Ten Pitfalls of Strategic Failure

By Chris Outram , Founder, OC&C Strategy Consultants

In business, strategies fail not because they are flawed but because they are not implemented well.

In the 20 or so years that I have worked as a consultant I have seen employers craft robust strategies only to see them fail because they did not anticipate the most obvious pitfalls. In my book ***Making Your Strategy Work: How to Go From Paper to People*** I have tried to explain what these are and how to avoid them. Here is my top ten derived from over 100 interviews with CEOs globally.

Emotional business

The first stumbling block is about the team around you. Having a strategy is useless if your team does not understand it, agree with it or is incapable of implementing it. The rubber always hits the road when we talk about people. Having the right people in the right place is therefore critical. A mediocre team can run the best strategy aground or deliver sub-optimal results at best. Companies should first hire the best people possible and then motivate them to implement the strategy.

The somewhat related second strategic failure is overconfidence. While you need to be confident about your strategy a little bit of paranoia is healthy. Companies can overestimate the value of their business model, customer base and ways of doing things. Video rental chain Blockbuster is an example of a business that failed to move with the times and saw its business model collapse. The message here is simple - be ruthlessly honest and receptive to new ideas / models or you may wake up one day and find your business gone.

Pay attention to the environment

Third: failure to move with speed and pace. Companies often lull themselves into a false sense of security and can be slow to react. There is little upside in procrastinating once you recognise the reality of a situation. And when the news is bad, acting sooner is better than later. Bad news seldom improves with age.

Fourth: succumbing to the short-term. Companies are under pressure to show returns and impress shareholders. Marks & Spencer (M&S) fell prey to this in the late 1990s when it announced its target of becoming the first U.K. retailer to generate annual profits of £1bn. The announcement had the desired effect on the share price but eroded the company’s long-term hold on the market. Rivals snatched market share and by 1999 a profit warning was on the wall. It was not until 2008 that M&S was once again able to deliver a profit of £1bn. It is essential, therefore, to stay on track and prioritise long-term investment over short-term gains.

Fifth: failure to pay attention to external trends. Not properly tracking customer needs or understanding competitor moves will trip even the best strategies. Research in Motion, the makers of Blackberry, for instance, failed to respond to new market trends. By not moving aggressively beyond their traditional corporate sector, and failing to innovate and understand the mobile app market cost them their position as market leader. Zara, the fashion retailer, on the other hand, is an example of a business that remains in tune with market trends. Its ability to track changes in customer taste and then to satisfy it in a matter of weeks is exemplary. It does so by continuously tracking sales, customer preferences, monitoring the media and delegating the right staff to spot trends. Such tactics should be part of any business strategy.

Responding to the market

Sixth: failure to respond to structural changes in the market. Kodak, once a dominant player in the photographic film industry saw its business disappear when it refused to embrace digital technology. The firm which held 90 percent of the global photographic film market share in 1976 went bankrupt in 2012 all because it chose not to pursue a line of innovation that, ironically, it had itself pioneered in the mid-1990s. But Kodak chose not to pursue it because of the threat that it posed to its core business. When something new comes along it is therefore advisable to make structural change quickly, no matter how painful the adjustment may be.

Seventh: failure to focus. In the drive for diversification companies often lose sight of what they are good at. The key to avoiding this pitfall is to stick to core competence. Adidas added a number of brands and product lines in the early 1990s that undermined its focus on what it was good at - sportswear. This resulted in falling profits and it took a new management team to return the company to its core purpose and re-build it into a world class brand.

The importance of communication

Eighth: inability to communicate strategy. Getting people to buy into your strategy is essential to implementing it effectively. Having defined the strategy it is vital for managers to explain it to the rest of the organisation. Communication is therefore critical. Keeping it simple, but convincing, pays dividends. I do not know of many companies that formally train their managers on how to do that.

Ninth: inability to translate strategy into purpose. Enterprises need an enduring purpose to inspire and motivate their people. They need to know that what they are doing matters to the firm and perhaps even to society. But how do you get employees to ‘buy in’ to the proposition without having to raise pay and provide benefits? The answer - instil a sense of purpose. This has huge commercial benefit. Starbucks and Gap are brands that make a conscious effort to translate strategy into purpose by treating their employees with respect, providing them with career progression and emphasising the impact they are making to the community – all of which make these firms appear good places to work for without having to cough up large bonuses.

And last, but not the least, failure to fix accountability. This lies at the heart of effective execution. It motivates people to follow through on their commitments. Accountability should be tied to results, not activities. While activity within an organisation is continuous, it is only results that really matter.

If you avoid these ten pitfalls, you are well on your way to executing your strategy effectively. So create bold plans, hire the best people, stay focussed and adapt rapidly.

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