Closing the Gap Between Strategy and Execution

In fast-paced industries, companies should think of strategy as an iterative loop with four steps: making sense of a situation, making choices, making things happen and making revisions.

Donald N. Sull

In an ideal world, managers could formulate a long-term strategy, methodically implement it and then sustain the resulting competitive advantage. Reality, however, is rarely so neat and tidy. Technologies evolve, regulations shift, customers make surprising choices, macroeconomic variables fluctuate and competitors thwart the best-laid plans. Thus, to execute strategy as circumstances change, managers must capture new information, make midcourse corrections and get the timing right because being too early can often be just as costly as being too late. But how can managers implement a strategy while maintaining the flexibility to roll with the punches?

The first step is to abandon the long-held view of strategy as a linear process, in which managers sequentially draft a detailed road map to a clear destination and thereafter implement the plan. This linear approach suffers from a fatal flaw: It hinders people from incorporating new information into action. How so? First, the linear approach splits the formulation of strategy from its execution. (Indeed, many business schools still teach formulation and implementation as separate courses.) Thus planners craft their strategy at the beginning of the process, precisely when they know the least about how events will unfold. Executing the strategy, moreover, generates new information — including the responses of competitors, regulators and customers — that then becomes difficult to incorporate into the prefabricated plan. Second, a linear view of strategy pushes leaders to escalate commitment to a failing course of action, even as evidence mounts that the original strategy was based on flawed assumptions.[1] Leaders commit to a plan, staking their credibility on being right. When things go awry (the U.S. involvement in Vietnam is a classic example), they find it difficult to revise their strategy and instead attribute problems to "unexpected setbacks," which is just another way of saying new information. Third, a linear approach ignores the importance of timing. When companies view strategy as a linear process, they sprint to beat rivals. But rushing to execute a flawed plan only ensures that a company will get to the wrong place faster than anyone else. Instead, managers need to notice and capture new information that might influence what to do and when to do it, including the possibility of delaying as well as accelerating specific actions.

Many managers, of course, recognize these limitations and attempt to work around them. One approach is to identify big bets up front and then think exhaustively in the planning process to envision possible outcomes ex ante.[2] But managers can rarely identify all the factors that will end up mattering in the future, let alone predict how events will unfold. Another approach is to accept the presence of uncertainty, make a best guess on a strategy based on the data at hand, commit to the strategy and then hope for the best.[3] But even though executives might try to mitigate risk by, for example, diversifying their lines of business, the fundamental logic remains: Place your bets and take your chances.

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