A Timesaving Guide

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THE RESULTS-DRIVEN MANAGER

- DEVELOP YOUR STRATEGIC SKILLS
- IDENTIFY NEW GROWTH OPPORTUNITIES
- ALIGN STRATEGY WITH PERFORMANCE

EXECUTING STRATEGY for Business Results

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Executing Strategy for Business Results

The Results-Driven Manager Series

The Results-Driven Manager series collects timely articles from *Harvard Management Update, Harvard Management Communication Letter,* and the *Balanced Scorecard Report* to help senior to middle managers sharpen their skills, increase their effectiveness, and gain a competitive edge. Presented in a concise, accessible format to save managers valuable time, these books offer authoritative insights and techniques for improving job performance and achieving immediate results.

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Becoming an Effective Leader

Motivating People for Improved Performance

Hiring Smart for Competitive Advantage

Retaining Your Best People

Managing Performance to Maximize Results

Contents

Introduction

We live in a time of accelerating change in the business landscape. Technological advances, shifts in customer preferences, regulatory changes, globalization, new competitors—these and other complex forces are buffeting organizations like never before. To survive *and* thrive under these conditions, companies must constantly formulate effective strategies—their plans for differentiating themselves from competitors. And they must execute those strategies flawlessly.

Defining and carrying out a competitive strategy requires tight coordination among managers and employees at every level in your organization. Everyone must not only understand the strategic direction the company is aiming for; they must also ensure that their everyday efforts support that strategy. When top management, you, your peers, and employees are all pulling in the same direction, you generate valuable business results:

- You help your company grow and stay ahead of rivals.
- You identify and seize advantage of profitable new opportunities—for example, serving new markets through innovative products and services, or achieving unprecedented efficiency in your operations.
- You make smarter decisions about how to invest your time, energy, and budgetary dollars by channeling those resources only into initiatives that support your company's strategy.
- You surmount daunting business challenges more deftly—such as helping your organization succeed during an economic downturn or running your unit or department at top performance even if you're short-staffed.

As appealing as these advantages are, planning and executing strategy isn't easy. Indeed, many strategic initiatives never get off the ground. Why? During the planning stage alone, you face numerous difficult decisions—and you risk making a serious misstep at each one. For example, you have to figure out which of the many new developments you see happening in the business have important ramifications for your company. Does a change in consumer tastes, for instance, constitute a threat to your current offerings—or an opportunity to serve an entirely new market profitably? How will you avoid the all-too-common cognitive biases that can lead to inadvisable strategies—such as assuming that customers will want the new product you're designing or that a strategy which worked in the past will work just as well now?

Also, how far out should you look as you craft a competitive strategy—three years? Five? Fifteen? And of the many possible strategic scenarios you believe could emerge on the business horizon, how do you determine which of them is *most* likely to take shape—and when? Moreover, at any point in time, the changes unfolding in the business arena represent a wide variety of alluring opportunities. How should you decide which of them to pursue? Of the changes that pose threats, how will you determine which of them is the most serious?

Clearly, strategic planning is rife with questions and potential pitfalls. But even if you resolve those questions and sidestep the pitfalls, your well-informed and brilliantly crafted strategy will prove useless unless you can execute it skillfully. To put your strategy into action, you must master a broad range of skills.

For example, you need to align your unit behind the corporate strategy. Alignment means identifying the specific unit-level actions, performance, and projects that will best support the high-level strategy that your company has defined. If you lead the marketing team for example, which marketing strategies will most help your company achieve its strategic goal of carving out new markets or winning a reputation as a cost leader in its industry? If you head a customer call center, how might you redesign key processes to support your organization's objective of increasing customer loyalty and profitability?

Even after you've achieved this alignment, you'll need to maintain it when circumstances shift yet again. For example, what will you do if you lose several crucial, talented employees to rival firms? When the technology you're using becomes obsolete? When an unforeseen competitor suddenly looms on the horizon and changes all the rules of the game? Maintaining alignment in the face of continual change requires strategic flexibility—another essential skill.

Thankfully, mastering the skills needed to define and carry out strategy *is* possible. And this volume will help you. You'll find one section devoted entirely to tactics for planning your strategy. Another concentrates on strengthening your strategic skills—including creating and maintaining strategic alignment, managing the risks involved in selecting and following a strategic direction, and remaining flexible in your strategies. An additional section focuses on strategies for growing your company, since profitable growth plays a central role in any organization's health and competitive positioning. The final section explores a set of special strategic challenges you might expect to encounter—surviving an economic downturn, running your department when you're understaffed, getting competitive advantage from outsourcing—and lays out suggestions for tackling those challenges.

Here's a closer look at what you'll find in this volume:

Planning Your Strategy

Many managers find strategic planning challenging. The articles in this section introduce common planning pitfalls and provide guidelines for circumventing them. In "Strategic Planning—Why It's Not Just for Senior Managers Anymore," business writer Marie Gendron starts things off by making a compelling business case for what she calls "expanded strategic planning." Companies that use expanded strategic planning involve a broad range of managers and employees in development of strategy—and get remarkable results.

