

Winning Strategy Through Perseverance

How determination in execution ensures a sustainable success

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Many companies that went through strategy exercise have been left disillusioned with the process. While strategy is often well developed, it frequently fails to achieve its target, is significantly revised or discarded after significant time and resources. On the contrary, organizations that consistently pursue strategy relentlessly and are not swayed easily tend to benefit from their “strategy perseverance”.

Failure of strategy is frequently due to its execution and not to the strategy itself.

Strategy is a large-scale, future-oriented plan for interacting with the competitive environment to achieve company's objective¹. Meanwhile Michael Porter describes the foundation of strategy as the ‘activities’, which an organization elects to excel. If the foundation of strategy is, as Porter maintains, the ‘selection and execution of hundreds of activities,’ then strategy cannot be limited to a few people at the top of an organization².

When organizations fail to execute strategy, wrong strategy has frequently been quoted as the reason. From our experience, this is seldom to be the case as many times the strategy statements have been appropriately developed. However, studies have shown that a good strategy does not mean that a good result or outcome will produce. An article in *Fortune Magazine*, the author concluded, “...that in the majority of cases - we estimate 70 percent - the real problem isn't (bad strategy)...it's bad execution. As simple as that: not getting things done, being indecisive, not delivering on commitments”³. Another article from Wharton

Business School also concluded that good strategies fail mainly because the execution. The article also stated that the execution of strategy itself has others challenges such as the synchronization in internal company, the bad communication to all people involved, the individual resistant, cultural factors and the biggest factor of all may be executive inattention where once a plan is decided, there is often surprisingly little follow-through to ensure that it is executed⁴. While these may be the more accurate reasons, another reason: strategy perseverance – which we believe is one of the most important reasons – is rarely cited.

Strategy perseverance can be defined as the ability of an organization and its management to stay on its pre-determined strategic course and relentlessly pursue this course until the strategy is achieved. This perseverance to stay firm on and single-mindedly pursue its strategic course is mostly evident when an organization is faced with environmental uncertainties, pressures from its stakeholders and internal execution issues.

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Perseverance has been recognized as an important virtue that builds character in an individual⁵ and is taught from early childhood. What is true from a personal point of view can also be applied to the business realm. Furthermore, this quality also applies to organization since an organization simply consists of individuals that interact to achieve the stated collective goals. Just like an individual, an organization that is pursuing a strategic course faces internal and external challenges that make it doubt its strategy and tempt it to reverse or revise the strategy, many times because the strategy is seen as impossible, out-of-the-ordinary or too complex to understand.

Lessons from strategy perseverance can be observed in successful endeavors carried out in the political, social or business setting. The American revolution that led to its independence was initially regarded as impossible since the colony was outnumbered in every respect: population, military force, supporting industries and infrastructure, compared to its mother country. However, under the leadership of George Washington who is famous for being self-possessed and ruthlessly single-minded, the struggle had demonstrated a strategy perseverance that led to its success. Other examples are Al Gore and his climate change awareness drive, Mother Teresa in her compassion and work for the sick and poor, Jack Welch in General Electric (GE), Sam Walton in Walmart, Lee Iacocca in Chrysler, or Bill Gates in Microsoft.

Strategy perseverance of GE under the leadership of Jack Welch is worth noting since during his 20 years as CEO, the organization grew and excelled from executing a clear and consistent strategy. As an executive, Jack Welch is famous for being single-minded, no-nonsense, and even for being hard-handed and highly temperamental. His tenacity as an individual helped shape the company's strategy and ensured the strategy execution. Under Jack, GE's strategy was to be number one or two in every market that it was in. It achieved this through three strategic circles: fix, sell or close. During Jack's 20 years' career as CEO, GE consistently committed to execute the strategy and this has led GE to boost the company's profit from \$1.6billion in sales in 1981 was Jack was appointed CEO to

\$27.2billion when he retired. Furthermore, the strategy instilled in GE proved to last even after Jack left the organization.

How can strategy perseverance help to successfully execute strategy?

- **Force the organization to stay focus**

Strategy perseverance forces everyone in an organization to frame his/her innovation, efforts and resources to build up to the same strategy. For 20 years, Jack Welch and his team at GE consistently executed the three strategic circles by selling or closing business units to strengthen the existence business units for the long haul. To help the organization to stay focus, scarce resources were closely deployed and controlled to ensure efficient and effective utilization including downsizing, restructuring and simplifying the company's span of control if necessary. In 1980, GE was an organization with wide structure and many layers, like most American companies at the time. From 1980 to 1985, GE had reduced its employee count from 299,000 to 112,000, the reduction included 37,000 in businesses that GE sold and the other 81,000 employees – or 1 in every 5 in GE industry – who lost their jobs for productivity reason⁶.

