. Knowing what does affect cultural change is central to execution success.

LEADERSHIP

Leadership must be execution biased. It must drive the organization to execution success. It must motivate ownership of and commitment to the execution process.

Leadership affects how organizations respond to all of the preceding execution challenges. It is always at least implied when discussing what actions or decisions are necessary to make strategy work. A complete analysis of execution steps and decisions usually defines what good leadership is and how it affects execution success, directly or indirectly.

CONTROLS, FEEDBACK, AND ADAPTATION

Strategy execution processes support organizational change and adaptation. Making strategy work requires feedback about organizational performance and then using that information to fine-tune strategy, objectives, and the execution process itself. There is an emergent aspect of strategy and execution, as organizations learn and adapt to environmental changes over time. Adaptation and change depend on effective execution methods.

As important as controls and feedback are, they often don't work. Control processes fail. They don't identify and confront the brutal facts underlying poor performance. Adaptation is haphazard or incomplete. Understanding how to manage feedback, strategy reviews, and change is vital to the success of strategy execution.

These are the issues that impact the success or failure of strategy-execution efforts. Coupled with the issues previously mentioned (longer time frames, involvement of many people, and so on), these are the areas that present formidable obstacles to successful execution if they are not handled properly. They also present opportunities for competitive advantage if they are understood and managed well.

The last words, "managed well," hold the key to success. Knowing the obstacles or potential opportunities is necessary but not sufficient. The real issue is how to deal with them to generate positive execution results. The major significant point or thrust of this chapter is that execution is not managed well in most organizations. The remainder of this book is dedicated to correcting this woeful situation.

THE NEXT STEP: DEVELOPING A LOGICAL APPROACH TO EXECUTION DECISIONS AND ACTIONS

So where and how does one begin to confront the issues just noted? Which execution problems or opportunities should managers consider first? What decisions or actions come later? Why? Can an approach to strategy execution be developed to guide managers through the maze of obstacles and problematical issues just identified?

The next chapter begins to tackle these questions. It presents an overview, a conceptual framework to guide execution decisions and actions. Managers need such a model because they routinely face a bewildering set of decisions about a host of strategic and operating problems, including those dealing with execution. They need guidelines, a "roadmap" to steer them logically to execution success.

Priorities are also needed. Tackling too many execution decisions or actions at once will surely create problems. "When everything is important, then nothing is important," is a clear but simple way of expressing the issue. Priorities must be set and a logical order to execution actions adequately defined if execution is to succeed.

Having a model, finally, also facilitates a "simultaneous" view of planning and doing. All execution actions cannot be taken at once; some must precede others logically. A good overview or model, however, provides a "big picture" that enables managers to see and anticipate execution problems. Execution is not something that others should worry about later. Planning requires anticipating early on what must be done to make strategy work.

Development of a logical overview is a step that has been ignored by practitioners, academics, and management consultants alike. Execution problems or issues typically have been handled separately or in an ad-hoc fashion, supported by a few anecdotes or case studies. This is not sufficient. Execution is too complex to be approached without guidelines or a roadmap.

Managers cannot act in a helter-skelter fashion when executing strategy. They can't focus one day on organizational structure, the next on culture, and then on to "good people," only to find out that strategy is vague or severely flawed. They need guidelines, a way to see and approach execution and the logical order of the key variables involved. A roadmap is needed to guide them through the minefields of bad execution decisions and actions. Managers require a "big picture" as well as an understanding of the "nitty-gritty," the key elements that comprise the big picture.

The next chapter tackles the essential task of providing this overview by showing the order and logic of key execution decisions. It begins to confront the obstacles identified in this chapter as it lays out this sequence of decisions or actions. These decisions and actions simultaneously define the areas needing additional attention in later chapters of this book. Having a model of execution is vital to making strategy work, so let's take this important and necessary step.

