Why do some companies who claim to have a good strategy fail anyway? According to this author, there are ten basic reasons why strategies, even good ones, never get implemented and so, are doomed to failure.

For a more in-depth look into this subject, *The Strategist* suggests that you read Mike Robert's compelling book, *The New Strategic Thinking*. *Copyright* © Michel Robert, published by McGraw-Hill Books.

Ten Deadly Sins That Lead to Corporate Extinction

by Michel (Mike) Robert —FOUNDER, DECISION PROCESSES INTERNATIONAL

"It's easy to develop a strategy, it's the *implementation* that's difficult." This is a statement we have frequently heard over the years. Our own experience proves that the exact opposite is true. If a CEO thinks that he or she has a solid strategy, and yet it's not being implemented, only one of two things can be happening:

1) The management team doesn't know or understand the strategy (it's very difficult to implement a *secret strategy*).

2) If the strategy is understood but still not being implemented, it's because some members of the management team don't agree with it and may, in fact, be trying to sabotage it.

In our view, there are *ten* deadly sins that an organization can commit that will inevitably lead to one of these two conditions, and eventually to corporate extinction.

Sin #1: Strategy by Osmosis

In too many organizations, the strategy of the company is implicit and resides solely in the head of the chief executive. Most CEOs have some kind of strategy. However, they often have great difficulty articulating it to the people around them in words that allow these people to make consistent and intelligent decisions on behalf of the company.

One senior executive of a *Fortune 500* company once said to us, "The reason I have difficulty implementing my CEO's strategy is that I don't know what it is!"

Because many CEOs have difficulty verbalizing their strategies, most people are placed in the position of having to "guess" the strategy, and may guess wrong as often as they guess right. Or they learn what the strategy is over time by the nature of the decisions they recommend, which are either accepted or rejected. Gradually, a subordinate learns where the line of demarcation is between the things that are permitted by the strategy and those that are not. This is called *strategy by groping*. This occurs because the strategy becomes clear or explicit only over a long period of time. Meanwhile people may have spent too much time pursuing and implementing activities that did not fit, while neglecting opportunities that represented a better strategic fit. Even worse, the strategy may *never* become clear, or may be badly misinterpreted by people making an earnest effort to figure it out.

As one of our CEO clients once told us after our initial session: "I was astonished that our senior management group had no concept of our strategy and disagreed with it once they learned of it."

Lesson #1: People can't implement a strategy they don't know anything about.

Sin #2: Strategic Isolation

A second reason the strategy may not be implemented properly is that the CEO developed it in isolation. This is a natural enough tendency, since a CEO's job *is* strategy. Furthermore, most subordinates have no experience *thinking strategically*, so there is no inclination or framework to involve others. Many CEOs have developed a strategy, but their key people are not involved in the *process* and therefore have no ownership. In such a case, subordinates usually do not understand the rationale behind the strategy and will spend more time questioning it, or figuring out where they fit, than in implementing it. The CEO becomes more and more impatient as subordinates question his logic, yet he can't comprehend why his people are not executing what, to him, is a simple strategy.

Some CEOs might involve one or two people in the formulation of the strategy. This is better than doing it alone but is still not good enough. The *entire* management team must be involved in order to achieve accurate understanding and proper execution. This cannot be accomplished simply by "going offsite" with this group to discuss the strategy. A methodology, or process, is needed to guide the discussion and keep it "strategic," not operational. This is the basis of DPI's *Strategic Thinking Process*. Involvement by senior managers in the basic strategic decisions is the most effective way to create a strategy that not only looks good on paper, but actually gets implemented.

As John Davis, President of American Saw and Manufacturing Company, and a DPI client, put it: "I think that too often strategies are made in a vacuum. The management is given a copy of the plan and asked to implement it. I'm not sure they buy into that kind of plan. But by going through the *Strategic Thinking Process*, there's a lot of debate and everyone sees the reasons why certain Critical Issues surface and things get done much more quickly."

Lesson #2: People don't implement what they don't understand.

Sin #3: Outsourcing Your Strategy to an Outside Consultant

The worst of all strategic crimes and the "kiss of death" for any strategy—even a good one—is to have an outside consultant develop your strategy. No outside consultant has the right to set the direction of your organization or knows as much as your own people about the business and the environment it is facing. Most strategies developed by outside consultants end up in the wastepaper basket for two reasons:

1. Everyone can quickly tear the conclusions apart because they are not based on an intimate knowledge of the company, the business, or the industry.
2. There is no commitment by senior management because it is not *their* strategy.

