



State of Strategy

Welcome

Today, we release the findings from our first State of Strategy survey. Our goal was to identify direct connections between organizations' approach to strategy, operational behaviors and outcomes. Through working with clients around the world to develop and execute strategy for more than a decade, we have collected plenty of anecdotal evidence to support most of what the survey confirms —however, some of the results even surprised us.

As part the survey, we asked a variety of individuals who work in different businesses 27 questions about strategy development and execution. After weeks pouring through the data and analyzing the results, we've learned a lot — including some of the most important aspects of success and some of the least effective approaches to executing strategy. We share those insights with you in State of Strategy: benchmarks and trends - North America, produced by ArchPoint, with research facilitated by Research Now. The results reflect the progress industries are making toward executing more effective strategy solutions.

An organization's overall success is more dependent on its ability to focus on four to six major business objectives per year, and how well employees across all levels understand those objectives, than anything else.

We hope you will find this study as enlightening and compelling as we do. We look forward to hearing how you and your colleagues use these learnings to improve how you improve, develop and execute business strategy.

Richard and Jesse



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Based on the data gathered, we divided the companies represented within the survey into three categories — **Front Runners**, **Strivers** and **Stragglers**:



Front Runners accomplished at least **75 percent** of their top strategic objectives.

For Front Runners, strategy is a way of doing business incorporated into daily work life. Employees across all levels are more likely to discuss strategy frequently with other employees up and down the lines of responsibility. They have one-on-one conversations about strategy. In fact, in the survey we conducted, **44 percent** of Front Runners report that their employees have had a conversation about strategy with a manager or direct report within the last week — compared to only **20 percent** of Stragglers. Even more telling, **28 percent** of Front Runners utilize one-on-one discussions as part of their communication plan, as opposed to **absolutely zero** one-on-one communication about strategy among Stragglers. Nearly **90 percent** of respondents from Front Runner businesses have a personal understanding of their organization's strategy.



Strivers accomplished about **50 percent** of their top strategic objectives.

As compared to Front Runners, Strivers are less consistently proactive about planning strategy and communicating strategy or updating their strategy to account for changing conditions. Strivers discuss strategy and have one-on-one conversations occasionally, but not as often as Front Runners. Strivers are less effective than Front Runners at aligning leadership to the company's strategic plan, allocating resources to the right strategic initiatives or driving decisions closer to those who are the most knowledgeable, often the individual contributor. More than half of employees at Striver organizations have a personal understanding of the company's strategy.



Stragglers accomplished from zero to **25 percent** of their top strategic objectives.

When compared to Front Runners and Strivers, Stragglers take a more reactive approach to strategic planning. They don't communicate strategy well. In Straggler organizations, leaders rarely discuss strategy with frontline managers or even direct reports. They don't update their strategy to account for changing conditions. They don't have one-on-one conversations about strategy. Stragglers are ineffective at aligning resources with strategy and ineffective at driving decisions closer to those who are the most knowledgeable. **Overall, many employees at Straggler organizations don't perceive their leadership to be aligned to the company's strategic plan.**

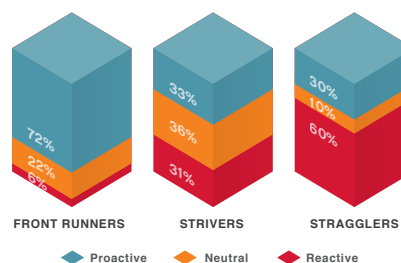
ArchPoint found **seven Front Runner attributes** that organizations can apply to significantly improve strategy execution:

1 To be a Front Runner, an organization must maintain a proactive and formal strategic planning process.

Organizations that are proactive in their strategic planning process create their own opportunities by continually collecting information about macro and micro trends, competitions, customers, and best practices. They create and test hypothesis about how this information could impact their business and adjust their strategies accordingly. This contrasts to a reactive strategic approach where organizations miss or fail to optimize market opportunities because they are not informed or prepared.

72% of Front Runners' strategic planning process is proactive compared to 60% of Stragglers with a reactive strategic planning process.

How would you rate your organization's strategic planning process?



Organizations that are proactive in their strategic planning process create their own opportunities.

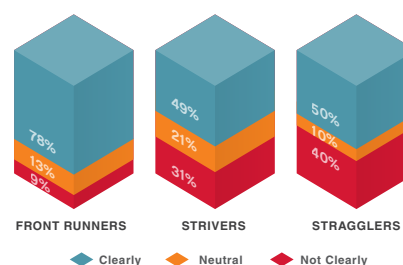
2 To be a Front Runner, an organization must articulate corporate strategy and measures clearly.

