

## Why Do Strategies Fail?

### (And How To Improve Your Odds Of Success)

Think of the last time your company, or a company you know, announced a major new strategic initiative.

- Maybe it was an entry into a new product category.
- Maybe it was a major acquisition.
- Maybe it was targeting a new channel of distribution.
- Maybe it was an initiative into a new market overseas.

Now think of how successful the company has been with that new strategic initiative.

Chances are that the company's experience may be similar to many others.....the initial promise of this new strategy hasn't lived up to the expected results.

- United Airlines strategy to become the one stop travel resource by buying Hertz rental car and Westin hotels.
- Sears strategy to leverage its customer base by selling them Dean Witter Discover financial and Allstate insurance products.
- Quaker Oats strategy to become a beverage leader by acquiring Snapple.

All of these strategies failed to deliver.

Why is it that new strategies that may seem so exciting and compelling, often fail to deliver those alluring rewards?

**P.....D.....E**

We find that strategic failures are due to three basic causes:

1. **PERCEPTION** - Companies may have unrealistic perceptions of their own capabilities. Knowing what skills and strengths the company can bring to each prospective new strategy is vital. It is equally important to clearly understand where the company's "soft spots" are too. Sometimes "we don't know what we don't know (or don't want to know)". Beginning with an objective **Perception** of both the company's strengths and opportunities to improve is important.
2. **DIRECTION** - The attraction and appeal of a new strategic initiative can create unrealistic expectations. The "grass looks greener".....but that fresh, new meadow can sometimes be deceiving. Carefully evaluating the potential of each prospective new strategic **Direction** is vital.

3. **EXECUTION** - The first step is creating an effective game plan. The greatest game plan means nothing if the team can't **Execute** it well. This includes a clear understanding of the requirements for success.....as well as a sound plan to accomplish the goal. But it also means assuring that those responsible for making it happen know what and how to do what it takes to successfully **Execute** the plan.

How many of the strategic "disappointments" that you are aware of are due to one or more of these **PDE** causes of strategic failure?

### The Three Key Questions

We believe there is not a "silver bullet" solution.

From our experience, however, there is a way to significantly improve the odds of success for a new strategic initiative.

Here is the Road Map for developing and implementing successful new growth strategies:

Key Strategic Questions	Key Causes of Strategic Failure
1. Where are we today?.....	<b>PERCEPTION</b>
2. Where do we want to go?.....	<b>DIRECTION</b>
3. How are we going to get there?.....	<b>EXECUTION</b>

These are the **THREE KEY QUESTIONS** that companies of all sizes need to answer as they develop and implement effective growth strategies. It doesn't matter whether the company is Ford Motor Company or the local office supply dealer.

The answers to all three questions are vitally important.

The questions are the same for everyone.

<b>1. Where are we today?</b>	<b>PERCEPTION</b>
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We find there is a natural tendency to begin with question two, and skip question one.

Why? Because "we all know where we are today".

Our experience and the marketplace has a different view.

Most of us will admit to biases and preconceptions.....at least on occasion. These "blind spots" that we have can cause us to overlook realities.

And then, sometimes, we really don't think much about areas we aren't interested in, or those areas that we want to avoid..... it's probably human nature.

Our firm recommends beginning with a candid review of company "Core Competencies". What are those activities that the firm performs exceptionally well?

It is important to look in an unbiased way at both strengths and areas for the company to improve.

We sometimes recommend requesting selected customers to offer their evaluation of the company in this process. This can provide even greater perspective and objectivity.

The net result of this review is a clear **Perception** of where the company stands today. It identifies the strong foundational building blocks upon which new strategies can be built. It also highlights the areas that need special attention, and may present challenges to continued success. We believe this review creates a "balance sheet" of the capabilities of the company, showing both assets and liabilities.

This process can also help to clarify the mission of the firm.

## 2. Where do we want to go?

### DIRECTION

The process of developing attractive strategic growth options can be exhilarating and energizing. We recommend initially creating many different potentially attractive options.

This can stimulate even more innovative thinking, and expand prospective **Directions** well beyond traditional incremental approaches.

Encouraging "out of the box" thinking at this stage can create powerful new opportunities for growth.

The process of then selecting from these strategic growth options leads to a better understanding of trade offs, risks, and rewards.

Prioritizing and focusing on the most attractive of these strategic alternatives then gives the organization clear **Direction** on what is most important and what is not.

## 3. How are we going to get there?

### EXECUTION

Creating the Action Plan to actually make the strategy happen is vitally important. Too often it is at this stage where the exciting strategic work and inspiring goals languish. We see this frequently in acquisitions, where proper attention is not given to major issues such as the smooth integration of the companies. We believe this is why many acquisitions do not meet their intended goals.

Translating the selected directions and goals into an effective, actionable game plan requires balance. Too many details and specifics can become an enormous and frustrating number crunching exercise. Too few details and there isn't clarity and understanding needed by those responsible for making it happen.

Constructing an Action Plan around the key success requirements, as well as key measurements to gauge progress toward the goals, provides a clear Road Map. Then, effectively communicating this throughout the organization helps to assure excellent **Execution** and the attainment of desired results.

### SUMMARY

The excitement and promise of new strategic initiatives frequently leads to disappointing results. We believe this is due to three basic causes, which we call **PDE**:

1. Unrealistic **PERCEPTION** about the company's capabilities.
2. Unrealistic expectations about the new **DIRECTION**.
3. Lack of a game plan which is clearly understood by those responsible for its **EXECUTION**.

By carefully and completely answering Three Key Questions, a company can greatly improve its odds of success with new strategic initiatives.

1. Where are we today?
2. Where do we want to go?
3. How are we going to get there?

Our experience indicates your risk/reward experience will significantly improve using this **PDE** approach.



"You play the way you practice."

Pop Warner

"Decentralization only works if you have a clear strategy understood by good people."

Herbert Maucher, Chairman,  
Nestle SA

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