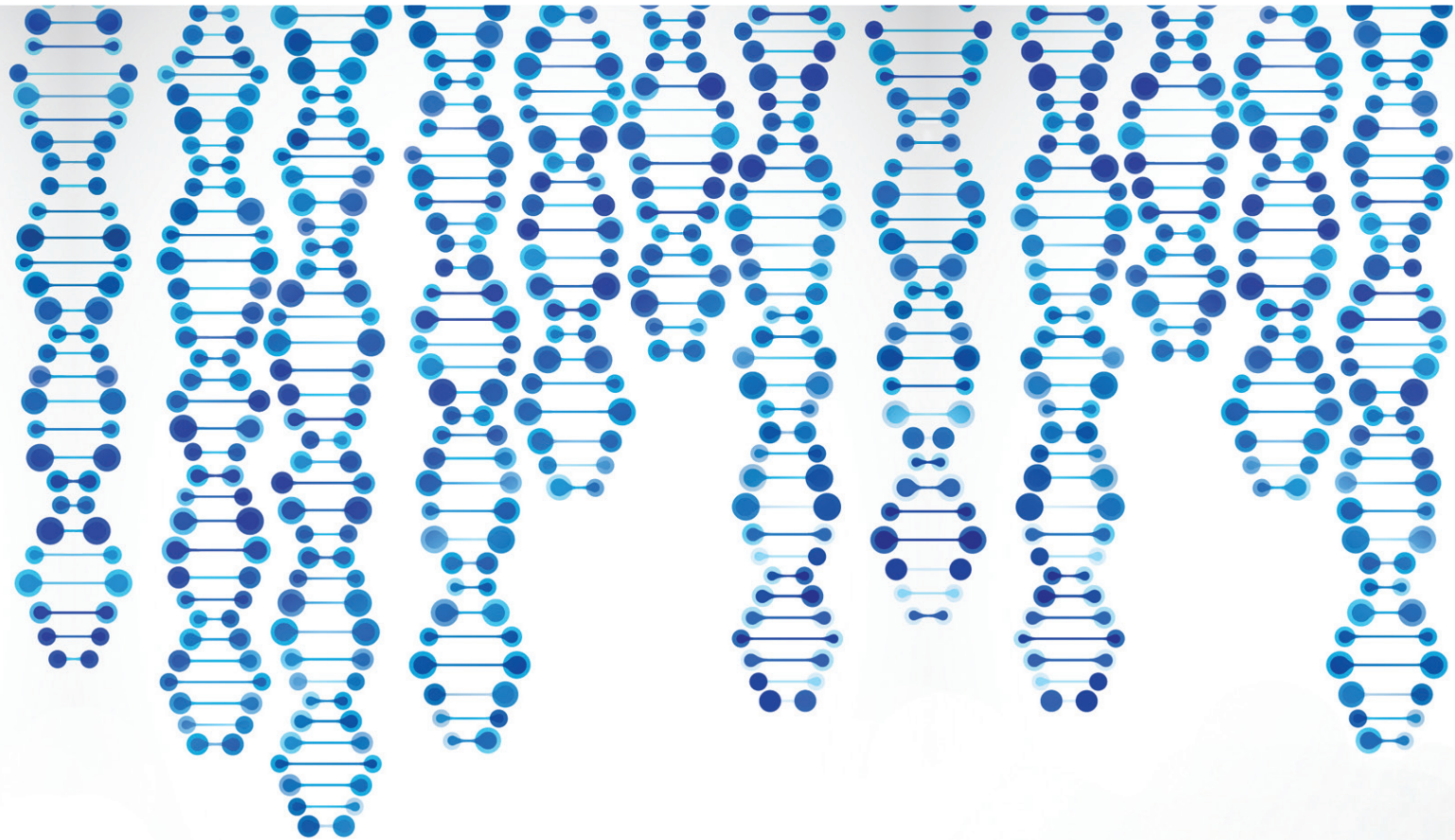




Strategy made personal



Cracking the Code:

The Secret to Successful Strategy Execution
& Lessons for the C-Suite

By Rommin Adl

Survey Conducted by The Economist Intelligence Unit

Executive Summary

What Are the Drivers of Effective Execution?