SUMMARY

- Execution is a key to strategic success. Most managers, however, know a lot more about strategy formulation than execution. They know much more about "planning" than "doing," which causes major problems with making strategy work.
- Strategy execution is difficult but worthy of management's attention across all levels of an organization. All managers bear responsibility for successful execution. It is not just a lower-level task.
- Part of the difficulty of execution is due to the obstacles or impediments to it. These include the longer time frames needed for execution; the need for involvement of many people in the execution process; poor or vague strategy; conflicts with the organizational power structure; poor or inadequate sharing of information; a lack of understanding of organizational structure, including information sharing and coordination methods; unclear responsibility and accountability in the execution process; and an inability to manage change, including cultural change.
- Knowing execution hazards (opportunities) is necessary but not sufficient. For successful execution to occur, managers need a model or a set of guidelines outlining the entire process and relationships among key decisions or actions. A "roadmap" is needed to help with the order of execution decisions as managers confront obstacles and take advantage of opportunities.
- This overview of execution is vital to success and is developed in the next chapter. Subsequent chapters can borrow from this model and focus more specifically on aspects of it to achieve positive execution results.

ENDNOTES

i. For those interested in an informative memoir about Randy Tobias's career, his many experiences (especially as CEO of Eli Lilly), and his views on effective leadership, I suggest you read *Put the Moose on the Table* by Randall Tobias with Todd Tobias, Indiana Press, 2003.

ii. William Joyce, Nitin Nohria, and Bruce Roberson, *What (Really) Works,* Harper Business, 2003.

iii. See Jim Collins, *Good to Great,* Harper Business, 2001; Larry Bossidy and Ram Charan, *Execution,* Crown Business, 2002; and Amir Hartman, *Ruthless Execution,* Prentice Hall, 2004.

iv. "Daimler CEO Defends Strategy, Reign," *The Wall Street Journal,* May 6, 2004.

v. For a good discussion of how a series of integrated activities, activity systems, or processes thwarts imitation and leads to competitive advantage, see Michael Porter's "What is Strategy" in the *Harvard Business Review,* November-December, 1996.

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INDEX

A

ABB (Asea Brown Boveri), 43, 97
  corporate structure and strategy execution example, 107-108
ABC, acquisition by Disney, 40-41, 334
AC (absorptive capacity), 172-173
accountability
  and control process, 203-204
  importance of, 190-191
  as opportunity for success, 25
  role in integration, 175-180
Ackermann, Josef, 263
acquisitions and mergers. *See* mergers and acquisitions
action-oriented approach to strategy execution, 33-35
adaptation as opportunity for success, 26
Aer Lingus, 76
AMD (Advanced Micro Devices Inc.), 264
Amoco, merger with BP, 331
Anderson, Paul, 55, 189
Armstrong, C. Michael, 244, 355
  AT&T corporate strategy example, 69-71
Asea Brown Boveri (ABB), 43, 97
  corporate structure and strategy execution example, 107-108
AT&T, 1, 244, 355
  corporate strategy example, 69-71
  culture changes example, 275-277
  internal dependencies, 296
attitude of management toward strategy execution, 7-8
Aventis, 226, 235

B

Balanced Scorecard, 87
Bank of America (BOA), 237
  merger with Fleet Boston, 354
behavior changes, changing culture, 272-274, 286. *See also* performance
benefit measurement, impact of corporate structure, 110-115
Bethlehem Steel, 66
binary objectives, 191-192
blueprint. *See* model of strategy execution
BOA (Bank of America), 237
  merger with Fleet Boston, 354
boards of directors, influence of, 315-317
Boeing, integration example, 143
BP, merger with Amoco, 331
Bristol-Myers, 264
British Air, 76
brutal facts, learning from mistakes, 201-202
Burke, James, 259
business roles, problems with unclear business roles, 79-80
business strategy, 44-48
  impact on strategy execution, 71, 74-77
  integration with corporate strategy, 78-85, 213-215
  and mergers and acquisitions, 342-346
  short-term operating objectives, 49-50
  and strategy review, 212-213
business structure, 50, 53
  and mergers and acquisitions, 346-347

