



January 2008 - Issue #23

In this issue:

- Lisa's view - Strategy - it doesn't fail in formulation; it fails in execution
- Lisa's tips - January's topic - Recession-proof your business & you
- Recommended Reading

Strategy - it doesn't fail in formulation; it fails in execution

It is interesting to sit back and watch as companies spend millions of dollars on strategy formulation, just to achieve minimal results due to poor execution. Yet, the process repeats constantly - more money is dumped into strategy formulation, 3 ring binders, fancy Power Point slides, etc. On the other hand, I've found that strategy doesn't fail in formulation; it fails in execution. So, why not focus the resources on execution? In my experience, it might be due to the fact that execution isn't viewed as the exciting or "high-level manager" activity. Give me a company that is excellent at execution with an "ok" strategy anytime vs. a company with an awesome strategy with "ok" execution. This is the same reason that 70-80% of mergers and acquisitions fail to achieve the intended results - they typically fail in execution. So, what is the key to execution? People and process.

Let's start with people. As my HR mentor says, "the 'right' people are your #1 asset". In my experience, I've found that if the right people are in place, the execution of the strategy succeeds. It is as simple as that. Why? The right people fully understand the strategy - they ask questions, find out how it fits in with current processes, what it requires vs. current skillsets, roles, etc. Once they understand the strategy end state, they help the employees, customers, suppliers, and any other key parties understand the end state, why it is important to the company, how they fit in, etc. I've found that once people understand where they are going, why they are going there, how they fit in, and how they provide value to the vision, a successful execution follows. Who better to figure out the details of how to get to the vision end state than the people deeply involved in the day-to-day work required to achieve it? I've also found that company culture is a key to success, as the cultures that value people and see people as a #1 asset vs. a number are the ones that will be better equipped to execute strategy successfully.

Next, process is a close-linked second. People execute with processes. It is key that well thought out processes, systems and plans are utilized in execution. Otherwise, chaos ensues. For example, I worked with a team to reduce manufacturing waste in two, completely separate plant environments within the same company - one entrepreneurial with limited process knowledge and one highly process driven yet inflexible. At first, the environment with limited processes had bouts of chaos - it is hard to figure out the cause of manufacturing issues if you have no systematic way of analyzing the situation. On the other hand, the highly process-oriented environment had significant issues in running a product typically run in the other plant, due to a lack of people with the skillsets and knowledge in the entrepreneurial aspects of running the product line. After a bit of trial and error and debate about people vs. process, we found that the "winning formula" was to value the right people / team (it was especially helpful to bring the two cultures together to leverage the best of both) "and" to value processes - develop standardized processes, document and measure, perform root cause analysis, adjust and start again. By combining the best people and solid processes, we were able to achieve significant waste reductions, which flowed straight to the bottom line.

By focusing on people and process vs. debating the fine points of strategy (in essence, go with the 80/20 of strategy formulation), you are much more likely to have a successful strategy execution. And, even if it isn't as exciting as debating the fine points of strategy, it is what will give your company a leg up on the competition, which is becoming more and more critical in the current, global business environment.

Lisa's Tips: Recession-proof your business & you

1. Expand globally - expand your thinking of your customer base to GLOBAL. For example, as China and India expand in purchasing power, your customer base can expand exponentially. If you don't go after it, your competition will.
2. Value add - think about your value add. Even though it's likely that commodity businesses will continue to suffer when compared with low labor cost, low tax rate, less regulated countries, businesses that focus on value-add (even those with a commodity base) can achieve an advantage.
3. Supply chain is emerging as a strategic function - especially as the world is changing and companies have suppliers and customers around the globe, supply chain emerges as critical. For example, just in the last few years, the impact of Katrina, the Los Angeles port issues, the China quality issues and wars in various areas of the world have had significant impacts on companies' ability to compete profitably. My view is that the companies that view supply chain as a strategic advantage will emerge with an edge vs. competition.
4. Focus on people and education - the business environment is becoming more and more complex, especially as it expands globally, has global, complex supply chains and competes in uncharted territory. There is a serious shortage of leaders - the companies that value and develop these leaders will succeed. Why is training the first budget item to be thrown out? So long as it is value added education and training, it should be the #1 priority. How else will employees come up with the next value-add idea, supply chain advantage, etc?
5. Value creativity, innovation and the entrepreneurial spirit - in order to achieve points 1-4 above, these qualities emerge as critical. For example, how can we expect to develop a value-add idea when we "punish" mistakes? We must reward mistakes! My philosophy has been to reward mistakes (people willing to take risks and be innovative); just not trends of the same mistakes.

Recommended Reading

"[*Mean Markets and Lizard Brains*](#)" by Terry Burnham - written by a former economics professor from Harvard who also has completed significant biology research, it provides thought-provoking reasoning of the biological causes of irrationality and its connection to investing. I thought it was an interesting read that provided many insights that could be used in a wide variety of aspects of life from business to investing to day-to-day decision-making.

LMA Consulting Group

2058 N. Mills Ave, PMB 532

Claremont, CA 91711

Main: 909-630-3943

Fax: 909-625-5603

www.lma-consultinggroup.com

landerson@lma-consultinggroup.com