Survey Conducted by the Economist Intelligence Unit

A company with a poor strategy is doomed to fail, but even companies with well-conceived strategies will struggle to succeed if they do not execute effectively. Strategy execution is regularly cited by CEOs as a top priority and challenge, yet few agree on how to make it happen. However, with competition as fierce as it has been in recent years, bridging the gap between strategy and results has never been more important.

A global survey of more than 200 C-suite executives, senior leaders and managers conducted by The Economist Intelligence Unit (EIU) and sponsored by BTS explores the drivers of effective strategy execution. The data reveals that organizations yield significantly higher revenue growth, profitability and market share when employees understand the company strategy, believe in it, have a sense of urgency to make it happen, and are equipped with the skills and capabilities necessary to execute.

This research report exposes the critical enablers of effective strategy execution, details the leadership actions and behaviors that deliver the greatest impact, and explores key organizational challenges and disconnects that companies must overcome to achieve success. Proven to overestimate their company's ability to execute, CEOs in particular should take notice of the research findings.



Demystifying Strategy Execution

Strategy execution is a series of coordinated, enterprise-wide decisions and actions occurring over time. It may start at the top of a corporation, but to deliver results, it must cascade down and engage the entire organization from the executive suite to the front line.

Successful strategy execution is neither a process overhaul nor mechanical formula for efficiency.

Based on more than 25 years of experience and extensive research, BTS has defined the three key drivers of strategy execution:

E=AMC™

- **Alignment:** Includes how well people across an organization understand the company strategy, realize why it is critical to success and recognize the actions required to make it a reality
- **Mindset:** Reflects the level of emotional commitment to the strategy and encompasses the belief that the strategy is right, passion that it will make a difference and an urgency to make it happen
- **Capability:** Refers to the essential skills required within the organization to effectively execute strategic initiatives. These skills include business acumen and decision-making, leadership and management and sales capabilities

The Age-Old Debate

What Is More Important—Strategy Formulation or Execution?

In the past, companies typically invested significant time, money and resources in formulating winning strategies that were designed to propel the organization ahead of the competition. All too often, execution was an after-thought, considered too late in the process. However, a balanced approach between strategy formulation and execution is proven to maximize impact.

The research study reveals that 26 percent of survey respondents invest more time developing strategy, 44 percent of surveyed leaders spend more time implementing strategy, and another 26 percent adopt a balanced approach, focusing equally on both.

Strategy Development or Execution?



Interestingly, **superior performers in revenue growth, market share and profitability are most likely to strike a balance between strategy formulation and implementation. In contrast, companies that place a disproportionate emphasis on strategy formulation are more likely to be subpar performers.** In comparison with their market-leading competitors, executives from profitability-lagging organizations are 35 percent more likely to report that they are busier formulating strategy than executing it.

To maximize impact, strategy formulation and execution planning should occur in tandem. Strategy development should not occur in a vacuum, disconnected from implementation, and execution should not be overlooked or undervalued. Market-leading companies start implementation planning during the strategy formulation phase and then work to optimize the execution levers at their disposal to effectively engage and develop leaders, ultimately enabling significantly better results.

The Levers of Execution

Alignment, Mindset and Capability™

To deliver the full potential of strategic initiatives and drive above-average revenue growth, the research reveals that alignment to the strategy, the right mindset and the skills and capabilities needed for execution are all important success factors.

Top-performing companies—characterized by above average revenue growth rates and profitability—are consistently and significantly more likely than below-average performers to achieve higher alignment, stronger mindset and greater capability to execute.

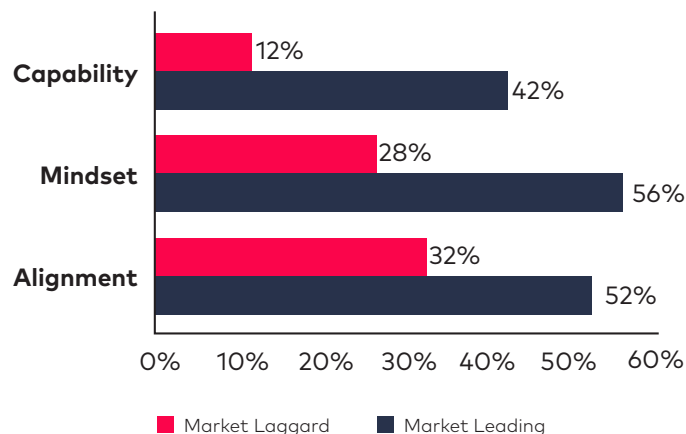
Top-Performing Companies

- 52% of leaders report strong alignment
- 56% note deep commitment and belief in the strategy
- 42% have the capability to execute

