

**For Immediate Release**

## **Surveying the Gap: Study Suggests Nearly Half of All Leaders See a Disconnect Between Strategy and Execution**

*You know you have a great vision for your company, so why can't you seem to bring it to fruition? OnPoint Consulting's recent survey yields insights into what causes the strategy-execution gap . . . and what might be done to close it.*

**New York, NY** (August 2006)—As a leader, you have a clear vision for your company and are 100 percent committed to pursuing it. But something is going wrong between the creation of that vision and your company's ability to make it happen. What that *something* might be is all too often a murky mystery. If you can relate to this scenario, your company is suffering from what Rick Lepsinger, president of OnPoint Consulting, calls "the strategy-execution gap." In an effort to quantify this pervasive, frustrating problem, he conducted a survey . . . and the results were stunning.

"We discovered that almost half of the leaders surveyed—49 percent—*do* perceive a gap between their organizations' ability to develop and communicate sound strategies and their ability to implement those strategies," says Lepsinger. "That didn't surprise us, as our work with clients prepared us for that result. However, we were shocked, and a bit dismayed, to find that of these respondents *64 percent don't have full confidence that their companies will be able to close the gap.*"

The survey involved more than 400 respondents at the assistant manager level or above: general managers, vice presidents, assistant vice presidents, directors, department heads, and managers. The majority of companies included in the survey had over 2,000 employees and annual revenues exceeding \$250 million. Five primary industry segments represented were financial services, insurance, pharmaceuticals/chemicals, healthcare, and manufacturing.

The 49 percent statistic alone should be a sobering wake-up call for companies everywhere. And if you do have a strategy-execution gap, the 64 percent statistic should underscore the need to take quick and dramatic action to solve the problem. But don't

despair: Lepsinger says other findings from the OnPoint survey offer some clues that may help you get started on the right track.

**Surprise . . . “vision” isn’t the problem.** The majority of respondents (75 percent) believe their companies have clear and inspiring visions. Furthermore, among those who perceive a gap, 69 percent believe the strategies are realistic and 63 percent believe the visions are clear and inspiring. So the gap is not likely to be a result of unrealistic, poorly articulated visions or unclear or unattainable strategies.

“This finding contradicts conventional wisdom, which is that the real challenge is crafting the direction of the company and gaining the buy-in and commitment of the employee population,” says Lepsinger. “Proponents of this idea would argue that once a company has a vision in place and gets everyone on board, the rest is all down hill. Our study shows the fallacy of that thinking.”

**So what is contributing to the gap?** Eight central factors—a mix of structure, systems, and leader behaviors—set apart those companies whose employees have confidence in their company’s ability to effectively execute from those with reported strategy-execution gaps. In other words, “no gap” respondents gave these factors significantly higher ratings than “gap” respondents. Even more compelling, the first three of the factors listed also differentiated the “optimists” (those who reported a gap, but had confidence it could be closed) from the “doubters” (those who lacked confidence in their organizations’ ability to close the gap).

- Change is well managed by top management
- Decisions and actions are well coordinated across different levels of management
- The actions and decisions of top management are consistent with their espoused objectives, values, and priorities
- Decisions and actions are well coordinated across different work units
- Effective human resource management systems and practices are in place for selecting, training, and compensating employees
- The current organizational structure supports the implementation of the business strategy
- There is a proper balance of centralized and decentralized responsibility required to achieve the strategy
- Top management appropriately involves people in decisions

“You might think of the first three factors as the Tipping Point Trio,” says Lepsinger. “When they are in place in a company, managers tend to believe there is no gap between strategy and execution. But, for those who *do* see a gap, the presence of these three factors provides confidence that the gap can be closed.”

**Finally, what are the implications?** Lepsinger says his survey yields several critical lessons for business leaders:

- *Successfully achieving execution takes more than clarifying and communicating the organization's strategic direction.* Many businesses put all their energy into crafting and gaining agreement on their vision and strategy. They frequently do not attend to clarifying the assumptions about what it will take to achieve the strategy (what will be required operationally) and the priorities for action.

“Everyone agrees that it’s important for a company to be innovative, for instance,” says Lepsinger. “But everyone may not agree on what being innovative needs to look like in their company. You’ve got to come up with a common picture, clarify the focus and scope, before you can get to the actual behaviors. For many companies, this step—clarifying assumptions—is missing.”

- *Few organizations appear to ask whether or not they have the proper management systems in place to support the achievement of the strategy.* If the strategy calls for “innovation,” do they have systems in place to facilitate organizational learning and creative thinking (or do they just assume that asking leaders to ensure they happen is sufficient)?

“If a company wants to encourage innovation in its employees, shouldn’t it have a mechanism to screen and fund these ideas?” Lepsinger queries. “Individuals shouldn’t have to struggle to find support and resources to help develop their ideas. People are always citing the efforts of Art Fry and Spencer Silver, the 3M employees who invented Post-Its, as a shining success story of personal initiative and perseverance. My thinking is, ‘Why did those guys have to work so hard? Wouldn’t it have been better for everyone if a support system had been in place?’”

