Harvard Business Review
REPRINT H040F7
PUBLISHED ON HBR.ORG
NOVEMBER 13, 2017

ARTICLE
STRATEGY EXECUTION

Executives Fail to Execute Strategy Because They're Too Internally Focused

by Ron Carucci

Harvard Business Review

STRATEGY EXECUTION

Executives Fail to Execute Strategy Because They're Too Internally Focused

by Ron Carucci

NOVEMBER 13, 2017

IMAGNO/GETTY IMAGES

Experts have opined for decades on the reasons behind the spectacular failure rates of strategy execution. In 2016, it was estimated that 67% of well-formulated strategies failed due to poor execution. There are many explanations for this abysmal failure rate, but a 10-year longitudinal study on executive leadership conducted by my firm showed one clear reason. A full 61% of executives told us they were not prepared for the strategic challenges they faced upon being appointed to senior leadership roles. It's no surprise, then, that 50%–60% of executives fail within the first 18 months of being promoted or hired.

Appointing that many unprepared leaders into roles directly responsible for crafting and executing strategy only fuels the risk of executional failure. Here are four of the most common signs that an executive is likely to fail when attempting to bring the organization's strategy to life.

They lack depth in their competitive context. Taking on broader leadership roles usually results in greater insularity for leaders. Their focus is pulled toward internal issues: resolving conflicts, reconciling budgets, and managing performance. Consequently, they pay less attention to external strategic issues like competitor moves, customer needs, and technology trends. One study reports that 70% of leaders spend on average one day a month reviewing strategy and 85% of leadership teams spend less than an hour per month discussing strategy. When leaders fail to understand the competitive context of their organizations, they sometimes hide behind unrealistic goals to overcompensate. When I ask executives to show me their organization's strategy, they often hand me a strategic plan that has product quotas and market share growth targets, or they show me the mission and values statement with some lofty statements on one page. But they rarely show me a clear market identity that articulates who they will serve and who they *won't,* what capabilities they will be disproportionately better at than their competitors, and why their target customers would choose them over competitors.

In a global food company I worked with, the new head of marketing announced that 40% of the coming year's revenue would be generated from new product launches. Nobody in the organization took her seriously, because their product launch efforts had been failures for the past several years. What their consumers really wanted was higher-quality products with healthier ingredients in more-convenient packaging. But she failed to learn the fundamental competitive dynamics of this segment of the food industry, so she defaulted to principles from her experience in an entirely different market. Too many executives fail to learn the basic competitive and financial context of their own organizations prior to assuming senior-level jobs. One executive in our study confessed in his interview, "We all fake it till we make it."

They are dishonest or naive about trade-offs. Strategy, at its most basic level, is a set of choices and trade-offs about where an organization will invest, compete, and win. For more-complex organizations, that means every "yes" to an idea or initiative requires a "no" to several others in order to secure the success of the first initiative. Limiting the number of commitments requires focusing all resources on a narrowed set of priorities, intentionally deprioritizing other efforts. Despite this, most executives struggle to understand the implications of not making effective trade-offs. In companies that poorly execute strategy, a staggering 60% do not even link their strategies to their budgets, guaranteeing a disconnect between commitments and resources. By contrast, in companies that successfully execute strategy, 76% limit the number of strategic initiatives they focus on and 64% actually build their budgets around their strategy.

Diluting the focus of an organization by overcommitting resources institutionalizes mediocrity and cynicism. People feel set up to fail. Saying no is one of the greatest gifts an executive can give their organization. Too many leaders overestimate the capacity of their organizations under the ruse of "stretch goals" or "challenge assignments" to justify their denial of the organization's true limitations. In one of the largest global retail companies I worked with, executional capacity was unusually constrained for an organization of its size and margins. I asked the CEO to estimate how many global initiatives (multicountry, more than $1 million in scope and budget) he thought were active at the enterprise level. He guessed 20 to 25. We did a comprehensive inventory for him — and stopped counting after we reached 147. Failure to make intentional, hard trade-offs when executing your strategy ensures that all efforts are likely to fall short of expected results.

They leave old organizational designs in place. An organizational design is the living embodiment of the company's strategy. You should be able to look at how the organization is put together and instantly detect what it is trying to accomplish. For many leaders, the only organizational lever they know to pull is the org chart. They shift pieces of the hierarchy around as if that could shift performance. But great executives become organization architects, taking a systemic look at capabilities — processes, governance, culture, competencies, technologies — and build them into the organizational machine expressly designed for a particular strategy. Research confirms the importance of this. In successfully executing companies, 77% effectively translate their strategy into operational mechanisms and monitor day-to-day progress.

The CEO of a fast-growing alternative energy company inherited an organization built to be a holding company over five disparate acquisitions that served different segments of the energy market. The strategic play was intended to be an end-to-end provider of energy solutions for private- and utility-sector customers. The only way for that to happen was to fully integrate the five companies into one enterprise built to deliver integrated solutions. The CEO intelligently, and courageously, took on the hyper-entrepreneurial cultures of the smaller companies. He chartered a design team comprising leaders from all five and built a ground-up enterprise design that integrated the best capabilities of each. Lesser CEOs would have naively tried imposing standardized core processes or aggressive incentive systems over the holding company design as a way to force cohesion, and would have ultimately failed. He knew the only way to successfully execute the bold strategy was to overhaul and align the organizational design.

They can't handle the emotional toll. For many leaders, the taxing nature of enterprise-level leadership is too great. Being sufficiently knowledgeable about context requires a huge tolerance for ambiguity and the acceptance of a perpetual learning curve. Making hard trade-offs means saying no to people and facing the many dysfunctional ways people deal with being disappointed by their leader. Shifting organizational designs means having to address the harsh realities of instigating major change — organization-wide anxiety, intensified political dynamics, and sometimes having to part ways with those not prepared for the new world you are creating. It's no surprise that mental and physical stress-related illnesses are high among executives. While some executives thrive on the challenges inherent in the trailblazing work of strategy, many simply collapse under the emotional toll it takes. In our research, 38% of executives said they didn't expect the loneliness and isolation that accompanied their jobs and 54% said they felt they were being held accountable for problems outside their control. Given the ruthlessly unforgiving nature of executive jobs, I encourage all my clients to have a team of professionals around them, including an executive coach, a licensed therapist, a personal trainer, and a nutritionist. That kind of "scaffolding" helps leaders bear the harsh realities of strategic leadership in healthier ways.

The work required to effectively craft and execute a company strategy is extraordinarily difficult. It's no surprise that many try to oversimplify it, or dilute it to match whatever level of competence they have. But if organizations actually invested in preparing executives for the real requirements of these roles, we would see failure rates decline and companies more consistently adapt and thrive.

Ron Carucci is co-founder and managing partner at Navalent, working with CEOs and executives pursuing transformational change for their organizations, leaders, and industries. He is the best-selling author of eight books, including the recent Amazon #1 *Rising to Power*. Connect with him on Twitter at @RonCarucci; download his free e-book on Leading Transformation.