Underperforming Companies

- 32% of leaders indicate strong alignment
- 28% report deep commitment and belief in the strategy
- 12% have the capability to execute

Market Leading Companies Optimize Execution Levers



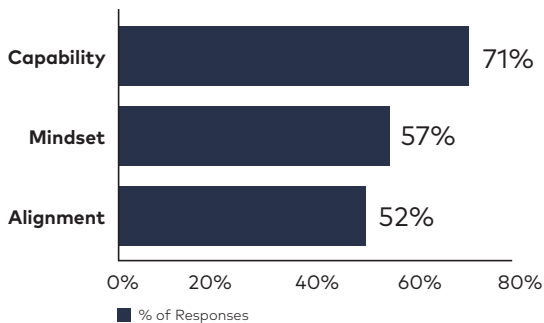
Prioritizing the Strategy Execution Drivers

However, the research suggests that alignment, mindset and capability are not all equally important. The leaders surveyed overwhelmingly identified **capability as the single most important predictor of success**. When surveyed leaders are “highly confident” in their managers’ ability to lead successful execution, the probability that their company is a performance winner is 71 percent.

Employee mindset is perceived as the next most significant factor. When executives express a strong belief in and commitment to the company’s strategy, the probability that their company is a performance winner is 57 percent.

Often the primary focus of senior leaders, alignment is perceived as important, but less influential on performance. When survey respondents can comprehensively explain their company strategy, the probability that their company is an above-average performance winner is 52 percent.

Which Execution Lever is The Strongest Predictor of Success?



These research findings suggest that to ensure superior strategy execution, companies must look beyond initiatives that build alignment. Traditional strategy communication and “push” methods alone—town hall meetings and leadership presentations—are not enough to maximize results. To achieve greater impact, a comprehensive approach to enable practice, facilitate skill development, and immerse leaders in the strategy is critical. By developing the key capabilities first, employee passion and urgency will follow, and alignment will be much easier to accomplish.

Case in Point:

A Top-Performing Company Builds Alignment, Mindset and Capability™ Around a Key Strategic Priority

Executing a Roadmap for Growth at Coca-Cola

Coke® is more than just a drink. It is the definitive global brand, at home, everywhere—a cherished symbol of constancy cutting across cultures. While the secret recipe for Coke has remained unchanged for decades, the Coca-Cola Company is transforming to meet future needs.

Chasing several lead business indicators, the Coca-Cola Company's success factors are numerous, complex and variable from one country to the next. To maintain focus on profitable growth, Coke developed Revenue Growth Management (RGM), a fully integrated business model identifying the complete range of long-term growth opportunities. In unveiling the company's 2020 roadmap for growth, Coca-Cola Chairman and CEO Muhtar Kent reflected, "We know that winning is going to require new capabilities, new models and new innovations."

Challenged to execute and change management culture from the top down, the company started by developing leaders' capabilities. Immersed in a customized business simulation, 470 of the company's most senior leaders were challenged to execute the company strategy and simultaneously identify and develop new growth opportunities.

Through the high-impact experience, leaders developed the management skills critical to delivering growth in an environment of change, and armed with new skills, mindset shifted and alignment around the strategy strengthened. "The more realistic the simulation," confirms Coke's Global Director of Learning and Development Terry Hildebrand,

"the easier it is for people to activate and go back to the business to apply their new capabilities and knowledge."

Subsequently cascaded down into the organization, the strategy execution program was delivered in 60 sessions around the world. The experiential initiative was credited with strengthening the leadership of Coke's most senior executives as well as creating greater impact down into the organization.

- The simulation helped to evolve Coca-Cola's segmentation capabilities to maximize its revenue per case, leading to a 20 percent revenue increase and 300 percent operating income increase.
- Using the RGM concepts, the company found \$70 million in pricing by optimizing core brand pricing and value as well as improving the company's mix.
- Better understanding success drivers for bottling partners, operating efficiencies led to nearly \$2 million in savings over a 12-month period in the company's largest market.
- More than three-fourths of the participants agreed they had achieved results on the job that would not have been possible without the interactive, hands-on execution initiative.