- *It is also important to go beyond gaining understanding and acceptance of the strategy throughout the organization.* Vision and strategy must be translated into action at each level of the organization and, beyond that, these actions must be reviewed by senior management to ensure they are mutually supportive and well coordinated across work units and levels (rather than everyone going off and doing what they think is best for their work unit) and monitored to ensure performance expectations are met or to recalibrate the plan when new information becomes available.

“Actually, monitoring may be the most critical aspect of the process,” notes Lepsinger. “It’s how companies make changes stick. People tend to lose momentum otherwise, and that’s when they revert to ‘business as usual.’ The most successful companies are ruthless in monitoring and reinforcing their strategic actions.”

- *Leaders must behave in a way that is consistent with organizational values and priorities.* You can’t expect people to trust you or follow you if are not willing to live by the same values and consistently support the same priorities that you require of others. This idea is hardly a newsflash. Yet, the fact that it shows up in OnPoint’s survey as a top driver of both execution effectiveness and employee confidence shows that “walking the talk” still counts—and counts big.

In the book *Flexible Leadership: Creating Value by Balancing Multiple Challenges and Choices* (Jossey-Bass/A Wiley Imprint, 2004, ISBN: 0-7879-6531-6, \$44.00), Lepsinger and co-author Dr. Gary Yukl contrast opposite approaches to the “leadership by example” factor: Donald Carty, former president of American Airlines (who offered gigantic ‘stay bonuses’ to senior executives after asking employees to take significant pay and benefits cuts) and Carlos Ghosn, CEO of Nissan (who, when he took over the floundering company in 1999, pledged to step down if Nissan failed to show a profit in 2000).

“Carty lost total credibility with his company and had to step down, while Ghosn is celebrated in the press as a ‘master of execution’ and a ‘turnaround artist,’” points out Lepsinger. “I think both stories illustrate the critical importance of a leader modeling the attitudes and behaviors he expects of his employees. Do it and you can achieve amazing success. *Don’t* do it and you kill careers and maybe even companies.”

So what’s the bottom line for leaders who suspect their teams might answer in accord with the survey’s 49 percent? Take a long, hard, serious look at the issues OnPoint has brought to light and begin working to repair any shortfalls—*now*.

“Gaps that are neglected tend to grow into chasms,” says Lepsinger. “Don’t let that happen to you. Closing the gap between strategy and execution may be the most important thing you can do for the future of your company. It’s not easy, but with focus, determination, and a well-thought-out plan, you can build a bridge that will take you and your employees where you’ve wanted to go all along.”

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**Richard Lepsinger** is president of *OnPoint* Consulting and has a twenty-year track record of success as a human resource consultant and executive. He was a founder and managing partner of Manus, a human capital consulting firm, which he grew to over \$4 million in revenue and sold to Right Management Consultants in 1998. At Right, Rick was the managing vice president of the Northeast and Eastern Canadian Consulting Practice, where he was responsible for fifty-five professionals and grew the region’s revenue from \$7 million to \$20 million.

The focus of Rick’s consulting work has been on helping organizations close the gap between strategy and execution. He has served as a consultant to leaders and management teams at FGIC, GE Capital, Goldman Sachs, IXIS Asset Management, JPMorgan Chase, KPMG, Lehman Brothers, OppenheimerFunds, State Street Research, and UBS.

Rick has extensive experience in formulating and implementing strategic plans, managing change, and talent management. He has addressed executive conferences and

made presentations to leadership teams on the topics of leader effectiveness, strategy execution, managing change, performance management, 360° feedback and its uses, and developing and using competency models to enhance organizational performance.

Rick has co-authored three books on leadership, including *Flexible Leadership: Creating Value by Balancing Multiple Challenges and Choices*, (co-author with Dr. Gary Yukl) published by Jossey-Bass/Pfeiffer, *The Art and Science of 360° Feedback*, (co-author with Toni Lucia) published by Jossey-Bass/Pfeiffer, and *The Art and Science of Competency Models*, (co-author with Toni Lucia) published by Jossey-Bass/Pfeiffer.

He is also the author of several book chapters, including “Performance Management and Decision Making” in *The Handbook of MultiSource Feedback*, “The Art and Science of Competency Modeling” in *What Smart Trainers Know*, and “Using 360-Degree Feedback in a Talent Management System” in *The Talent Management Handbook: Creating Organizational Excellence by Identifying, Developing, and Promoting Your Best People*, as well as numerous articles on leadership and organizational effectiveness. His most recent article, “Why Integrating the Leading and Managing Roles Is Essential for Organizational Effectiveness,” appeared in *Organizational Dynamics* and is one of its most frequently downloaded articles.