C

capabilities to support strategy, development of, 89-98, 127, 130. *See also* corporate structure
Capital Cities/ABC, aquisition by Disney, 40-41, 334
cause-effect analysis
  complex change management, 247-248
  and culture change, 270-272, 286
  in strategy review, 217-218
”centers of excellence” (corporate center staff), 125-126
centralization versus decentralization, 41, 115-126, 132-137
change management, 225, 228
  complex change, 243-245
    benefits of, 245
    GE example, 252-254
    General Motors example, 250-251
    National Hurricane Center example, 250
    problems with, 246-251, 254
  for cultural integration in mergers and acquisitions, 342
  execution-related problems, 231-235
  mergers and acquisitions, 352, 355-356
  as opportunity for success, 24, 58
  sequential change, 235-237
    benefits of, 237-238, 243
    Kraft and General Foods example, 238-240
    problems with, 241-243
  size and content of change, 230
  steps in, 228-230
  success of mergers and acquisitions, 329

  time available for change, 230
  velocity of change, 231
changing culture. *See* culture, changing
Chase Manhattan, 348
Chemical Bank, 348
CIA, 273
Ciba-Geigy, 80, 263
Circuit City, controls example, 197-198
Citibank, 97
  corporate structure and strategy execution example, 107-108
  information sharing example, 160-161
Citigroup, 335
clarity of responsibility, role in integration, 175-180
coalitions and power structure, 303-304
codified knowledge versus tacit knowledge, 169-170
Collins, Jim, 66, 201
Comcast, 226
common language, importance to communication, 167-168
communication
  during cultural integration in mergers and acquisitions, 340
  during culture change, 282-286
  effect on strategy execution, 12-13
  flat organizational structure problems, 122-123
  improving with strategy review, 83-85
  information sharing and knowledge transfer
    Citibank example, 160-161
    factors affecting, 168-175
    McKinsey example, 159-160
    methods for, 162-168
    role in integration, 159-175
  as opportunity for success, 24
complex change, 243-245
  benefits of, 245
  GE example, 252-254
  General Motors example, 250-251
  National Hurricane Center example, 250
  problems with, 246-251, 254
consistency. *See* integration
constraints on business strategy, 46-47
content of change, 230
context for execution decisions, 56-58
controls, 53-56, 194-210. *See also* incentives
  changing culture, 273, 276
  Circuit City example, 197-198
  complex change management, 246-247
  cooperation rewards, 202-203
  for cultural integration in mergers and acquisitions, 341-342
  leadership, importance of, 207, 210
  learning from mistakes, 201-202
  and mergers and acquisitions, 347-348
  objectives, importance of, 199-200
  Oticon example, 195-197
  and performance rewards, 200-201
  process, 194-195
  quick-printing industry example, 198-199
  responsibility and accountability, 203-204
  role of, 186
  in strategy review, 217
  timeliness and validity of information, 204-206
cooperation, rewards for, 202-203
coordinated global strategy. *See* global strategies

coordination. *See also* communication; integration
  complex change management, 246-247
  and interdependence methods, 147-158
core competence, 75
corporate center staff, role of, 123-126
corporate culture. *See* culture
corporate strategy, 37-38
  impact on strategy execution, 68-71
  integration with business strategy, 78-85, 213-215
  and mergers and acquisitions, 330-332
  and strategy review, 212
corporate structure, 38, 42. *See also* "demands" of strategy
  changing culture, 274
  critical issues, 108-110
    centralization versus decentralization, 115-126
    cost and benefit measurements, 110-115
  impact on strategy execution, 103-104, 127-137
    Asea Brown Boveri (ABB) example, 107-108
    Citibank example, 107-108
    General Motors example, 104-106
    Johnson & Johnson example, 106-107
  integration, 141-147
    Boeing example, 143
    clarity of responsibility and accountability, 175-180
    Dell Computers example, 144-146
    information sharing and knowledge transfer, 159-175
    interdependence and coordination methods, 147-158
    Shell example, 143-144
  and mergers and acquisitions, 332, 336
  and strategy formulation, 294-295
cost measurement, impact of corporate structure, 110-115
Costco, merger with Price, 356
costs of execution, success of mergers and acquisitions, 328
cultural integration and mergers and acquisitions, 336-342
culture, 259-260
  changing, 271-272
    AT&T example, 275-277
    behavior changes, 272-274, 286
    communication, importance of, 286
    in mergers and acquisitions, 356, 359
    as opportunity for success, 25, 58-60
    resistance to change, 280-287
    Sears example, 277-278
    speed of changes, 284-287
    Wal-Mart example, 278-280
  defined, 261
  effect
    on communication, 168
    on performance, 263-270
  importance for execution of strategy, 262
  subcultures, 262-263

