Bridging the Gap:

Four rules for turning strategy into performance

Markovitz Consulting

4 Rules | Bridging the gap: turning strategy into performance

Why is execution so hard? Why does the performance of individuals and teams so often fail to meet expectations?

Why is it so hard to *just get things done*?

Organizations spend countless hours and dollars developing, defining, and refining their strategies. Half the Amazon has been logged to make the paper for printing out strategic plans. And yet effective execution remains elusive—crossing the chasm between plan and performance is absurdly difficult. When execution fails, the organization scrambles to revise tactics. However, without addressing the root causes of the failure, the tactical revision is ultimately futile.

To be sure, sometimes the strategy is at fault (see Rule #1). But more often than not, the real problem lies deeper within the organization, at the operational level.

The good news is that these problems are wholly within the power of the organization to change. By asking the right questions, leaders can identify the gaps and root causes and develop effective countermeasures to get the organization moving and teams performing in support of the strategy.

Improving execution isn't easy, but it doesn't have to be overwhelming. Follow these four powerful rules for performance to get the most out of your strategy.

Rule #1: Keep your strategy crystal clear.
Rule #2: If you have 37 priorities, you don't have any.
Rule #3: Get out of your own way.
Rule #4: Prevent fires. Don't reward them.

Rule #1 | Keep your strategy crystal clear.

Wal-Mart is one of the great business success stories of our time. From its founding in 1962 until 2005, the firm racked up incredible growth with its laser focus on one strategy: “everyday low prices.” Ask any employee what the company represented and what it strove for, and there was zero ambiguity. That clarity made it easy for the firm to focus on what needed to be done each year.

But in 2005, Wal-Mart stumbled. Attracted by the higher margins of fashion-forward apparel, the company launched two in-house product lines, featuring items such as gold lamé vests and skinny-legged pants. Both collections bombed. Then it instituted a hybrid approach combining low-cost basics along with some exclusive well-known national brands, such as Starter, OP and Danskin. That failed, too. Finally, Wal-Mart introduced a lifestyle collection by famous designers such as Norma Kamali and Max Azria. No success.

The effect of this ill-conceived foray into fashion was dramatic. Inventories of unsold apparel, along with home décor and outdoor products, jumped. Same store sales, which were in the 6-8% range during the 1990s, fell below 2%.

Even a company as large as Wal-Mart can’t pursue multiple strategies and succeed. No company has the resources—the people, the systems, the real estate, the design strength, etc.—to execute more than one strategy at a time. “Everyday low prices, plus medium-high fashion”? I don’t think so.

Contrast Wal-Mart’s loss of focus with Soutwest Airlines, one of the most relentlessly focused companies in the U.S. Everything the firm does is aligned behind one strategy: providing the lowest-cost air travel in the country. Every decision the firm makes is aimed at lowering costs, from restricting its fleet to only one type of plane, to avoiding high-priced air hubs, to deploying systems enabling rapid turnaround at the gate.

Southwest CEO Herb Kelleher perfectly expressed the inescapable need to keep strategy crystal clear and shockingly simple:

> “Of course we have a ‘strategic’ plan. It’s called doing things.”

Questions to answer:

- **How many strategies does your organization have?**
- **Can everyone in the organization clearly articulate that strategy?**
- **Are all decisions made to further that strategy?**
- **Are all systems aligned towards that strategy?**

Rule #2 | If you have 37 priorities, you don't have any.

Time. Money. People. Attention.

These most precious resources are severely constrained in any organization. And yet most treat them as though the supply is as abundant as trucker caps at a NASCAR event. That's the road to lousy performance and execution.

Having too many priorities and projects inevitably leads to a loss of focus on the products and services that really drive the business forward. That was true of General Motors in 2009, when Barack Obama's auto task force issued its report following the company's bankruptcy. The report stated, "GM has retained too many unprofitable nameplates that tarnish its brands, distract the focus of its management team, demand increasingly scarce marketing dollars, and are a lingering drag on consumer perception, market share, and margin."

It was also true of Apple in 1997, when Steve Jobs returned to slash and burn a bloated, unfocused product line. Within months, he canceled the 20th Anniversary Mac, the Pippin (a video game console), the Newton (an early PDA), along with Cyberdog (a web browser), and software initiatives in video conferencing and speech technology. He refocused the company and delivered the iMac in Bondi Blue the next year.

It's emotionally challenging to turn away from business opportunities. After all, who can be sure that the next opportunity won't become a gold mine? Yet, companies that are renowned for tight execution walk away all the time. They have a process for making hard decisions about what to pursue, and what to abandon.