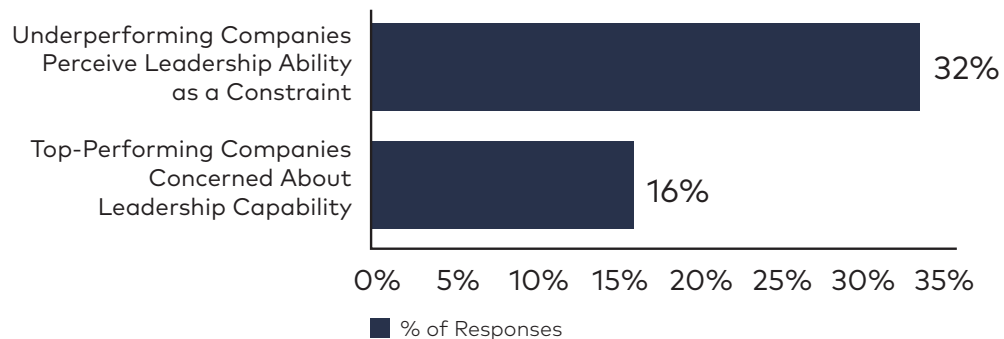
Summarizing his personal experience, one Coca-Cola leader reflected, "I entered the program a believer in the direction of the strategy for the Coca-Cola Company, but I left with a strong and active conviction and sense of personal ownership to make it happen." Echoed across the company, the impact is striking.

Leadership Capability Is Critical to Execution

The perceived capability of senior leadership is a critical factor motivating an organization's confidence and ability to successfully execute strategic initiatives. Not surprisingly, the research reveals that companies with stronger leaders are more effective in communicating and operationalizing strategy down into the organization, but certain leadership actions and behaviors are more important to success.

Market-leading companies recognize the relative importance of leaders' capability, have invested more in developing management talent and, as a result, are less constrained by skill gaps. **Only 16 percent of respondents from top-performing companies are concerned about the ability of superiors to execute, while 32 percent of executives at underperforming companies express concerns about execution capability.** Top-performing companies not only have stronger leaders, but also excel at specific leadership actions and behaviors.

Investments in Leadership Ability Enable Effective Execution



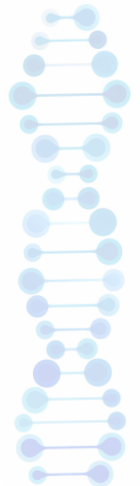
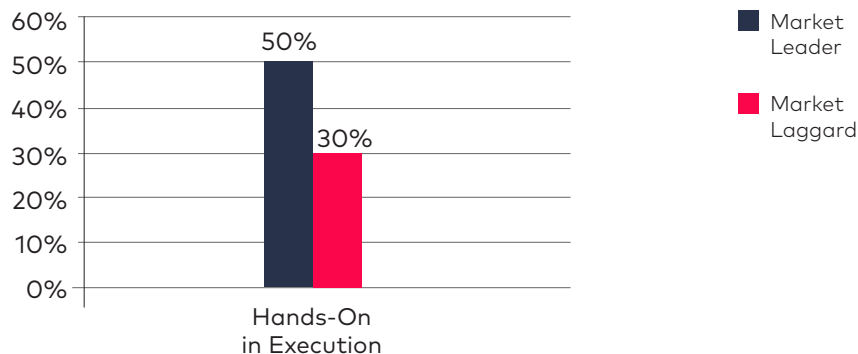
High vs. Low Performing Organizations

Insights to the High-Impact Leadership Behaviors and Actions

Leaders at companies that outperform peers are much more likely to take a hands-on approach to implementing strategy with a clear focus and emphasis on setting expectations and defining actionable goals. Half of performance winners employ this hands-on approach, compared to only 30 percent of subpar performers.

Meanwhile, organizations with passive leaders underperform relative to competitors. More than a quarter of respondents report that their managers are passive, and often distribute simple communications about strategy without linking them to day-to-day work, or are hands-off, making no attempt to translate the strategy into specific priorities and goals for employees. These management practices are more common at low-performing companies—30 percent of respondents at subpar performers indicate their managers are passive or hands-off, while among winners, only 21 percent report such behaviors.