- **Instill a corporate culture that is strategy-minded**

The organization culture determines how individuals within the organization behave toward a certain objective. A right culture will significantly contribute to a successful strategy implementation. This is especially critical for an organization that is executing a radical or new strategy. In such cases, there is a tendency that resistance, resentment and doubting concerns would arise and hamper the strategy execution. Strategy perseverance can assist such organization by instilling a new culture built around the new strategy. This can be achieved through consistent communication and education to the employees and by having a role model and strategy champion that single-mindedly convey its strategy commitment across the organization. This can be observed when the Indonesian Central Bank (Bank Indonesia) carried out its implementation of

Strategy perseverance enables organization focus through efficient deployment of scarce resources.

A culture that is strategy-minded enables perseverance especially for organizations executing radical or new strategic course.

a knowledge management strategy across the organization. As a role model, Miranda Gultom – a deputy director – consistently and tenaciously developed a culture to share knowledge and to translate tacit to explicit knowledge.

- **Create positive strategic inflexibilities**

Although it is important for an organization to critically revisit its strategy at certain point in time, continuously changing strategy frequently leads to strategic ambiguity, loss of resources and demoralized employees. As a result, it is also critical for an organization to remain firm and be inflexible in pursuing a pre-determined strategic course that has been adequately developed. This inflexibility ensures that the commitment it makes is credible. In a classic game theory case, the Spanish conquistadores Hernando Cortez burned the ships when his fleet landed in Mexico and left no possibility for his soldiers to retreat. By burning the ships, he created credible commitment for his soldiers and towards the Aztecs that he was committed to win. The inflexibility he created has led to his small band of soldiers being able to defeat a large and powerful civilization that had lasted for six centuries. For more illustration of strategic inflexibility, please see Case Box.

- **Allow for the establishment of the required systems and infrastructure**

Strategy execution requires an orchestrated coordination of an organization's resources. This is translated into a strategy roadmap consisting of strategy founding blocks that encompass many facets of the organization. Generic founding blocks in a roadmap typically include a right culture and business model, supporting organization design and structure, proper planning and budgeting, a performance-based management system, a proper reward system, a streamlined and documented processes, and other systems and infrastructure. These founding blocks need to be established and achieved in parallel with the achievement of market-focused strategy such as increase market share, attain market leadership, or expansion into new business lines or geographical areas. Based on our experience working with clients that are pursuing growth strategy, time investment of three to five years is typically required to properly set-up these strategic founding blocks. When the organization and its management do not have the tenacity to make the investments in such systems and infrastructure or when the strategy has been radically revised when the organization has not been equipped with these systems and infrastructure, there is

Perseverance through positive strategic inflexibilities is required to ensure credible strategic commitment and consistent strategy.

Strategy needs to survive its momentum and the time needed to develop the required systems and infrastructure.

Case study: Gillette Sensor Shaving System

An illustration of strategy perseverance can be observed in Gillette's launch of its Sensor shaving system in January 1990. The launch of Sensor was the linchpin in a strategy to revitalize a company that had been the target of numerous hostile takeover attempts in the second half of the 1980s. It also challenged its existing approach towards the shaving business. The launch cost Gillette more than \$75 million in R&D (starting in the 70s), \$100 million in manufacturing cost investment, and \$100 million in advertising. As the company injected more money into the project, it accumulated resources that were needed to support the launch and managed to maintain its category leadership in the shaving business.

Gillette's strategy involved two elements of inflexibilities that created its strategy perseverance. First source of inflexibility came from lock-in, in the form of sunk cost. While every strategist theorizes that sunk costs should be disregarded when making future decision, at times this is difficult to do as management is subject to scrutiny by the stakeholders to justify the decisions made. As a result, sunk-costs provide incentive for management to persevere and stick to course. In the case of Gillette, the company has invested significantly since the 70s on the product, making it critical for the company and management to ensure the launch was successful.

