Mastering the Management System (successful strategy execution)

Effective monitoring of a company’s strategy—a key responsibility of directors—requires them to obtain a basic understanding of the strategy process itself, from formulation to execution. That is exactly what this small article provides.

The authors show convincing evidence that many strategic plans failed, not because of a lack of savvy thinking but due to poor execution, especially if the business is going bad and the attention is drawn to short term, urgent issues. Rather than treating strategy as an annual one-off exercise the authors suggest to approach strategy as a process, in which two elements are critical:

✔ understand the management cycle in which strategy (and objectives) are linked to operations;
✔ know what tools to apply at each stage of the various strategy development stages.

Both elements require a systematic process and a lot of discipline.

The article argues that a strategy process should be designed as a closed loop, consisting of 5 stages: strategy development, translation, planning of operations, monitoring & learning and testing & adapting the strategy. Many (top)managers unconsciously prefer the first stage or, just fail to move on to the next stages. So, the authors provide examples of what each stage should comprise, how to link objectives to operational targets, how many meetings to organize, what frequency they should have, which should be the agenda topics and who should attend. Not sexy, but very handy!

What makes this article so useful to read otherwise? Rather than proposing yet another strategy tool, several of the existing ones are compared and linked to the specific stages in the strategy process. This provides much clarity and the context provides insight. The same holds for the recommendation to also link tools for achieving operational excellence (Six Sigma, TQM) to the strategic objectives and various score cards used to obtain maximum benefits. A clear distinction is made between reviewing the current strategy (where the strategy is given) and challenging the strategy and its underlying assumptions. The suggestion to group the many strategic objectives into 3 to 5 strategic themes might prove to be useful.

For those who have had some education in strategy formulation, but are not an expert yet, the article provides a handy guidebook to maintain control over the company’s strategic agenda and to determine what to do next and when.

Although not primarily written for directors, the article provides them with a very useful basis for reviewing the way in which executives organize their strategic process and enables them to link the company’s strategic objectives and issues to its daily operational performance.

However, the article is a product of the typical Anglo-Saxon culture in which shareholder value is dominant.

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**The 5 stages of the Strategy Cycle**

| 1. Develop the Strategy | Mission, vision, competitor analysis, suppliers |
| 2. Translate the Strategy | Objectives, targets, initiatives |
| 3. Plan Operations | Key processes, resources capacity, budgetting |
| 4. Monitor & Learn | Strategy reviews, operational reviews |
| 5. Test & Adapt the Strategy | Profit. analysis, correl. anal., emerging strategies |

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Therefore, it lacks a thorough recommendation regarding the inclusion of stakeholders interests. It does not provide tools or suggestions how to identify the important stakeholders (other than suppliers, customers and the like), how to organize an on-going dialogue with them, how to determine their requirements, et cetera. Nor does it provide an integrated framework or check lists for directors how to precisely review the strategic plans or strategy processes. Still, the concise but nevertheless coherent and –within its purposes- quite complete presentation of various strategic topics makes this article a “must read”.

Bert Iedema,
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