For example, Electronic Data Systems gathered input from a major cross-section of employees on where the company stood in its markets, what its current strengths and weaknesses were, and where its future opportunities lay. It then used that input to map out a three-year strategic plan. The approach paid big dividends—in the form of significant market expansion and a jump in revenues. Gendron provides tips for designing an expanded strategic planning process—including ensuring that everyone knows how the company is doing financially and arming all workers with the strategic information they need to do their jobs in a way that furthers the company's market goals.

In "Cognitive Bias in Everyday Strategic Planning," business writer Loren Gary introduces several common mental barriers that can stymie managers during the strategic planning process, and explains how to avoid them. For example, one cognitive bias causes managers to seek only information confirming their assumption that a particular product or service will appeal to consumers. To counteract this bias, you need to systematically take the opposite perspective—putting yourself in customers' shoes and asking, "Why might this product fail?"

Another bias causes managers to assume that a strategic alliance that worked for one project (such as a co-marketing agreement with another company) should be repeated for other projects. To combat this bias, broaden your information base by involving in the decision-making session more people than would typically participate. Challenge participants to present disconfirming evidence for why repeating a strategic alliance may *not* be wise for a new project—no matter how successful it was on a previous effort.

The next article, "Scenario Planning Reconsidered," introduces scenario planning as a strategy formulation tool and explains how to get the most from it. Through scenario planning, managers use their intuition and imagination to craft stories about how their industry might evolve in the future. They then design a strategy for responding to each scenario, should it actually arise. How to use scenario planning? Start by asking people for their views about future developments. Then gather and analyze data on the various trends that affect your business. Sketch out scenarios—"what if" stories depicting how your industry's most influential forces might play out. Assess the implications of each scenario for your unit or company and develop signposts for each—events that could indicate that a particular scenario has begun to materialize. Finally, reassess your vision in light of the scenarios, asking yourself whether the vision requires any changes.

The last article in this section is "How to Evaluate Opportunities Quickly and Strategically," by business editor Kirsten D. Sandberg. As Sandberg points out, changes in the business world can create such a large sea of possibilities that can capsize a company while it's trying to decide which ones to pursue. To avoid this outcome, establish "simple rules" for identifying the few opportunities you want to explore among the many possibilities out there.

For instance, "boundary rules" enable you to distinguish opportunities that align with your company's core ideology from those that don't. American Express, for example, forges strategic partnerships with only those firms that can deliver unique benefits—not simply "me too" results—to Amex's customers. Amex also insists on priority access to the partner's resources and information. Moreover, partners must have the infrastructure needed to meet Amex's service requirements. "Exit rules" are also useful: they help you determine when to "cut bait." To illustrate, Amex establishes performance objectives for each of its strategic partners and ties its exit strategy to those objectives.

Strengthening Your Strategic Skills

To implement a well-planned strategy, you need a set of strategic skills. The articles in this section lay out those skills and offer suggestions for strengthening them. Business editor Paul Michelman begins the section by introducing the first of three articles on strategic alignment. In "How Will You Better Align with Strategy?" he defines the three steps necessary to align your unit behind your company's strategy: (1) Make sure you have a clear understanding of the strategy, (2) Turn that strategy into something actionable for your staff, and (3) Implement procedures that will keep your unit aligned with the strategy despite shifting conditions.

Michelman then provides recommendations for handling step 1 if your company hasn't explicitly defined the high-level strategy. For example, "Begin by asking. Seek your boss's interpretation and, where appropriate, reach even higher. Look not only for face-to-face input; speeches by the CEO, reports to shareholders, and other documents can reveal valuable insights." Then "compare what you hear and read about strategic priorities with where the company's resources are going. There may be a lot of talk about innovation, but if the biggest portions of the expenditure pie are earmarked for marketing the existing product line, that says something quite different."

In "How Will You Turn Top-Level Strategy into Unit-Level Action?" Michelman turns to step 2 of the strategic alignment process. To convert corporate strategy into an actionable agenda for your unit, communicate the strategy to your employees using relevant context and language. Involve your team in defining how the strategy relates to your unit and what alignment will require. Then ensure that each direct report is on board—and on track. By directly involving your employees in discussions on how to execute strategy in your unit, you can greatly enhance their commitment to the strategy and to their individual roles in carrying it out.

Michelman's "How Will You Maintain Alignment?" explores step 3 of the alignment process by providing suggestions for keeping "everyone's eyes on the strategic prize" despite shifting circumstances. One idea is to "connect each project to strategy" by ensuring that projects are completed on time and within budget and that they advance the company as far as possible toward its strategic objectives. Also, "measure and reward" strategic performance by custom-building metric and reward systems to support the strategy. For example, tie a portion of your team's total compensation to its results as they relate to top-line strategy.