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One Strategy: Aligning Planning and Execution

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Every firm has two strategies, we learn early on in the pages of One Strategy: Organization, Planning, and Decision Making. "Explicit" strategy is the one you read about in your company's planning memos and PowerPoint slides. The second, "implicit" strategy, is what emerges when middle managers and line employees attempt to execute the explicit strategy.

Unfortunately, these strategies often diverge. They are not aligned. And so the potential of the enterprise becomes unrealized. "Strategy therefore becomes the product of the firm's incentives, structures, and patterns of behavior, not the other way around," writes Harvard Business School professor Marco Iansiti, an expert on innovation, entrepreneurship, and operations.

This happened at computer maker Dell, says Iansiti. Ossified in a deep culture of direct sales to corporate customers, the company was slow to take advantage of a rapidly emerging consumer market—at least until founder Michael Dell returned to shake things up.

"Our past is littered with firms that failed to adapt to competitive changes," Iansiti says in an interview with *HBS Working Knowledge*. "Obtaining One Strategy in times of change means the organization will respond in a holistic fashion to new challenges, staying aligned for maximum competitive impact."

The book follows Microsoft's Windows 7 development team, headed by Steven Sinofsky, as it encounters and overcomes many of these same challenges. Sinofsky's blog posts to his team provide a behind-the-scenes look at how the One Strategy approach works in practice.

Sean Silverthorne: How did you get the idea for this book?

Marco Iansiti: Steven Sinofsky and I have known each other for more than 10 years, and have often worked together on projects such as cases and articles. After spending over a decade with the Microsoft Office team, Steven was asked to manage Windows development in May 2006, as Windows Vista development was winding down. During his time with Windows, Steven wrote over 1,000 pages of blogs to communicate with his team. This provided an incredible wealth of information from which to draw and synthesize what we now believe are some pretty interesting insights. The book combines a selection of Steven's blogs with practical conceptual frameworks on how to develop strategies that are aligned with execution in a rapidly changing competitive environment.

Q: Who will benefit from reading it?

A: Our audience is senior managers in any industry. Specialists in the high-tech sector will find it particularly interesting because it reflects on crucial competitive dynamics in their space. However, managers outside the tech sector will still appreciate the general management lessons throughout the book.

Q: What is strategic integrity, and why is it important?

A: Every firm has two strategies. The first is top-down, "directed" strategy—what the CEO and the senior management team believe the firm should focus on. The second is bottom-up, "emergent" strategy, which is established by the actual decisions and behaviors in the organization.

Directed strategy is what management believes needs to get done, while emergent strategy represents what actually gets done. Strategic integrity is when emergent and directed strategies are one and the same thing: when the strategy executes with the full, aligned backing of the organization for maximum impact. When a strategy lacks integrity it's like those war movie spoofs when the cavalry general goes on the attack, only to find that none of his troops actually follow him.

The book provides a very pragmatic (and detailed) look at how to achieve strategic integrity. This is not a theory book, but a book that offers insights and tools one can put into practice. Steven and I describe in detail how to build organizational capabilities, set up a good structure, implement the right processes, and adopt an effective management style.

Achieving strategic integrity is always important since managers naturally wish to maximize the impact of their strategies. However, the notion of strategic integrity is particularly important in times of change. Our past is littered with firms that failed to adapt to competitive changes. Obtaining One Strategy in times of change means the organization will respond in a holistic fashion to new challenges, staying aligned for maximum competitive impact.

Q: What are the chief impediments to strategy execution?

A: The chief impediment is inertia. Over time, organizations tend to optimize the efficiency of their operating model. Dell's direct model, during the 1995-2005 time frame, is the perfect example. Every process, every incentive, every cultural norm was optimized to deliver efficiently, bypassing the retail channel. When the strategy changed, the organization simply did not follow. Execution continued along the old inertial path, and the organization failed to adapt, despite the intentions of senior management. The structures, processes, and behaviors defined in the book are designed to break inertia, and maintain strategic alignment in times of change.

Q: To plan or not to plan? Your own research sheds some light on the question of whether top-down project planning has become outdated in today's fast-moving environments. What did you discover, and how did Microsoft do it?

A: Planning is key. Planning is the glue that holds the organization together, providing a way to test the strategy, determine its feasibility, improve it through collective feedback, and align capabilities to drive its execution.

Planning is central to the One Strategy approach. But the planning process we describe is going to surprise many executives. It's not the usual top-down, rigid, budget-style race for resources, or a "brain trust"—driven process developed by a select set of the "top people."