As Peter Drucker put it:

> *"Economic results require that managers concentrate their efforts on the smallest number of products, product lines, services, customers, markets, distribution channels, end users, and so on which will produce the largest amount of revenue."*

Questions to answer:

- **What process do you have for assessing new opportunities?**
- **How widely understood is this process?**
- **How often do you actually follow this process?**

Rule #3 | Get out of your own way.

Your systems and processes are an essential component of performance. When they work against the smooth flow of work, there's virtually no way for people to accomplish their goals and execute the organizational strategy. And yet this is the sad state of affairs you find within many areas of organizations.

At Kinko's, real estate acquisition for new stores was once handled by operating managers in the field. In a misguided attempt to improve efficiency and accelerate expansion, the company centralized the process of identification, assessment, valuation, and purchasing at headquarters.

Needless to say, this change worked against rapid execution. The new process required signatures from six levels of management, and slowed to a crawl. Acquisitions took, on average, much longer to complete, and the company lost a number of deals due to the glacial pace of the bureaucracy.

In his book *Reengineering the Corporation*, Michael Hammer tells how IBM Credit Corporation improved its credit issuance process. It took the company from six days to two weeks to issue credit, and often they would lose customers during that time.

> "Executives took a financing request and walked through all five ladders in the approval process, asking personnel in each of the five offices to put aside what they were doing and to process this request as they normally would, only without delay of having it sit in a pile on someone's desk. They learned from their experiments that performing the actual work in total took only 90 minutes. The remainder—now more than seven days on the average—was consumed by handing the form off from one department to the next."

Eventually, IBM Credit replaced its specialists—the credit checkers, pricers, etc.—with generalists. Now instead of routing an application from office to office, one person handles the entire application from beginning to end, and the whole process takes hours.

Questions to answer:

- **How many handoffs do you have in your major processes?**
- **How many internal approvals are needed for your common transactions?**
- **How often do you have to re-enter or re-format data in your major processes?**

Rule #4 | Reward the fire marshals.

Cultural norms and expectations will torpedo your organization's ability to execute when they promote dysfunctional behavior.

Leslie Perlow, a professor at the University of Michigan business school, studied a Fortune 500 corporation that regularly struggled to deliver engineering projects on time and on budget. The reason, she discovered, was that engineers didn't have sufficient *uninterrupted* time to work on their projects and drive them forwards. Whenever they began to make progress, they'd get interrupted to help with a problem somewhere else.

The constant interruptions stemmed from the company's habit of rewarding firefighting. Individual heroics (long hours and sacrifice of one's own work) in solving high-visibility crises led to access to more engineering resources, better performance evaluations, and bigger raises. In other words, the company rewarded the firefighters who handled crises, not the fire marshals who prevented problems from arising in the first place.

> "The crisis mentality and the system of rewards based on individual heroics further perpetuated this pattern of constant interruptions. The constant interruptions, in turn, perpetuated the crises and the perceived need for individual heroics."

This is a perfect example of the way that cultural norms create a vicious circle undermining effective execution: the engineers' very behavior was the source of the crises, and it was the constant crisis management that prevented them from getting products to market on time and on budget.

Contrast this norm with the one at Toyota, where individual heroics aren't seen as noble. Rather, they're evidence of systemic problems that require eradication. Handling the immediate crisis is far less important than identifying the root causes and improving the system to prevent that problem from ever occurring again. Root cause problem solving is what's most highly valued at Toyota. Not coincidentally, Toyota is able to manufacture cars with fewer man-hours than any other company, and its overall development cycle is the shortest in the industry.

Questions to answer:

- **What behaviors do your performance reviews value?**
- **What behaviors are informally praised and rewarded?**
- **Does your company distinguish between crisis management and system improvement?**

Info | Markovitz Consulting

About Markovitz Consulting
Markovitz Consulting helps sporting goods and outdoor industry companies improve their operational efficiency. Clients come to us when they need to:

- Improve business execution.
- Elevate service levels.
- Adjust to a new organization with fewer staff.
- Increase the amount of time people have for critical, value-added work.

About the Author
Dan Markovitz is founder of Markovitz Consulting. He is a faculty member at the Lean Enterprise Institute, and regularly teaches at the Stanford University Continuing Studies Program. He also runs a problem-solving workshop at the Ohio State University's Fisher School of Business.

Dan is a board member of the Association for Manufacturing Excellence, and speaks at national and regional conferences, including Outdoor Retailer and OIA Rendezvous.

He is a frequent contributor to the Harvard Business Review blog. His book, *A Factory of One: Applying Lean Principles to Banish Waste and Improve Personal Performance*, was published by Productivity Press received the Shingo Research Award in 2013. His new book, "Building the Fit Organization," came out in September 2015.

Dan's previous work life included nine years in the athletic footwear and outdoor industries, including three years running his own shoe company.

Dan holds an MBA from the Stanford University Graduate School of Business.

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