D

DaimlerChrysler, 11, 135, 226, 262, 281-283, 313, 336, 341
  merger and acquisition issues, 332
databases, methods for information sharing, 162

DEC, 313
  usage of power, 299
decentralization versus centralization, 41, 115-126, 132-137
Dell Computers, 76, 227
  integration example, 144-146
“demands” of strategy, 89-98, 127, 130. *See also* corporate structure
demotivation, 187-188
dependencies
  internal dependencies and power, 296-298
  power bases and relationships, 301-303
  and strategy formulation, 293-295
Deutsche Bank, 263
differentiation strategy, 74
  corporate structure choices, 128, 131
  ”demands” of strategy, 92-93
disciplined approach. *See* model of strategy execution
Disney, 226, 264
  acquisition of ABC, 40-41, 334
Disney, Roy, 264
”drivers” of structural choice, 130-137
due diligence, success of mergers and acquisitions, 326, 331

E

effectiveness versus efficiency, corporate structure choices, 116-118, 132
efficiency versus effectiveness, corporate structure choices, 116-118, 132
Eisner, Michael, 227, 264
enterprise strategy. *See* corporate strategy
entry barriers, 74
environment and strategy formulation, 292
evolutionary change, 232-234
execution of strategy
  as action-oriented approach, 33-35
  business strategy and mergers and acquisitions, 342-346
  business structure and mergers and acquisitions, 346-347
  change management, 225, 228
    complex change, 243-254
    execution-related problems, 231-235
    sequential change, 235-243
    size and content of change, 230
    steps in, 228-230
    time available for change, 230
    velocity of change, 231
  common versus unique solutions, 32-33
  controls, impact of, 186, 194-210
    Circuit City example, 197-198
    cooperation rewards, 202-203
    leadership, importance of, 207-210
    learning from mistakes, 201-202
    mergers and acquisitions, 347-348
    objectives, importance of, 199-200
    Oticon example, 195-197
    performance rewards, 200-201
    process, 194-195
    quick-printing industry example, 198-199
    responsibility and accountability, 203-204
    timeliness and validity of information, 204-206
  corporate strategy and mergers and acquisitions, 330-332

corporate structure, impact of, 103-104, 127-137
  Asea Brown Boveri (ABB) example, 107-108
  Citibank example, 107-108
  GM example, 104-106
  Johnson & Johnson example, 106-107
  mergers and acquisitions, 332, 336
cultural integration and mergers and acquisitions, 336-342
culture, 259-260
  changing culture, 271-280, 286
  communication, importance of, 286
  defined, 261
  effect on performance, 263-270
  importance of, 262
  resistance to change, 280-287
  speed of changes, 284-287
  subcultures, 262-263
failure of mergers and acquisitions, reasons for, 327-329
formulation of strategy, impact of, 66-68, 98-99
  clear strategy, need for, 68-70, 74-77
  "demands" of strategy, 89-98, 127, 130
  integration of corporate and business strategies, 78-85
  translation into short-term operating objectives, 86-89
importance of, 3-5
incentives
  impact of, 186-194
  mergers and acquisitions, 347-348
interdependence with formuation of strategy, 8-10
opportunities for success, 22
  business strategy, 44-48
  business structure, 50, 53
  change management, 24, 58
  communication, 24
  context for decisions, 56-58
  corporate strategy, 37-38
  corporate structure, 38, 42
  cultural change, 25, 58-60
  feedback and adaptation, 26
  incentives and controls, 53-56
  integration, 42-44
  leadership, 25, 61
  model of strategy execution, 23-62
  power structure, 24, 60-61
  responsibility and accountability, 25
  short-term operating objectives, 49-50
  strategy, importance of, 23
power, impact of, 301
  CEO leadership role, 314, 317
  changing power structure, 317-318
  coalitions and joint ventures, 303-304
  downside of power, 312-314
  measurable results, 304-312
  power bases and relationships, 301-303
  resistance to power structure change, 318-319
problems affecting
  communication, 12-13
  management attitude toward, 7-8
  managers not trained in strategy execution, 5-6
  research data gathered about, 14-22
as process, 11-12
strategy review, 210-211
  cause-effect analysis phase, 217-218
  control process phase, 217
  execution plan phase, 215-216
  feedback phase, 218-219