Experience has shown that almost any strategy will work to some degree, unless it is completely invalidated by negative environmental factors. Experience has also shown, however, that no strategy will work as well as it should if a couple or a few members of senior management are not committed to it. In effect, if total commitment is not present, those uncommitted to the strategy will, at best, implement it half-heartedly and, at worst, on a day-to-day basis do everything in their power to prove it wrong.

As another DPI client, Kurt Wiedenhaupt, CEO of American Precision Industries, said: "I have been exposed to McKinsey, Boston Consulting Group, and Bain. They are all very capable and I'm sure their approach is very sound. The only problem is that their product is not of the people, by the people, through the people. It's not owned by the people who later have to live with it. When the strategy is developed by an outside third party, it is an alien product no matter how well it relates to the company."

In order to obtain commitment, key managers must be involved at each step of the process so that their views are heard and discussed. Participation, although it may seem time-consuming, builds commitment and, in our experience, saves exponentially more time on the deployment end of the equation. Key managers buy into the strategy because they helped construct it. It is as much their strategy as the CEO's.

Many CEOs have used our process knowing the outcome in advance. They did so anyway, using it as a tool to tap the advice and knowledge of their people and to obtain commitment to the conclusions, so that implementation of the strategy could then proceed expeditiously. Still others, thinking they knew what the outcome would be, discovered new ideas, or flaws in their assumptions that would have caused difficulties down the road. By gathering the collective knowledge of key people, such ideas can be evaluated and problems can be flushed out and dealt with before they happen.

Three other of our CEO clients expressed it this way:

"I think the process increases management's understanding. I could probably have relayed that kind of thinking to the same group by other means, but not as successfully or in that same condensed timeframe."

"My belief is that the best strategy is the one that people believe in, because then they are *driven* to achieve it. You can have the best strategy on paper, but if nobody is driven to achieve it, you don't succeed. I believe that to be successful, your key people must be part of the process."

"The DPI Strategic Thinking Process brings you to consensus on the Critical Issues that need to be addressed. In a very short timeframe you can get the whole management team there."

Lesson #3: Don't outsource your thinking to an outside consultant.

Sin #4: Operational Managers Are Not Trained as Strategic Thinkers

Because most people spend their entire careers with an organization dealing exclusively with operational issues, they are not good strategic thinkers, as noted earlier. With few exceptions, we have found that only the CEO or the General Manager sees the "big picture" and views the business and its environment in strategic terms. There usually is only one strategist in any organization and that is the CEO. Most managers are so engrossed in operational activity that they have not developed the skill of thinking *strategically*. Therefore, they have difficulty coping with strategic issues, especially if these are sprung on them out-of-the-blue at a company "retreat."

"The problem," said Milton Lauenstein in an article in the *Journal of Business Strategy*, "is that many executives have only the fuzziest notion of the functions of strategy formulation." This is why a process that guides the management team through these strategic issues is essential. Expecting your operational people to suddenly become strategists without such a tool will create more problems than it solves. On the flip side, given such a process, most senior managers will surprise you with their ability to think strategically and creatively once they have the framework, permission and opportunity to do so."

Lesson #4: The CEO may be wise to involve key subordinates in the strategy creation process for strictly educational value.

Sin #5: Planning Numberosis

People will implement a strategy more effectively if they understand the difference between a strategic process and either long-range or operational planning. They also need to be able to distinguish between strategic and operational issues. Participation in a clearly *strategic* process is an eye-opener for most managers. Most have never participated in a strategy session, or if they have, most find that they have primarily dealt with operational issues, and so never learn the difference.

DPI has developed a bias against the operational planning systems used in many organizations, based on the "five-year business plan approach." What is so special about five years? Shouldn't our planning be more related to our *strategic* time frame? All the five-year plan does anyway is to update the first year and guess at the last four years. Strategy development and review do not lend themselves to an annual cycle because the environment is not that predictable. Tying strategy formulation to annual budget exercises ensures failure.

Lesson #5: Planning does not a strategy make.

Sin #6: Meaningless Mission Statements

Lately we have noticed a substantial increase in the number of corporations attempting to construct mission or vision statements that articulate the organization's business concept. Unfortunately, their efforts are often fruitless because of the lack of a disciplined process to help them. As a result, they end up with statements that are so "motherhood" in tone that everyone can agree with them, yet they are useless as guides to making daily operational decisions. Over time, these statements are quietly ignored.

Lesson #6: A strategy statement must serve as a filter for decisions.

Sin #7: No Crisis, No Strategy

Good times are another obstacle that impedes strategic thinking. When times are good, who needs to think about where they are going? The need to think about direction usually surfaces after a crisis. General Electric, which is highly regarded for its strategic planning process, did not become concerned about this kind of thinking until the disaster they had in the computer business in the early 1970s when they wrote off several hundred million dollars.

