



## In the Balance: Why Strategy Execution Fails

Strategy execution is notoriously hard. All too often, even companies with the most thoughtful and well-crafted strategies run into significant difficulties with execution. In our experience, the primary reason for these stumbles is a failure to balance inherent tensions that characterize any major execution effort — and instead unduly favor one position versus another. Successful strategy execution calls for skillful orchestration of sometimes opposing forces and competing needs. In particular, there are four core tensions that leaders need to balance.

### Tension one: An inspiring end-state versus challenging targets

- An inspiring end-state without challenging targets: *“I will give this a go. Let’s see where we land.”*
- Challenging targets without an inspiring end-state: *“This is a grind — why am I doing this?”*

The term “vision” is greatly overused in business. Nonetheless, an inspirational end-state is central to achieving commitment to change across the organization — a simple narrative that articulates not only why change is necessary, but what life

will ultimately look and feel like once change is successfully implemented. Without targets, however, the organization can unintentionally encourage a “best endeavors” effort that rarely allows it to fully realize its strategy. Aggressive targets can provide direction and challenge people to give their all.

Consider the experience of a major utility that made the strategic decision to undertake a broad-based initiative aimed at improving efficiency and reining in costs. When a detailed cost assessment identified significant savings potential, executive leadership boldly added another five percentage points to the target. The team tasked with overseeing the effort designed an aggressive implementation plan that tied targets to manager compensation. However, beyond the strategic goal of becoming an industry leader in terms of cost structure, there was no “story” for how this effort would complement the business’s broader ambitions. After about six months, the effort began to falter, due primarily to staff frustration and a sense that the initiative lacked a compelling purpose.

### Tension two: Top-down control versus democratization of change

- Top-down control without democratization of change: *“Let’s just do what the executive team tells us.”*
- Democratization of change without top-down control: *“Who is doing what?!”*

*In the Balance: Why Strategy Execution Fails* was written by **Simon Horan** and **Michael Connerty**, Managing Directors at L.E.K. Consulting. Simon and Michael are based in Chicago.

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# Executive Insights

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When everyone in the organization feels empowered to make decisions that can truly influence change, the energy this creates can be palpable: People tend to work harder, offer more ideas and become far more invested in the process. But the upshot can also be myriad groups of enthusiastic “change agents” dashing off in multiple directions and frequently singing from different playbooks. On the other hand, if every activity is the result of a command from on high and change processes are rigid and extensive, the company runs the risk of sucking all the energy out of the room — disinvesting people from the process and reducing them to order-takers.

Project management offices (PMOs) are the standard response in large implementation efforts. To be effective, however, the PMO must be smart and pragmatic and must emphasize content and outcomes over process and reporting. Moreover, any PMO should be designed to support staff who are actually responsible for making change, rather than geared toward governance and simply reporting project status up the chain of command.

The successful but challenging experience of a large pharmaceutical company illustrates the tension between top-down and decentralized change efforts. The company defined a new growth strategy that would require a significant improvement in its ability to innovate rapidly. Although there was broad consensus on the strategy, there was disagreement within the leadership team regarding the best way to implement the strategy — especially when it came to making critical decisions, involving and empowering managers and staff, and holding people accountable for results. Tensions forced significant debate over the course of several months, as the leadership team tried to work their way through an initial set of critical decisions. Ultimately, they managed to strike a balance: They would continue to oversee the change effort, but solicit contributions from a broad set of managers and staff. The result was a far stronger and more efficient R&D organization.

## Tension three: Capability development versus pressure for results

- Capability development without pressure for results: *“We will get there ... eventually.”*
- Pressure for results without capability development: *“How will we ever sustain this?”*

Many strategies call for significant changes in the ways a company works, which begs the questions of whether the organization has the capabilities to achieve its strategic objectives or whether it may need to develop them. But the pressure to deliver immediate results is often so intense that an organization may be forced to forge ahead with its existing capabilities.

Take the example of a global industrial products company that was in the early stages of implementing a growth strategy. The strategy called for significant changes to the company's organizational structure, the way it marketed and sold products, and how it serviced customers. But as a publicly traded company, it was under the gun to deliver results every quarter. As the leadership team held numerous conversations across the organization about strategy execution, they came to the realization that most midlevel managers and frontline staff perceived serious capability gaps. This candid feedback allowed leadership to identify those capabilities most in need of strengthening in order for the strategy to be successful. At the same time, they were able to achieve some early wins that bought them some time to develop these critical capabilities.

## Tension four: Creativity versus discipline

- Creativity without discipline: *“This is leading somewhere — trust me ... ”*
- Discipline without creativity: *“Yes, I’ve filled out the template.”*

Creativity is certainly needed for a truly distinctive strategy — without some spark, regression to the norm is likely. At the same time, every process requires discipline. The problem arises when discipline is viewed negatively, as something punitive. In fact, creativity and discipline are not mutually exclusive — yet this can be the hardest of tensions to balance. Fearing that discipline will stifle creativity, it is not uncommon for executives to choose to let the “creatives run free.” At best this can lead to unanticipated insights and outcomes, but at worst it can lead to chaos and complete unaccountability for results.

Consider the experience of a services business that had an iconic reputation for its one core service. Entering a new space had been elusive for many years, and in desperation it gave the business development function complete freedom. The team moved to a new building, changed their business cards, hired “disruptive thinkers” and experimented with all manner of innovation techniques. Several months (and several tons of Post-its) later, they were called in to report back — only to serve up a raft of tired ideas and zero outcomes.

## Conclusion

Getting strategy done well often calls for trade-offs between delivering short-term results and making foundational changes that require time. Yet companies that can achieve a balance between opposing forces are far more likely to realize successful strategies that endure.

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## About the Authors



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