



# FAST EXECUTION NEEDS FAST STRATEGY

By George Stalk and Sam Stewart

**E**VERYWHERE WE LOOK, WE see large, successful companies facing intense pressure from newer, smaller, faster-moving companies that threaten to disrupt their industries. Across the business landscape, speed is becoming more important than size, and the basis of competition is shifting from scale to pace or tempo.

In a companion article (“Tempo and the Art of Disruption,” February 2019), we argue that disruptors sustain a tempo advantage by cycling more rapidly than their competitors through a four-step learning loop consisting of scan, orient, decide, and act. The greater the market leader’s cycle time advantage over its rivals, the greater its competitive advantage will be.

Recognizing these changes, some CEOs are adopting agile ways of working—pioneered by the tech industry—to set priorities, allocate resources, and empower teams to make decisions more quickly. The goal is to achieve what we call *fast execution*. At its core, fast execution is about minimizing hierarchy and unleashing the creativity

and judgment of the people closest to the work and to customers. The goal is to use increased autonomy to create an organization in which average people deliver above-average performance every day—and learning happens continuously and transparently.

Too often, unfortunately, companies grant teams autonomy before ensuring that they have a clear, shared understanding of the organization’s strategic direction. And autonomy without alignment can rapidly lead to chaos.

How can leadership teams develop and communicate strategy in a way that reliably guides an agile organization toward enhanced and sustained competitive advantage? The traditional annual strategic planning process is a poor fit for this approach—particularly for companies competing in rapidly changing markets, where a tempo advantage is most decisive.

For fast execution to work, fast strategy is necessary.

## Four Fast Strategy Imperatives for Leaders

To ensure that its agile teams all work toward the same objectives, the executive team must do four things: communicate a consistent mission, establish a shared strategic context, lead with strategic intent, and design for speed.

**Communicate a consistent mission.** The more complex and fast moving the external environment, the more important it is to align agile teams on a stable overarching purpose or mission. The best mission statements are simple and aspirational.

A good example is Amazon's ("To be the Earth's most customer-centric company"). This mission becomes the company's "true north"—a fixed point in a changing world that guides the company forward. Mission is not strategy. Mission specifies the destination; strategy articulates the plan to get there. And even in highly turbulent markets, the destination typically changes far less frequently than the plan.

**Establish a shared strategic context.** To be successful, teams need to understand the strategic landscape in which their company operates. How are customers changing? Which segments are most attractive, and what are their priorities? How are traditional competitors positioned? What are the dominant business models? Who are the new entrants, and how are they trying to win? What drives competitive advantage? What potential vectors of disruption are likely?

Ensuring that the organization shares a set of strategic assumptions about what drives and what might derail competitive success simplifies operations, improves and eases alignment, clarifies where resources should be allocated, and prepares the organization to recognize market shifts that might signal a need to reconsider strategic assumptions.

Renowned US military theorist Colonel John Boyd stressed the importance of establishing a "common shared understanding" (CSU) to build trust, foster alignment, and free subordinates to take informed initia-

tive. With a CSU in place, the military organization from top to bottom operates with a consistent map of the landscape of opportunities and risks. The same concepts apply to business.

Armed with the right strategic context, teams will make better decisions, faster. As one high-tech company advises its managers, "When one of your talented people does something dumb, don't blame them. Instead, ask yourself what context you failed to set."

Achieving a CSU is challenging. It is essential to fast strategy, but it isn't the strategy itself. Rather, it provides a foundation of facts on the ground to enable autonomous teams to work in parallel, with shared assumptions.

**Lead with strategic intent.** In traditional command-and-control organizations, detailed strategies are formulated through top-down decision making and typically take the form of detailed plans handed down once a year. The model assumes that teams are doers, not thinkers. But this traditional top-down approach is fundamentally incompatible with the fast strategy needed to complement the fast execution of agile.

In an agile organization, everyone is expected to exercise judgment, so leaders have an obligation to distill strategy and objectives to their essence—to give teams the freedom to innovate in their approach.

Simplicity and clarity are essential to balancing autonomy and alignment. People need to know the answers to basic questions such as where and how are we trying to win? To provide clear answers to these questions, a universal bank operating in more than 20 countries distilled its strategy down to winning in three clear customer segments on the basis of service. This had far-reaching effects on the way the company deployed resources (both funds and people), the way it was organized, and the financial performance it delivered; but the starting point was very simple and readily understandable to all.

Simplicity and clarity are not easy to get right. Dr. Gary Klein, an expert on decision making, determined that only 40% of US Marines understood their leaders' intent—even though the Marines are noted for fast execution. And in their seminal 2008 *Harvard Business Review* article, “Can You Say What Your Strategy Is?” David Collis and Michael Rukstad argued that for most corporations the answer to the question posed in their title is no.

**Design for speed.** Traditional organizations separate strategy and execution. Agile, responsive organizations remove this distinction and create an ongoing strategic loop by making deliberate, appropriate changes to communication structures and functional silos. To ensure that communication is two-way rather than just cascading down from the top, such organizations hold regular forums in which agile teams play back their understanding of what their objectives are and how they plan to achieve them.

Boyd's military theory offers us another helpful analogue here. In Boyd's view, alignment via the CSU enables “mission command.” In simple terms, the leader shares the strategic intent with individual subordinates. Then, in a “back briefing,” the subordinates either acknowledge the objective and tell the leader how they intend to achieve it or, if achieving it is not possible, negotiate an alternative objective. Once the leader and subordinates agree, the subordinates are expected to deliver the objective and—unless that objective needs to change—to do so without further involvement of the leader.

## Fast Strategy Needs Fast Functions

From a functional standpoint, fast execution has major implications for budgeting and performance management, traditionally the purviews of Finance and HR, respectively. Since neither of those departments links conceptually or organizationally to strategy, the traditional arrangement practically guarantees that the company won't realize its strategic intent. A more effective approach is to bring strategy, HR, and budgeting into a single operating system that encompasses goal setting, strategic planning, resource allocation, and performance management. Fast execution affects other support functions—such as legal, contracting, and procurement—as well.

**T**O REAP THE strategic benefits of speed, organizations need to marry fast strategy to fast execution. Only when equipped with a shared understanding of the landscape and of leadership's strategic intent will agile teams be in a position to outmaneuver the competition—over and over again. Without clarity as to strategy, goals, guidelines, resources, and constraints, autonomy can quickly descend into chaos. In other words, the more alignment an organization has, the more autonomy it can grant.

In a tempo-driven organization, everyone's attention is focused on the strategic objective and how to achieve it more quickly.

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