

The Heat is On: CEOs Under Pressure to Perform

Strategy Execution Proves Key to Success

Written by Rommin Adl



“A vision and strategy aren’t enough. The long-term key to success is execution. Each day. Every day.”

— Richard M. Kovacevich, Former Chairman, President, CEO, Wells Fargo

CEOs are under intense pressure to drive growth and deliver strong results, while satisfying the interests of internal and external stakeholders. Navigating these challenges, effective [strategy execution](#) has never been more important to a CEO’s success. However, research reveals that companies continue to struggle with the implementation of key strategic initiatives, especially when it comes to the people side of the equation.

The Challenges Facing Chief Executives

Facing high expectations and significant challenges, CEOs are under tremendous pressure to deliver results quickly. In the past year, 14.2 percent of CEOs at the world’s largest 250 public companies were dismissed—the highest rate since 2005.¹ Executives from Bank of New York Mellon, BP, Burger King, Hewlett-Packard, Standard and Poor, Yahoo, among others, were all abruptly shown the door.²

For today’s CEOs, the window available to develop a strategy and translate it into action is narrowing dramatically. Average CEO tenure continues to decrease from 10 years in 2000 to 8.4 years in 2011.³ More alarming, in today’s environment, 40 percent of CEOs with the shortest reign spent less than two years in the position.⁴

For this year’s 350 newly appointed CEOs among the 2,500 largest companies, the pressure to succeed during the first year of tenure is particularly important, but dependent on rapid and effective strategy execution. “Success today is not simply about leading anymore,” reflected Larry Bossidy, former CEO at Honeywell. “It must be about implementing, not just announcing strategies.”

Strategy Execution Is Critical

A well-formulated business strategy, powerful product or breakthrough innovation can put an organization on

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the map, but only sustained execution can assure success.⁵ “We better remember that in the end, it’s all about execution. You can be right on paper, but if you don’t execute, it’s not going to work,” stressed George Shaheen, former CEO at Accenture. However, navigating from strategy to execution presents tremendous challenges for today’s executives.

Strategy execution is not the result of a solitary employee decision or action, but the consequence of a series of coordinated, enterprise-wide decisions and actions occurring over time.⁶ It must be comprehensive and engage the entire organization from the executive suite to the front line.

During two of the last three years, The Conference Board CEO Survey identified strategy execution as the number one challenge facing today’s business leaders. For CEO Kazuo Hirai, execution is key to Sony’s growth going forward. “We need to execute with faster speed, which means effective decision-making, effective execution.” He is far from alone.

Navigating from Strategy to Execution Few Succeed

Despite its importance, execution is often poorly handled. Leading organizations spend millions of dollars and designate valuable resources to formulate new strategies that are designed to propel the company past the competition. However, when it comes to execution, these same organizations invest significantly less,

especially when it comes to the people side of the equation.

This problem is further compounded by a reliance on traditional methods of communicating new initiatives, building alignment, and motivating performance. Most often, CEOs typically rely on offsite events, town hall meetings, PowerPoint presentations or conference calls that frequently fail to make the expected impact. While the senior executive may feel like the strategy is clear and well-communicated, the one-way messaging is ineffective in truly aligning, energizing and enabling the organization. Pushing the message out, these methods may give the organization brief moments of inspiration, but in the end, it tends to be business as usual and execution stalls. Without significant organizational involvement, a strategy that sounded good in principle starts to dissipate and move in 1,001 different directions.

Pressured to deliver results, CEOs start to recognize that the organization is not truly on board with the company strategy. Aware of the imminent tenure window, executives grow frustrated that execution is not happening fast enough. One discouraged CEO recently threatened, “Our strategy is not rocket science. If people don’t start getting it and executing better, heads are going to roll.”

This unfortunate reality is too common in large corporations. An *Economist* survey found that a discouraging 57 percent of firms failed to efficiently execute strategic initiatives over

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the past three years. Looking more broadly, a five-year *Harvard Business Review* study, involving 125,000 executives representing more than 1,000 companies from 50 countries, found that employees at three out of every five companies considered their organization weak at execution.

Through more effective planning and new tools and techniques, strategy execution can be improved dramatically.

Successful Strategy Execution: Making it Happen

Today's CEOs can effectively translate strategy to reality by moving beyond the traditional implementation methods and adopting innovative experiential learning approaches. Research from National Training Laboratories underscores the value of experiential learning. Findings show that lectures drive only five percent retention, while "practice by doing" accounts for 80 to 90 percent retention.⁷ Harvard physics professor Eric Mazur endorses the impact of this method. "What we found over now close to 20 years of using this approach is that the learning gains at the end of the semester nearly triple," he says.⁸ By enabling employees to discover the value of the strategy first-hand, practicing execution in a risk-free environment, CEOs can effectively engage the organization in a new company strategy.