Leaders vs. Laggards: Hands-On Implementation Pays Dividends

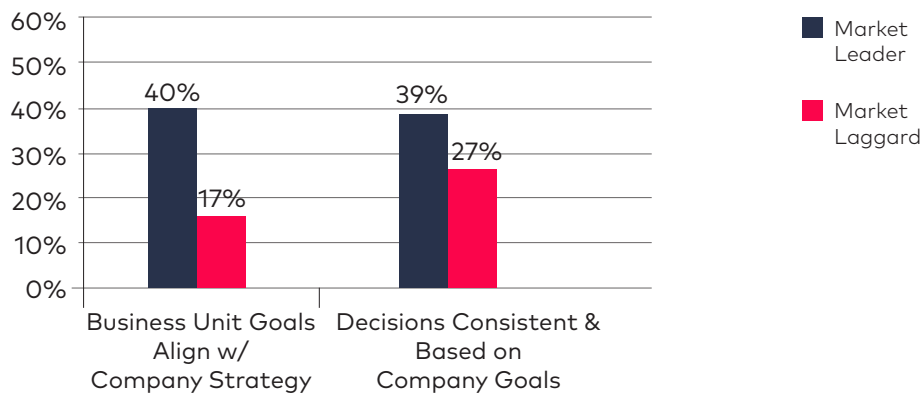


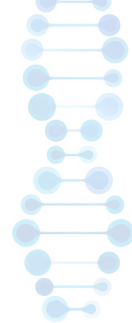
Furthermore, **companies whose executives clearly link business unit priorities and objectives to the overall corporate strategy outperform competitors.** This best practice is followed by 26 percent of surveyed organizations. Top performers, however, adhere to this practice more regularly—40 percent of performance winners set business unit goals and priorities that align to the overall strategy. This contrasts with 17 percent of below-average performers.

However, there is still room for improvement across the board. The majority of managers (52 percent) discuss the importance of specific goals related to the corporate strategy, but do not consistently make decisions based on the same considerations. Some 22 percent do not even discuss or act on the importance of linking business unit objectives to the company's high-level strategy—and among performance laggards, this number is 27 percent.

Moving forward, to effectively operationalize and cascade strategic initiatives, investments in the development of core skills, ranging from foundational leadership and management to strong business acumen and decision-making, will prove critical.

Leaders vs. Laggards: Insights to High-Impact Leadership Behaviors





Hurdles Remain

Collaboration Is a Key Challenge

While implementing strategic initiatives, even the top-performing companies—who identify the critical drivers of effective execution and deploy best-practice leadership styles and behaviors—continue to struggle.

For large, complex enterprises, cross-organizational challenges remain a key inhibitor to successful strategy execution. **Cross-company collaboration is the most common impediment to effective execution for top-performing companies—43 percent of above-average performers see management's ability to build relationships and work across organizational boundaries as their most important challenge.** This is particularly true for large global corporations. For organization's with more than \$1 billion in revenue, leaders recognize the ability to cascade and operationalize the corporate strategy across silos as a top challenge and consider cross-organizational collaboration the most pressing management shortcoming.

Meanwhile, for organizations reporting less than \$1 billion in revenues, the quality and focus of the strategy is recognized as the key factor impacting execution confidence, while talent development is regarded as the most significant management shortcoming.

High-Performing Companies Recognize Strategy Execution Challenges: Rank Order

1. **Cross-Organizational Collaboration & Working Across Boundaries**
2. Innovation & New Product Development to Meet Unmet Customer Needs
3. Decision-Making & Effective Evaluation of Financial Trade-Offs
4. Talent Development & Building the Capabilities for Today and the Future
5. Efficient Implementation & Timely Decisions Adopted Company-Wide
6. Operational Effectiveness
7. Business Analysis & Recognition of the Key Financial Drivers