Planning for One Strategy is iterative and collaborative, defining a framework for executing on the strategic priorities, while refining the strategy and aligning the organization around its features. Planning is the process that more than any other activity works to align the organization around one set of goals, top-down, bottom-up, and "middle-out." By necessity, planning is a process that involves many people and empowers those closest to the knowledge and the work.

Q: One thing that struck me in Steven Sinofsky's blog was how relatively little of his time was devoted to formal product reviews. Going in I would have bet that these kinds of meetings would be huge at Microsoft. What did you make of this practice?

A: In a review, the middle managers typically deliver a PowerPoint presentation that formalizes issues around project status to the executive in charge of the project. This makes no sense if you truly believe that the point is aligning the whole organization around the strategy, not convincing the one executive that you are following his or her ideas.

The One Strategy approach is less about formal reviews and more about one-on-one conversation. The idea is to maintain as much as possible a rich, two-way, and informal exchange of ideas to make sure that the strategy is perfected and the priorities are universally shared. There is no point in spending days preparing slides that portray an often-artificial look at the project to convince your manager that you understand his or her views. The point is for everyone to contribute to perfect the approach, and do so in a collaborative fashion and with integrity. Beautiful, handcrafted slides don't cut it. What you want is free, informal discussion around the realities of the project.

Q: The One Strategy approach is mirrored in your discussion of the "innovator's reality." The reality is that in designing new products innovators can't ignore the benefits users received from previous versions. How should companies think of existing products when it comes to creating new ones?

A: Answering this question goes back to our definition of innovation. Innovation is invention times impact. Invention is nice, but if it has no economic or social impact it is useless.

This view on innovation highlights the interesting role played by established firms. Traditionally, my academic field has argued that big companies have trouble innovating because their businesses are too complex, with assets, processes, and capabilities that make the organization inflexible. However, those same assets are also extremely valuable when it comes to achieving impact. Established enterprises have customer relationships, channels to market, technical capabilities, critical data and information about consumers, along with a myriad other factors that will increase the impact of any innovation they come up with. Apple, Microsoft, Google, and IBM are all established firms, each with a remarkable track record of innovations that built on past capabilities.

The same assets, processes, and capabilities that make established firms complex and hard to manage also make them incredibly powerful and impactful. The innovator's reality is that in order for a product to be successful, it has to master the complexity of customer adoption—and customers are used to the richness of previous versions and traditional solutions (the first successful hybrid cars, for instance, had to have air bags just like their predecessors). This means that established firms start with a huge advantage in that they have already mastered answers to these problems. Rather than being helpless when confronted by start-ups, established firms should leverage their traditional capabilities and manage their way to success—as long as they can figure out how to get the organization aligned around the new strategies.

Q: One way that Sinofsky communicates with his staff is via a quite detailed blog on his management philosophy. What did you think of this idea, and is it a model that other managers should follow?

A: Blogs are a powerful asset in managing an organization. If you are responsible for hundreds or thousands of people, ensuring clear, consistent communication of your ideas to the entire group is a difficult challenge. As Steven demonstrates, blogs are highly effective in aligning an organization, jump-starting a two-way interaction that can really shape strategy and align the organization around it.

Blogging, today, is increasingly common. In an informal poll in the School's General Management Program, which brings in executives from around the world, about 20 percent said they write a regular blog.

Q: Care to comment on Toyota, which is held up as a model at the end of the book, but which has since suffered very public problems? I wonder if its admitted overemphasis on growth at the expense of quality might be an example of the dangers of separating strategy development from strategy execution?

A: The Toyota story becomes more interesting every day. There is no question that decades of success at Toyota demonstrate the power of its management systems and approaches. At the same time, the roots of its current crisis appear very deep.

It is difficult to understand exactly what happened since the questions have barely started, but it seems quite possible that Toyota's model may have ossified a bit, as what happened with the Dell example we discuss in chapter 1. Some of the accounts that I have seen point to an inability by management to detect long-term patterns across different recalls.

Whether the organization was still aligned in both the strategic importance of quality and in the execution of a quality strategy might have contributed to the situation we see today. Clearly many questions remain.

Q: What are you working on now?

A: The main thing I am working on is a generalization of the One Strategy framework by running an empirical study across four industries, namely online services, foods, semiconductors, and health-care devices. Each of these sectors is undergoing a tremendous transformation, and I am following very closely the strategic behavior of key firms. WK

About the author

Sean Silverthorne is editor-in-chief of *HBS Working Knowledge*.