Lesson #7: Strategizing should occur during good times as well as bad.

Sin #8: The Critical Issues Are Not Identified

One aspect of strategy is its formulation. Another is thinking through its implications. Most strategic planning systems we have seen used in organizations don't encourage people to think through the implications of their strategy. As a result, they end up reacting to events as they happen and people start losing faith in the strategy.

Every strategy, especially if it represents a change of direction, has implications. A good strategic process should help management identify, anticipate, and effectively manage the strategy's implications on the company's products, markets, customers, organization structure, systems, processes, personnel and culture.

Lesson #8: Thinking through a strategy's implications is key to its success.

Sin #9: Strategizing Without A Process

In every strategy session that we facilitate, there are always two dynamics at work, namely *process* and *content*. Content is information or knowledge that is company or industry specific. Telephone company executives know a lot about cables, switch gears, cell towers, PBXs, analog or digital devices, transmission, etc. They know all this *content* because they were "brought up" in the industry and that is the content that is specific to that industry. It is part and parcel of their lexicon.

Executives at Caterpillar, however, know nothing about those things but do know a lot about their own *content*. They can mesmerize you for hours talking about metallurgy, welding, payloads, diesel horsepower, and their ability to "cut iron" better than anyone else. This is their *content* and their comfort zone.

At 3M, all executives at the top have degrees in chemistry or chemical engineering and can talk for hours about polymer chemistry and its use in coating and abrasive applications. Such is their world.

In order to climb up the ladder in most companies one needs to be a "content expert." This is necessary in order to be able to manage your way through the day-to-day content-laden operational issues. Most executives get to the top of their respective silos because of their content expertise, and rightly so.

At the strategic level, which is above the silos, content expertise alone is not sufficient. In fact, too much content knowledge may be a major impediment to good strategic thinking. This is because strategic thinking is *process-based* rather than *content-based*. Operational management requires the skill of *analysis*, while strategic management requires the skill of *synthesis*.

Analysis is the ability to study content and put it into logical *quantitative* pieces. Synthesis is the ability to make rational decisions based on highly subjective, sometimes ambiguous or incomplete, pieces of data. Synthesis is highly *qualitative* in nature. Strategic thinking falls into this category. It is the ability to take subjective data and opinions and bring them into an *objective* forum where rational decisions about the future of the enterprise can be made. In order to achieve this outcome, a CEO must have a "process of strategic thinking" that enables the CEO and management team to assemble all available information, put it into perspective, separate pertinent from non-pertinent information, and draw out rational conclusions.

"The DPI Strategic Thinking Process brings you to consensus on the Critical Issues that need to be addressed. In a very short timeframe you can get the whole management team there."

Essentially, strategic thinking is applied common sense and is easy for anyone to understand once the methodology is available.

Lesson #9: Good strategic thinkers separate process from content.

Sin #10: Using A Content Consultant

A CEO who seeks outside assistance to help decide the future direction of the company faces a choice between two very different types of consultants.

One is the *content* consultant. These are the traditional firms such as McKinsey, Bain, Boston Consulting Group, Monitor and many others. Their claim to fame is that they have "industry experts" who know their industry better than the client does. Their objective is to formulate a strategy *for* you since your people are not as knowledgeable as their "experts." In other words, they do it *for* you, or *to* you.

In our view, this form of consulting may be appropriate in regards to operational issues, but it is not appropriate to strategy and strategic direction. These firms are *content* consultants, and they are selling content. Unfortunately, they sell the same content to all their clients in that industry. The best result is a me-too strategy that does not set you apart from your competitors and will never bring supremacy over them. You are, in our humble opinion, *outsourcing your thinking*.

A better service to a CEO and the management team is to bring them a critical thinking *process* and guide them through that process. In doing so, it is *their* content going into the process, and it is *their* content coming out. When the strategy has been constructed by the people who have the best content *and* a vital stake in the outcome, implementation is much faster and more successful than when strategy is imposed by an outside third party.

After using the DPI Strategic Thinking Process, Laurie Dippenaar, CEO of FirstRand, South Africa's largest financial services firm, agreed:

"What's affected us more than anything else is the fact that it systematically extracts the thinking and ideas from the executives' heads, rather than imposing the consultant's thinking. I think it almost *forces it out* of their heads. That obviously leads to the strategy being owned by the company, rather than by the consultant. I'm not just repeating what DPI says; it actually works that way."

Lesson #10: Process assistance speeds up strategy implementation.