    - follow-up phase, 219-220
    - formulation of strategy phase, 212, 215
    - and mergers and acquisitions, 348, 351-352
  - structural integration, impact of, 141-142, 146-147
    - Boeing example, 143
    - clarity of responsibility and accountability, 175-180
    - Dell Computers example, 144-146
    - information sharing and knowledge transfer, 159-175
    - interdependence and coordination methods, 147-158
    - Shell example, 143-144
  - timeframe for, 10-11
- executive education function (corporate center staff), 124-125
- expectations, setting for cultural integration in mergers and acquisitions, 339
- expertise, lack of (flat organizational structure problems), 121

F

- face-to-face interaction, importance of, 154-155
- *Fahrenheit 9/11*, 334
- failure of mergers and acquisitions, reasons for, 325, 328-329
- feedback as opportunity for success, 26. *See also* controls; incentives
- feedback phase in strategy review, 218-219
- flat organizational structure versus tall organizational structure, 118-123
- Fleet Boston, 237
  - merger with Bank of America, 354
- focus strategies, corporate structure choices, 128, 131
- follow-up phase in strategy review, 219-220
- Ford Motor Company
  - internal dependencies, 296
  - usage of power, 298-299
- formulation of strategy
  - and corporate structure, 294-295
  - and dependencies, 293-295
  - difficulty of execution of strategy, 3-4
  - and environment, 292
  - execution of strategy, impact on, 66-68, 98-99
    - clear strategy, need for, 68-77
    - “demands” of strategy, 89-98, 127, 130
    - integration of corporate and business strategies, 78-85
    - translation into short-term operating objectives, 86-89
  - failure of mergers and acquisitions, reasons for, 326-327
  - interdependence with execution of strategy, 8-10
  - management attitude toward, 7-8
  - managers trained in, 5-6
  - power, impact of, 291-301
  - and resource allocations, 295
  - strategy review, 212, 215
  - timeframe for, 10-11
- Frey, Don, 298
- functional organization, costs and benefits, 111

G

Gartner Group, Inc. *See* Wharton-Gartner survey
GE
  complex change management example, 252-254
  ”Work Out” (reciprocal interdependence example), 156-157
GE Capital, flat organizational structure example, 119-121
General Foods, sequential change example, 238-240
General Motors (GM), 312
  complex change management example, 250-251
  corporate structure and strategy execution example, 104-106
  dependencies, 293
Gensler, Robert, 244
Gillette, 67
global strategies
  corporate structure choices, 130-131
  ”demands” of strategy, 96-98
GM (General Motors), 312
  complex change management example, 250-251
  corporate structure and strategy execution example, 104-106
  dependencies, 293
Google, 227
growth of organization, corporate structure choices, 136-137
guidelines. *See* model of strategy execution