Communication clarity enables personal understanding of strategy. “Employees respond best to clear language that avoids buzzwords and industry jargon. Tight messaging is important so employees can easily remember key messages,” said Bob Landis, ArchPoint, who specializes in change management and organization development. Landis has more than 20 years of Fortune 500 human resources experience.

“Leaders must carefully balance the communication between aspirational objectives and practical, real world actions. If the communication is simply aspirational, employees may question the ability to execute it. If it’s all tactics, employees may be confused about the end game. Clear measures are critical. When leaders can communicate progress against clear measures, the business strategies are more believable.”

78% of respondents from Front Runner organizations are able to clearly articulate corporate strategy and measures, whereas 40% of Stragglers are unclear when articulating corporate strategy and measures.

How clearly does your organization articulate corporate strategy and measures?



“Employees respond best to **clear language** that avoids buzzwords and industry jargon. **Tight messaging** is important so employees can easily remember key messages.”

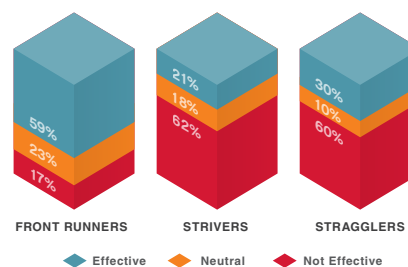
Bob Landis
ArchPoint

3 To be a Front Runner, an organization should drive decisions closer to those who are most knowledgeable, often the individual contributors or customer-facing employees.

The first step toward empowering employees at all levels of the organization is to be certain each team member understands his or her responsibilities. Successful managers break down work processes clearly so that each employee understands the consequences of poor performance. That understanding helps employees to feel empowered to make decisions and take action toward shared goals.

59% of Front Runners are effective at driving decisions closer to those who are the most knowledgeable, compared to 60% of Stragglers and Strivers being ineffective at giving decision rights to those who are closest to the issue.

How would you rate your organization's effectiveness to drive decisions closer to those who are most knowledgeable, often the individual contributor or front line of your company?

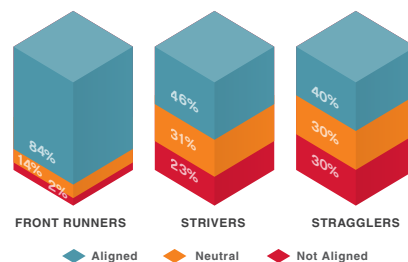


4 To be a Front Runner, employees need to perceive leadership as aligned to the company's strategic plan.

When most consider alignment to a company's strategy, they automatically envision vertical alignment from the CEO down throughout the organization chart. However, misalignment among the leadership team is where most issues begin. If employees recognize dissension among the ranks of the leadership team, small fissures within the organization grow quickly to major fault lines.

84% of respondents from Front Runner organizations view their leadership as aligned to the company's strategic plan versus 40% of Stragglers.

From your perspective, how aligned are the company's leaders to the company's strategic plan?



Misalignment among the leadership team is where most issues begin.

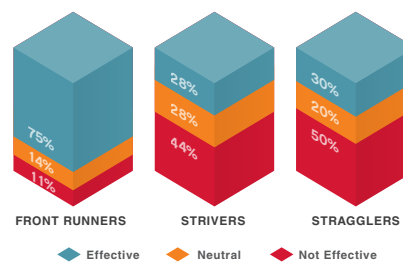
5 To be a Front Runner, an organization needs to align resources with strategy.

Much of the work required to execute a strategic plan comes down to directing appropriate resources toward the strategy. In essence, it's the old axiom: Put your money where your mouth is.

"The clearer an organization can be about its strategic direction and priorities — the easier it is to direct resources appropriately," said Amy Ritchie, ArchPoint. Ritchie specializes in process improvement and organizational redesign. She has more than 20 years of experience in the finance and accounting industries. "Leadership teams will frequently need to make trade-offs and balance resources to execute the strategy," Ritchie said that leaders need a true understanding of an organization's capacity, which doesn't require complex resourcing models. "It does require that leaders are familiar enough with the work their teams do so they can adjust. Balancing the portfolio of activities is critical. One common mistake many organizations make is to treat each project individually and not consider resources in total."

75% of respondents from Front Runner organizations are able to effectively align resources with strategy versus 30% of Stragglers.

How would you rate your company's effectiveness at aligning resources to strategy?



"One common mistake many organizations make is to treat each project **individually** and not consider resources **in total**."

