Bad strategy execution: the bane of good business

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The art of strategy development and execution is one of the fundamentals taught in business courses. Yet, for the discipline's prevalence, a staggering amount of strategy executions fail; as many as 70% to 90%. Over two-thirds of CEOs fail because of bad strategy execution, according to Fortune, and Forbes reports that less than 10% of effectively formulated strategies succeed.

These dismal figures are commonplace: a 2017 Economist Intelligence Unit global survey of 500 senior corporate executives found that over 90% admitted they failed to reach all their strategic goals because of flawed implementation. Only 5% of workforces understand the business strategy (Bain) and 60% of organisations don't link budgets to strategies (McKinsey).

"Business is always fighting the challenge of getting the job done versus doing things the right way," explains Denice Manganye, Managing Partner at e-SEK. "Processes are one example of this: formal processes are often ignored or maligned because businesses take the shortest path to an outcome. But soon you develop situations where the left and right hands don't know what the other is doing. Scale up that phenomenon to the high level and the exact same thing is happening to strategy execution. A lot of effort goes into creating strategies, but they then quickly become ideas on paper, not practice, because the execution and monitoring fall short."

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A modern business challenge

Aggravating the situation is an exponentially more complex business environment. Today's CEO has to monitor both internal and external environments, spread across a series of business influences: politically, regulatory, technology, international and local compliance, competition, the evolution of industries that demand new products, as well as stakeholder and consumer activism.

Locally, such mistakes are quite evident. For example, why was MultiChoice not prepared for the arrival of Netflix in South Africa? Surely that event was conceived. If those concerns were risk-mapped, response strategies would have been available. Other examples include policy uncertainty, such as the contentious Mining Charter or the ripples in competition and regulation caused by the arrival of a disruptive innovation that creates new markets. Even nation-building is affected: the drastic shortfall to reaching the NDP's 2019 growth target of 5% is far removed from current reality; and poor strategy execution is a major cause of this. These could be mitigated if the organisational strategy was prepared for it and able to adjust quickly.

Good strategy theory holds that formulation is just one aspect because environments are not static. Businesses need to execute and monitor strategy through the above influences, adjusting as needed. This is the acute spot where strategy starts to fail. But the failure itself is due to a more fundamental shortcoming.

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"Risk management, auditing activities and compliance must be tied to and aligned with the corporate strategy. If this isn't the case, it becomes difficult and even pointless to engage the execution-adjustment loop. If the work of your audit and risk committee isn't aligned with corporate strategy, you might end up measuring useless things."

Spotting bad execution

There are numerous telltale signs that strategy execution is failing. A failure of governance tops the list, something the WEF has highlighted often and with urgency. Unclear vision and strategy; a lack of alignment between the board, CEO and C-suite; disjointed planning and lack of integrated processes; and the inability to monitor, test and adapt the business strategy, are all endemic of failed strategy execution. Poor financial results, high employee turnover and poor customer satisfaction rates are among the alarm bells to look out for.

Fortunately, the issue can be addressed with the combined help of consultancy and new technology, Manganye explains: "Organisations need to look at integrated governance, risk and compliance models. A lack of these is what led to the collapse of governance as a whole. There's a need to move from manual corporate performance monitoring to automated performance monitoring to improve the monitoring and evaluation of strategic plans. You need to integrate risk to strategy, internal audit functions to strategy, align PMO to corporate strategy, and communication and stakeholder management to strategy. Currently, all of these functions

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operate as silos."

Much of this integration can be accomplished with executive strategy manager (ESM) technology platforms. Though not a silver bullet, you still need to align the above-mentioned silos. ESM systems vastly improve an organisation's vantage point and grasp of its integration challenges through active monitoring and integration. The bad habits that have let strategy execution slip through companies' fingers, aggravated by a more multidimensional business landscape, no longer have a purpose.

Blood is clearly in the water. Many large blue-chip companies have lost 60% to 70% of their market value over just a 12-month period. Some of these are well-established businesses with good strategies. But execution is falling short due to bad internal habits, a struggle to adapt to external threats, or both. If there is one thing you can do today to ensure your business survives tomorrow, it's addressing strategy execution.

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