H-I

Hartman, Amir, 249
Head, Howard, 133
Hewlett-Packard, 227
Iacocca, Lee, 298
IBM, 76
ImClone, 264
imitation, 75
Immelt, Jeffrey, 55, 189
  restructuring of GE Capital, 119
implementation. *See* execution of strategy
incentives, 53-56, 187-194. *See also* controls
  changing culture, 273, 276
  for cultural integration in mergers and acquisitions, 341-342
  demotivation, 187-188
  importance to reciprocal interdependence, 155
  and mergers and acquisitions, 347-348
  and performance criteria, 192-194
  role of, 186
  types of, 188-192
inertia, flat organizational structure problems, 121
influence. *See* power
informal contact, methods for information sharing, 165, 168
information sharing. *See also* communication
  Citibank example, 160-161
  factors affecting, 168-169
    absorptive capacity (AC), 172-173
    codified knowledge versus tacit knowledge, 169-170
    organizational structure, 173-175
    trustworthiness of information sources, 170-172
  McKinsey example, 159-160
  methods for
    formal roles and jobs, 162-163
    informal contact, 165, 168
    IT systems/databases, 162
    matrix structures, 163-165
  role in integration, 159-175

integration, 42-44, 141-142, 146-147
  Boeing example, 143
  clarity of responsibility and accountability, 175-180
  corporate and business strategies, 78-85
  cultural integration and mergers and acquisitions, 336-342
  Dell Computers example, 144-146
  information sharing and knowledge transfer, 159-175
  interdependence and coordination methods, 147-158
  long-term and short-term objectives, 87-88
  and mergers and acquisitions, 346-347
  Shell example, 143-144
  and strategy review, 213-215
  success of mergers and acquisitions, 327
Intel, 74, 264
interdependence and coordination methods, 147-158
internal dependencies and power, 296-298
investments
  and business strategy, 47-48
  for differentiation strategies, 92-93
  for low-cost strategies, 91-92
IT systems/databases, methods for information sharing, 162

J-K

Johnson & Johnson, 262
  corporate structure and strategy execution example, 106-107
joint ventures and power structure, 303-304
knowledge transfer
  Citibank example, 160-161
  factors affecting, 168-169
    absorptive capacity (AC), 172-173
    codified knowledge versus tacit knowledge, 169-170
    organizational structure, 173-175
    trustworthiness of information sources, 170-172
  McKinsey example, 159-160
  methods for
    formal roles and jobs, 162-163
    informal contact, 165, 168
    IT systems/databases, 162
    matrix structures, 163-165
  role in integration, 159-175
Kolind, Lars, 195
Kraft
  acquisition by Philip Morris, 330
  sequential change example, 238-240

L

lateral communication, flat organizational structure problems, 122-123
leadership
  control process, importance to, 207, 210
  during culture change, 283-284
  mergers and acquisitions, importance in, 359-360
  as opportunity for success, 25, 61
  role in power structure, 314, 317
learning from mistakes. *See* mistakes, learning from
Leslie Fay, 235
logical guidelines. *See* model of strategy execution
long-term strategy. *See* strategy

low-cost positions, 76
  ”demands” of strategy, 91-92
low-cost strategies, corporate structure choices, 127, 131
Lucent Technologies, 9-10

M

M&A activities. *See* mergers and acquisitions
management-by-objectives (MBO) programs, 87
managers
  attitude toward strategy execution, 7-8
  training in strategy formulation rather than strategy execution, 5-6
managing change. *See* change management
managing culture. *See* culture
market “relatedness,” corporate structure choices, 132-136
market share, 73
matrix structures, methods for information sharing, 163-165
Matsushita, 336
MBA programs, training in strategy formulation rather than strategy execution, 5-6
MBO (management-by-objectives) programs, 87
McKinsey, information sharing example, 159-160
McNealy, Scott, 95, 227
measurable objectives, 88-89, 189-190
measurable results and power structure, 304—312
Mechanic, David, 290
mergers and acquisitions
  and business strategy, 342-346
  and business structure, 346-347
  change management, 352-356
  and corporate strategy, 330-332
  and corporate structure, 332, 336
  and cultural integration, 336-342
  culture change, 356, 359
  and incentives and controls, 347-348
  leadership, importance of, 359-360
  reasons for failure, 325-329
  statistics, 324-325
  and strategy review, 348-352
Microsoft, 262
Miramax, 334
mistakes, learning from, 201-202
  complex change management, 248-249
model of strategy execution as opportunity for success, 23-62
  action-oriented approach, 33-35
  business strategy, 44-48
  business structure, 50, 53
  common versus unique execution solutions, 32-33
  context for decisions, 56-58
  corporate strategy, 37-38
  corporate structure, 38, 42
  incentives and controls, 53-56
  integration, 42-44
  short-term operating objectives, 49-50
Moore, Michael, 334
Morris Air, acquisition by Southwest Airlines, 356
motivation. *See* incentives
Motorola, 59, 266
  usage of power, 299-300