Proven to be particularly effective, customized [business simulations](#) modeled to illustrate the challenges, tradeoffs and market environment of the company itself are increasingly identified

as a business asset, accelerating strategic transformation initiatives. As James Bolt's book, *The Future of Executive Development*, stated, "Just like a pilot in a flight simulator, an executive can fail, go bankrupt, and live to fly another day with no lasting consequences to people and resources."⁹

Through a customized simulated experience, participating employees become engaged in the strategic change, build passion around the company's future direction and close critical [business acumen](#), [leadership](#) and [sales](#) capability gaps. Participants immerse themselves in situations in which they are forced to perform, obtain feedback and adjust their behavior. Leveraging this comprehensive methodology better enables participants to replicate new behaviors and skills in the real-world business environment. As a consequence, according to a study conducted by Corporate Executive Board, employees committed to the organization give 57 percent more effort.

More and more CEOs are testifying to the effectiveness of this innovative approach. Ted Kelly, CEO Liberty Mutual, admitted after a [BTS](#) engagement, "I was originally against doing a customized business simulation. I am a big fan of case study presentations. I was wrong. It was the best training we've ever done." He's not the only one taking notice of the profound impacts of simulations.

Gartner, Inc., the world's leading information technology research and advisory company, predicts that in

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2012, “High-performing enterprises will shift 50 percent development spending from training to experiential learning programs to boost people’s effectiveness.”¹⁰ Aetna Inc. Chairman, CEO and President Mark Bertolini reflected, “We partnered with BTS to build the program that models our business, so we can practice making decisions in a new and different marketplace. Their program helps us improve the execution of our new strategy and to achieve the results our shareholders and customers expect.”

Case in Point: The Pivotal Role of the CEO in Execution

With the U.S. health care industry undergoing unprecedented change, a leading diversified health insurance company is finding opportunity in uncertainty by making a bold strategic shift. Dedicated to building a stronger, more effective health care system, the CEO is implementing a new strategy to generate significant innovation, growth and shareholder value by effectively managing its portfolio of businesses while keeping the customer at the core. To meet this challenge, the CEO partnered with BTS to create a high-impact initiative that would build alignment, strengthen capabilities and develop the appropriate mindset among the three hundred top executives.

At the heart of the initiative, a customized business simulation enabled top leaders to practice strategy execution in a risk-free, competitive environment. To deliver maximum applicability and impact, BTS consultants worked closely with the company’s executive

team to craft an experience aligned to and reflective of the business and key strategic priorities. Over the course of the simulation program, the company’s executives were given the opportunity to step outside of their traditional roles, collaborate in new ways and work together to build the capabilities critical to the strategy’s success.

According to initial metrics, the strategy execution program was successful:

- 97 percent of participants reported a greater understanding of how to become more customer-centric as a result of the program
- 98 percent of participants feel better prepared to develop and execute on their business strategy in the future

For the CEO, the results were tangible. Research conducted several months after the initial program deployment confirms that leaders are taking action to accelerate strategy execution. In many cases, these leaders are already beginning to see business results. For example, one leader directly attributed \$4.5M in new revenues to the program.

Moving forward, the positive momentum is expected to continue. The skills gained by these leaders will aid the execution of the company’s growth initiatives and future success in improving the U.S. and global health care systems.

Maximize the Value of Any Business Strategy

Companies around the globe are transforming themselves strategically

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more than ever and the stakes are high. Facing increased pressure to perform and limited windows to achieve results, today's CEOs often have only one chance to get it right and the repercussions of poor execution can be significant. Most recently, Citigroup directors dismissed the Chief Executive Officer after concluding that he had mismanaged operations and failed to successfully execute strategic initiatives.¹¹ This company is not alone. Many other boards of directors are taking similar action.

Successful CEOs recognize that a deeper focus on the people side of the execution equation is essential to success and that traditional implementation approaches alone are no longer sufficient. To accelerate strategy execution and drive performance, these CEOs are turning to business simulations and experiential learning methodologies. Providing organizational alignment and building vital confidence and capabilities, these innovative approaches are helping CEOs deliver better results faster. The business benefits are real and measurable, illustrated in revenue growth, employee engagement, customer satisfaction and, ultimately, share price appreciation.

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BTS is a world leading strategy implementation firm that accelerates execution by building the alignment, mindset and capability needed to deliver superior business impact. The company leverages customized business simulations and experiential learning initiatives to help clients achieve better results, faster.

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