A second source of irreversibility arises from lock-out, which is the mirror image of lock-in: it arises from opportunity costs rather than sunk costs. Lock-out arises from the difficulties of reactivating dormant resources, reacquiring discarded resources, or recreating lapsed opportunities to deploy particular resources in a particular way. In the case of Gillette, its resources had been heavily absorbed in Sensor shaving system leaving it with limited product alternatives. This condition gave management more reason to ensure a successful launch⁸.

higher risk of failure in the strategy execution.

How to develop strategy perseverance?

Similar to a virtue, developing strategy perseverance cannot be done within a short span of time and requires a consistent effort to make this into a habit or character of the organization and its people. It involves a combination of factors that ensure the success of the strategy:

- **Electing and promoting strategy champions/anchors**

Leadership is an inseparable part of a successful strategy execution, however, what we need is not just a project manager that is responsible for keeping track the execution process nor a high profile CEO that is good at communicating the strategy without a deep understanding about the execution process. The right champion for a successful strategy execution is a leader who not only has the perseverance embedded in their DNA but also could develop the perseverance in an organization and make it stays even when they already leave the organization⁹. Successful CEOs that are mentioned previously successfully delivered their organizations to the aspired targets because they were in the organizations long enough to implement and develop strategy perseverance. Since not many organizations have the luxury of such leaders, there needs to a system in place to elect and promote strategy champions, or as we like to call them: "strategy anchors". In our engagements, this is achieved by promoting the anchor from the organization's top management, typically the CEO, supported by others who would 'outlive' the CEO: majority shareholders or their representatives in the board and other directors that would succeed the current CEO. To ensure perseverance towards a same strategy among these anchors, we found that having a strategy document that encapsulates the shared commitment of the organization is very important.

- **Continuous and consistent communication**

Instilling a culture of strategy perseverance can only be achieved through continuous

and consistent communication. This will ensure the cascading of strategy beyond the strategy anchors and develop a shared belief and character within the organization. Communication supports strategy execution by elaborating the strategy content and creating a strategy culture built around the strategy.

Good strategies, if they are not cascaded throughout the organization, tend to remain isolated. The message delivery must be done continuously and its content must be consistent in each delivery process, any strategy adaptation must be clearly communicated to avoid any confusion.

- **Develop appropriate organization system**

Having strategy anchors and consistent communication would be excellent ways to initiate the development of strategy perseverance in an organization. However, without the support of a strong system, the perseverance would unlikely be sustainable. To achieve sustainability, we suggest three main organization systems.

Succession planning system

Having a leader with strategy perseverance embedded is a very good thing to have for an organization, but to make that perseverance DNA grow in an organization, it would require a consistent leadership model. In order to achieve this, an organization needs to have a succession planning system that would enable the grooming and selection of leader suitable to carry on the organization's long term strategic objectives. There are several aspects that must be allowed to occur in a succession planning system, it must allow for the transfer of knowledge from the current leader to the leadership candidates next in the line, it must allow a healthy competitive environment between the leadership candidates, and finally it must enable the development of the corporate leadership DNA (i.e. strategy perseverance) in the leadership candidates.

Performance management system

Measurements are critical for sound, intelligent, and progressive management. A vision, carefully drawn strategic initiatives, and a good performance metrics to back

Strategy perseverance is established through committed and lasting strategy anchors, consistent communication and appropriate organization system.

them up are the killer combination for a successful strategy execution⁵. A proper performance management system is central to allow an organization to follow up the progress of its strategic task, to get a sense of the overall performance of the business and the firm as a whole, and to achieve a full understanding of critical managerial drivers. These tasks could be overwhelming if not properly addressed.

Knowledge management system

In the era of knowledge economy, it is eminent that knowledge is a very valuable asset for an organization to survive today's competitive environment. In the context of supporting a successful strategy execution process, knowledge management can play an important role. A well-developed and properly implemented knowledge management system will allow a steady flow of knowledge in an organization which includes knowledge on the vision and strategic agenda of the company, knowledge on the result of performance management system, and also knowledge on the external and internal factors that could hinder the achievement of the company objectives.

Conclusion

When good strategy fails, assessing whether the strategy has been consistently executed during its implementation may provide some insights on the reasons of failure. While revisiting and revising strategy needs to be done, we believe frequent changing of strategy will do organizations more harm than relentlessly pursuing a simple while less-elegant strategy.

Although perseverance is frequently attributed as a personal trait or character and therefore in an organization it is often associated with a strong CEO figure, strategy perseverance can be developed and built into systems.



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