



Can your business plan survive this stress test?

The road to success is littered with the wreckage of strategies gone awry. Here is a six-step stress test for your strategy.

More than half of the ideas and strategies that look good on paper get 'lost in translation' between the executive suite and the workforce. Why? INSEAD professors Michael Jarrett and Quy Huy have researched the subject for the past 15 years and have developed an easy-to-apply stress test for business strategies

"We know that over 60 percent of strategy execution fails and what the six-step stress test does is that it reveals the cold reality and problems in the business plan by showing the hidden elements of strategic execution as hidden traps in making the strategy work," Jarrett told INSEAD Knowledge.

Executives tend to assume that if you put a lot of thought into knowing what to do, then execution is relatively easy, says Huy, whose research focus is on strategy execution. He argues that this is a false assumption as formulating a strategy is only five percent of the task; the remaining 95 percent is about strategic execution, and that's where most of the strategies fail. "So we have designed a set of frameworks with probing questions that allow an executive to think systematically, deeply and comprehensively about all the key issues that he or she must consider in order to make their strategy work."

Strategy Execution Stress Test

1. Do you have a viable strategy?
2. Do you have a comprehensive implementation plan?
3. Do you know the hidden barriers to implementation?
4. Do you know how to overcome the barriers?
5. Do you have the critical skills?
6. Do you have a continuous learning system?

The stress test gives executives some insight as to why there may be big, lesser known problems that await execution, and gives them a handle on what to pull in order to make the whole thing work. The professors feel that some of the approaches they have are counterintuitive to what's out there in the rest of the market. "Take, for example, emotions," says Jarrett. "In business, emotions are usually something that we run away from, and typically we move into our

rational approaches. What that does is make us even more defensive and lose touch with what's really happening. What we're saying is you actually need to look at emotions, work with them, and that's how you help people to get the strategy implemented."

Checking for a viable strategy

The first stress test helps executives think about whether they have a good strategy in the first place. Does the strategy make sense even just on paper? Is it going to create value? Have they got the right customer base? The test draws on a variety of strategy models to help people understand where they are positioned and assess the business value of such strategic positioning.



"There's no point in moving to the next step of executing it if they realise through the various frameworks that the strategy is already shallow and weak to start with," Huy says. "In that case, it's a good learning point and there's no point in investing your time and company resources much further in executing a bad strategy."

Planning comprehensively

Huy says that executives have been trained to think that once they have a strategy, they should work on having a structure. Once that's done, the executive feels his work is mostly done and the rest will be relatively easy. "But that's false security. That's where they get unpleasant surprises most of the time. The second stress test has a series of indicators that help executives think through," to develop an implementation plan that includes much more than structure.

Knowing the hidden traps

You've got the right strategy and a lovely project plan. So you are ready to go? Jarrett says, no, because when you are implementing strategy and people are involved, things go awry.

There are a couple of things that they've identified from their research that could go awry. First are the hidden cultural impediments that have grown surreptitiously over time in a successful organisation. "IBM failed during the 1990s, partly because its culture became gradually arrogant vis a vis its customers and thus could not respond to the changing needs of the market at the time," says

Jarrett.

"Another hidden trap that we know is that organisations tend to have in and out groups. So there's the taboo political dimension. I'm not talking just Machiavellian politics; I'm talking about inter-group rivalry, and this can break down the cohesion in the organisation," he says. "The emotions and the non-rational elements override the spreadsheets. What's worse is that people don't know it, deny that they exist, or they don't see it coming. The third step in the test helps executives identify the barriers in their own business plan."

Overcoming the barriers to execution

Step four focuses on a number of research-based tools that have been developed to help executives overcome the barriers, such as, how to mobilise the emotional energy of people over a long period of time. "That's something that many executives have not been trained to do," says Huy. "We would focus people on thinking about the time dimension of execution, such as the timing and pacing. When do you do certain things? Are you going too fast? Is this in the correct sequence? It's like eating a good French meal. Dessert doesn't come first; in fact, the same dishes served in the wrong order disrupt the whole dining experience. To make the strategy work, you have to observe the right sequence of actions, the right timing and the right pacing."

Developing key competencies



The problem in a world with social media is that everybody thinks they know everything about everything and people tend to draw on social psychology by reading the back of a magazine, says Jarrett. So executives have a sense that they know what needs to be done. "But it's not just about knowing, it's also how can you translate abstract knowledge into action. Research suggests that some sixty percent of managers don't know how to implement change; they don't have the

skills. That's the piece that we're really trying to address. That's why the fifth stress test does a skill audit around the key competencies to make change work."

Building a learning organization

Having obtained the skills, the sixth step is about replicating and implementing them in the system so that the organization learns collective execution over time. "It's about getting the executives to fish for themselves and incorporating the skills into the core competencies of the business," says Huy.

Fine-tuning the stress test

Huy says that although one can rely on a general set of frameworks to help executives in almost any part of the world think more comprehensively and deeply in making their strategy work, people from various countries and cultures can react to the same type of communication or management action very differently. And so their next research would be to take their framework and adapt it to even finer cross-cultural differences.

"And on the other side of that, we are looking at a deeper level of how these soft defensive systems within hard structures can be moderated, and what roles senior executives might play in making beneficial change more sustainable," adds Jarrett.

Quy Huy is a professor of strategy and Michael Jarrett is an affiliate professor of organisational behaviour at INSEAD.

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