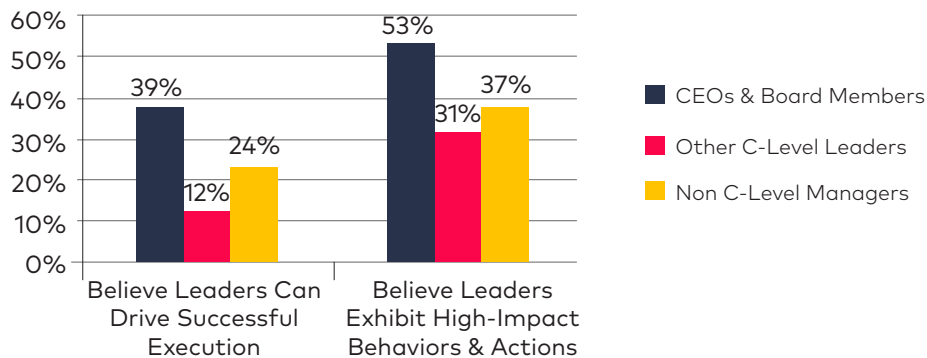
The CEO Disconnect

Senior Leadership Underestimates Execution Complexity and Challenges

Navigating from strategy to execution, companies face an apparent disconnect between the expectations of various levels in an organization. Overall, CEO and board-level respondents are more likely to overestimate their company's ability to execute.

CEOs consistently rate all strategy implementation success factors at their company—from alignment to mindset to capability—in a more positive light than the leaders below them, even other C-suite executives. Thirty nine percent of CEOs are highly confident in their managers' ability to lead successful execution, while only 12 percent of other C-suite executives and 24 percent of non-C-suite managers share the same positive outlook. Moreover, CEOs are also more likely to view their leaders as hands-on—53 percent vs. 31 percent of other C-suite members and 37 percent of managers.

Do CEOs Overestimate Execution Ability?



This disconnect has the potential to bear significant ramifications on company performance. The research findings stress the importance of leaders' execution capabilities as well as the critical impact of adopting a hands-on approach to cascading initiatives. If CEOs do not have an accurate understanding of the organization's ability, they will struggle to take the necessary actions to drive effective strategy execution and skill development.

The Way Forward

Accelerating Strategy Execution

In today's increasingly complex business environment, leading organizations recognize superior strategy execution as a source of competitive advantage. However, the results of this study confirm that many companies must first target the key strategy execution levers to effectively overcome challenges, develop leaders' capabilities and achieve strong implementation.

To maximize impact, organizations are best advised to embed execution plans early in the strategy formulation process and target initiatives that directly address capability gaps at all levels of the corporate hierarchy, build company-wide alignment, and develop leaders' mindset and commitment.

Moreover, to effectively communicate and operationalize strategy down into the organization, the perceived capability of senior leadership is a critical factor motivating engagement around strategic initiatives. Understanding this reality, leaders are best advised to take a hands-on approach to implementation, define expectations and actionable goals, and link business unit priorities to overall company goals.

Facing this challenge, a long-term, strategic and proactive approach will prove critical. Companies that achieve success realize tangible business results and are proven to outperform industry peers.

Appendix

Sponsored by BTS, The Economist Intelligence Unit conducted a global survey of more than 230 senior leaders (CEOs, SVP/VPs, Directors, and Managers) to explore the critical drivers of effective strategy execution, reveal the leadership actions and behaviors that deliver the greatest impact, and evaluate key organizational challenges and disconnects companies must overcome to achieve success. This research report is based on the survey responses.

Respondents to the survey represented a diverse range of geographies and company sizes across 19 industries and 15 business functions. Forty three percent of respondents were within the C-suite.

About BTS

BTS: The Global Leader in Strategy Alignment and Execution

BTS is a global professional services firm headquartered in Stockholm, Sweden, with some 450 professionals in 32 offices located on six continents. We focus on the people side of strategy, working with leaders at all levels to help them make better decisions, convert those decisions to actions and deliver results. At our core, we believe people learn best by doing. For 30 years, we've been designing fun, powerful experiences™ that have profound and lasting impact on people and their careers. We inspire new ways of thinking, build critical capabilities and unleash business success. It's strategy made personal.

We serve a wide range of strategy execution and talent development needs. Our services span the employee lifecycle from assessment centers for selection and development to strategy alignment and execution initiatives, and from business acumen, leadership and sales training programs to on-the-job business simulations and application tools. We partner with nearly 450 organizations, including over 30 of the world's 100 largest global corporations. Our major clients are some of the most respected names in business: AT&T, Chevron, Coca-Cola, Ericsson, Google, GSK, HP, HSBC, Salesforce.com, Telstra, and Unilever.

BTS is a public company listed on the Nasdaq OMX Stockholm exchange and trades under the symbol BTS B.

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