# Strategy or Execution?

By Mark L. Frigo

Which is more important, strategy or execution? This question has surfaced again and again with CEOs and managers alike. It isn't a matter of which is more important—strategy and execution are inseparable and integral parts of each other.

In today's business environment, the focus is on execution—"getting things done"—and rightfully so. Strategy seems to have gotten a bad name. Recently the business press, books, articles, and the seminar circuit have heralded the importance of execution and in some ways downplayed the importance of strategy. As if the two could possibly be considered on separate terms! Part of this distinction and separation can be explained by the mind-set of the business environment. In the mid-1990s, the focus was on strategy, and execution took a back seat. In fact, execution was often an afterthought, as seen during the Internet bubble.

I suggest that a great problem or challenge exists, not only in execution but in management's inability to drive a process for business strategy and for a strong relationship between strategy and execution. Previous columns have examined what truly makes for successful business strategy and what systems of execution, such as the balanced scorecard and value-based management, have done for companies in improving execution. In some cases, better execution will lead to superior performance and, in others, will simply ensure mediocrity, depending on the strength of the underlying business strategy.

## Execution Without the Right Strategy

Without a sound business strategy, a company finds itself an expert in executing on a bad plan because it hasn't taken the time to develop and refine an executable strategy for gaining and creating competitive advantage. Execution focused on the wrong goals and strategic activities can lead to poor performance. This can be seen in companies that show prowess in execution, which may include great strategic performance measurement systems, Six Sigma quality, and various awards for quality or customer service but fail to deliver superior financial value creation because of flawed business strategies.

The highest tenet of business strategy—to ethically maximize financial value—must be the focus of the execution. Again, execution focused on the wrong goals and metrics can lead to poor performance. This is the case when companies that highly aligned and highly trained their management on the importance of flawed, traditional performance metrics like earnings per share (EPS) actually performed worse than companies that used the same metrics but only lightly aligned compensation to them. Again, high alignment—part of execution—can deliver poor results when strategic goals are poorly defined.

## Strategy Must Be Executable

On the other hand, management may develop what they think is a great strategy only to find that they haven't considered its executability during the strategy development process. Implementation of programs like the balanced scorecard or value-based management have shown that companies should beware of putting the cart before the horse…a system to implement strategy is nothing without enough consideration of how good the strategy is in the first place.

Great companies don't make a choice between strategy and execution. GE, Coca-Cola, Microsoft, Abbott Labs, Wal-Mart, and others that display premium levels of returns, abnormally high growth rates, and long-term, sustained shareholder returns have demonstrated a commitment to an ongoing reevaluation and redesign of executable business strategies along with the operational means to execute on them.

Dell, for example, is known as an expert in execution, yet it bases this execution on a solid business strategy that is continuously changing to fulfill unmet customer needs in large, growing market segments. Dell's strategic activities are highly aligned with creating financial value, and its strategic competencies are highly synchronized. Dell does both strategy and execution well.

## Strategy or Execution?

Over dinner the other night, a CEO asked if execution shouldn't be foremost in management's mind. Should management be focused on what they can control—execution—and not such ivory tower concepts as business strategy? Unfortunately, strategy has received a reputation as being a theoretical framework not well noted for its link to implementation. Sometimes this is the case as big ideas that are so far "out there," while intellectually stimulating, are difficult to link to daily operations.

But good business strategy isn't about abstract ideas and concepts. The information that drives good strategy comes from a better understanding of the customer, of the customer's everyday needs, of the trends in markets, size, and growth estimates. A vigilant understanding of regulatory shifts, changing demographics, and technological breakthroughs are core to an organization's strategy…and, ultimately, the executability of its chosen objectives.

A CEO can't think of strategy as a one-time process and then simply execute, execute, execute. Top management must be vigilant regarding the forces of change that could affect strategy and the information that execution provides. Certain markets may not have been as profitable as hoped; certain initiatives may turn out to be more promising. While executing on a particular strategic initiative, management might gain information that could cause them to adjust the strategy. While conceiving new strategies, they could get some new ideas to better formulate the process for delivery and execution.

## What Is Execution?

To be successful, execution must be viewed as an integral part of business strategy. In a best-selling book, *Execution: The Discipline of Getting Things Done* (by Larry Bossidy and Ram Charan), execution is defined as "a discipline requiring a comprehensive understanding of a business, its people and its environment. The way to link the three core processes of any business—the people process, the strategy, and the operating plan—together to get things done." Clearly, strategy and execution are interrelated; you must have both to be successful.

A primary challenge in execution is translating the strategy into operational terms, one of the five principles of *The Strategy-Focused Organization* (by Robert Kaplan and David Norton) and the balanced scorecard. But this can't be done unless the strategy itself is designed to be executable, and the execution won't result in superior performance unless it is designed around the goal of ethically maximizing financial value. Another challenge is creating a reward system that drives execution of the business strategy. Bossidy and Charan make the following point: "Execution has to be embedded in the reward systems and in the norms of behavior that everyone practices." But this can't be done well unless everyone in the organization truly understands the strategy. The balanced scorecard framework has been used for this part of execution to dramatically improve the communication of strategy or "strategic awareness" within companies. The key is the right system of execution that can provide a way to consider and refine strategy as well as execute it. Then, both strategy and execution can be enhanced.

Strategy isn't more important than execution. Execution isn't more important than strategy. The two must go hand in hand, at the right time, throughout the organization.

Strategy or execution? Both my friend. Both! ■

*Mark L. Frigo, Ph.D., CMA, CPA, is Eichenbaum Foundation Distinguished Professor of Strategy and Leadership and Director of the Center for Strategy Execution and Valuation in the Kellstadt Graduate School of Business at DePaul University and a leading expert in strategy design and execution, including balanced scorecard initiatives. You can reach him at mfrigo@depaul.edu.*