N

National Hurricane Center, 246
  complex change management example, 250
Naylor, Mike, 313

negative effects of culture change, changing into positive effects, 281
new hires, changing culture, 273, 277
Novartis, 263
Nucor, 48, 66

O

objectives
  and controls, 199-200
  and incentives, 189-194
  short-term objectives
    and business strategy, 49-50
    and incentives, 189
    and mergers and acquisitions, 342-346
    translation of long-term strategy into, 86-89
Olsen, Ken, 299, 313
operating objectives. *See* short-term objectives
opportunities for success (strategy execution), 22
  change management, 24, 58
  communication, 24
  cultural change, 25, 58-60
  feedback and adaptation, 26
  leadership, 25, 61
  model of strategy execution, 23-62
    action-oriented approach, 33-35
    business strategy, 44-48
    business structure, 50, 53
    common versus unique execution solutions, 32-33
    context for decisions, 56-58
    corporate strategy, 37-38
    corporate structure, 38, 42
    incentives and controls, 53-56
    integration, 42-44
    short-term operating objectives, 49-50
  power structure, 24, 60-61
  responsibility and accountability, 25
  strategy, importance of, 23
organizational culture. *See* culture
organizational strategy. *See* corporate strategy
organizational structure. *See* corporate structure
orientation for cultural integration in mergers and acquisitions, 338
Oticon, controls example, 195-197

P

panel discussions about strategy execution research data, 16
performance, effect of culture, 263-270
performance appraisal, 208-210
performance criteria
  complex change management, 249-250
  and incentives, 192-194
performance metrics, 80-82
performance rewards, importance of, 200-201
Peugeot Citröen, 226
pharmaceutical industry, dependencies, 293
Philip Morris, 67
  acquisition of Seven-Up and Kraft, 134-135, 330
  sequential change example, 238
Pitney Bowes, 67
planning. *See* formulation of strategy
pooled interdependence, 147-148
  coordination methods for, 151-153
portfolio analysis, 78-79
  problems with
    performance metrics, 80-82
    resource allocations, 81
    unclear business roles, 79-80
Porth, Wilfried, 259

positive effects of culture changes, changing negative effects into, 281
power, 289-291, 297
  and internal dependencies, 296-298
  and strategy execution, 301
    CEO leadership role, 314, 317
    changing power structure, 317-318
    coalitions and joint ventures, 303-304
    downside of power, 312-314
    measurable results, 304-312
    power bases and relationships, 301-303
    resistance to power structure change, 318-319
  and strategy formulation, 291-301
  usage of, 298-300
power bases, defining, 301-303
power structure
  effect on communication, 168
  as opportunity for success, 24, 60-61
Powers, Jim, 313
Price, merger with Costco, 356
price wars, 76
process, execution of strategy as, 11-12
process specialization, costs and benefits, 111
psychological incentives, 188
purpose specialization, costs and benefits, 113

Q-R

quick-printing industry, controls example, 198-199

reciprocal interdependence, 150-151
  coordination methods for, 154-155
  “Work Out” example, 156-157
related diversification, 331
related markets and technologies, corporate structure choices, 132-136
relationships (power), defining, 301-303
research data about strategy execution problems, 14-22
resistance
  to culture change, 280-287
  to power structure change, 318-319
resource allocations, 81
  and strategy formulation, 295
responsibility
  clarity of, role in integration, 175-180
  for cultural integration in mergers and acquisitions, 338
  importance to control process, 203-204
  lack of (flat organizational structure problems), 122
  as opportunity for success, 25
responsibility plotting, 177-180
rewards. *See* incentives; performance rewards
roadmap. *See* model of strategy execution
role negotiation, 177-180
Royal Dutch/Shell Group, integration example, 143-144
Ruiz, Hector, 264
Ryanair, 76

S

Sandoz, 263
Sanofi, 235
Sanofi-Synthelabo, 226
Sears, culture changes example, 277-278

sequential change, 235-237
  benefits of, 237-238, 243
  Kraft and General Foods example, 238-240
  problems with, 241-243
sequential decision process, corporate structure choices, 116-118
sequential interdependence, 148-150
  coordination methods for, 153-154
Seven-Up, acquisition by Philip Morris, 134-135, 330
shareholders, influence of, 315-317
Shell, integration example, 143-144
short-term objectives
  and business strategy, 49-50
  and incentives, 189
  and mergers and acquisitions, 342-346
  translation of long-term strategy into, 86-89
simultaneous strategies, corporate structure choices, 129-130
size
  of change, 230
  of organization, corporate structure choices, 136-137
Smith, Roger, 312
social influence. *See* power
Sony, 336
sources of information, trustworthiness of, 170-172
Southwest Airlines, 11, 75, 227, 262, 265
  acquisition of Morris Air, 356
speed
  of culture changes, 284-287
  of integration, mergers and acquisitions, 354-356
stability during cultural integration in mergers and acquisitions, 339-340
statistics, mergers and acquisitions, 324-325
strategic management function (corporate center staff), 124
strategic planning. *See* formulation of strategy
strategic problems and change management, 235
strategy
  importance of, 35, 66-77
  as opportunity for success, 23
  translation into short-term operating objectives, 86-89
strategy execution. *See* execution of strategy
strategy formulation. *See* formulation of strategy
strategy review, 83-85, 210-211
  cause-effect analysis phase, 217-218
  control process phase, 217
  execution plan phase, 215-216
  feedback phase, 218-219
  follow-up phase, 219-220
  formulation of strategy phase, 212, 215
  and mergers and acquisitions, 348-352
structural integration. *See* integration
structure. *See* business structure; corporate structure
subcultures, 262-263
suboptimization, 232-234
success, opportunities for. *See* opportunities for success (strategy execution)
Sun Microsystems, 94-95, 227
surveys
  Wharton Executive Education survey, 15
    data analysis, 21-22
    results, 16-20
  Wharton-Gartner survey, 14-15
    data analysis, 21-22
    results, 16-20
switching costs, 76

T

tacit knowledge versus codified knowledge, 169-170
tall organizational structure versus flat organizational structure, 118-123
technological "relatedness," corporate structure choices, 132-136
technological differentiation strategy, 74
Tenet, George, 273
throughputs, 110
time available for change, 230
timeframe for execution of strategy, 10-11
timely information, importance to control process, 204-206
Tobias, Randy, 1, 9, 275-276
trust, success of mergers and acquisitions, 329
trustworthiness of information sources, 170-172

U-V

utilitarian incentives, 188

valid information, importance to control process, 204-206
velocity of change, 231
  success of mergers and acquisitions, 328
vertical integration, 148-149

W-Z

Wal-Mart, 48, 73, 192, 227
  culture changes example, 278-280
Walton, Sam, 278
Welch, Jack, "Work Out" (reciprocal interdependence example), 156-157
Wharton Executive Education survey, 15
  data analysis, 21-22
  results, 16-20
Wharton-Gartner survey, 14-15
  data analysis, 21-22
  results, 16-20
Wood Johnson, Robert, 188
"Work Out" (reciprocal interdependence example), 156-157

Zander, Edward, 59, 266, 300