Amy Ritchie
ArchPoint

6 To be a Front Runner, employees should have a personal understanding of the company's strategy.

Employees gain understanding of strategy when the organization communicates it in a number of different ways.

"Leaders must consider their audience and how they are going to interpret the messages," Landis said. "Well-crafted strategy messaging will help employees to make immediate choices about how they can get involved and add impact today. Strategy communication is not a box you check once and then it's done. Rather, leaders must communicate key messages frequently and consistently."

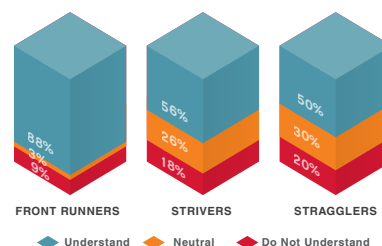
The more methods a company uses to communicate strategy — newsletters, company-wide meetings, office posters, emails, one-on-one and small-group discussions and more — within the organization, the more likely it is to be a Front Runner. In analyzing the data, we were able to determine a significant correlation between increasing the number of communication methods from zero to three or four and a reduction in the amount of time employees spend doing work that is unrelated to strategy.

Nearly 90% of Front Runner employees have a personal understanding of the company's strategy, compared to only 50% of Straggler employees.

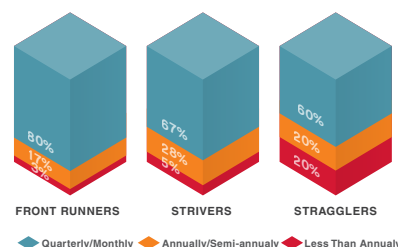
Our research shows that companies who communicate their strategy more regularly have employees with a greater personal understanding of organizational strategy and are more likely to be Front Runners.

In the three months prior to the survey, managers at Straggler organizations had not had a single conversation with individual contributors about strategy. While the majority of companies do not utilize one-on-one communication, those that do are Front Runners and Strivers.

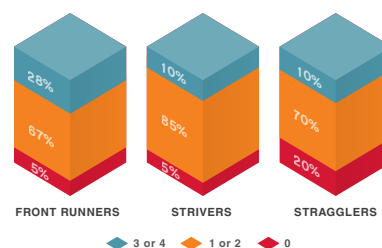
How would you rate your personal understanding of the company's strategy?



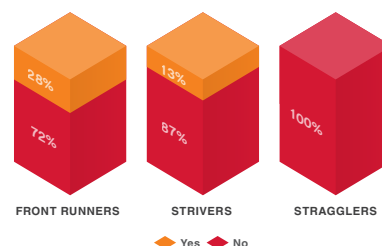
How regularly does your company communicate its strategy?



How many ways does your organization use to communicate its strategy to you?"



Does your company communicate its strategy to you through one-on-one discussions?

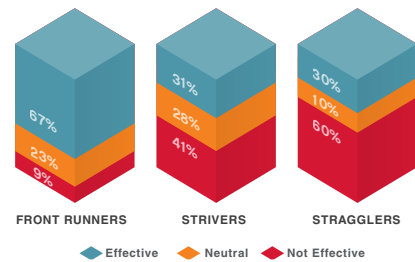


7 To be a Front Runner, an organization must report on and manage strategy effectively.

“The most effective companies I’ve seen have no more than five strategic themes, typically around growth, productivity and people. They ensure those themes are visible and often create visual reminders on their internal websites and office walls,” said Amy Lazarus, ArchPoint, who specializes in operations, customer service, integrations and quality. “They also report on progress during their monthly or quarterly all-employee meetings, keeping the strategy implementation top of mind.”

67% of Front Runners are able to effectively report and manage strategy while 60% of Stragglers are ineffective at reporting and managing strategy.

How would you rate your organization’s effectiveness in reporting and managing its strategy?



Front Runners are set apart by their discipline to update their strategies to reflect market conditions.

More data and insights.

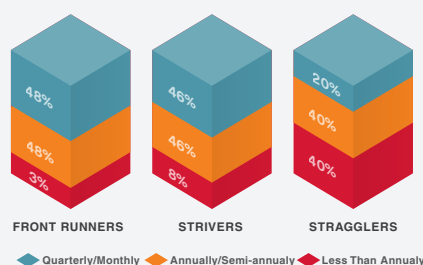
Though the specific frequency is not a key differentiator, Front Runners and Stragglers are set apart by their tendency or lack thereof to update their strategy. In fact, 40% of Stragglers do not update their strategy at all to account for changing conditions.

Front Runners are more likely to have a significant portion of compensation tied to strategy. Stragglers are much more likely to have 0% of compensation tied to strategy.

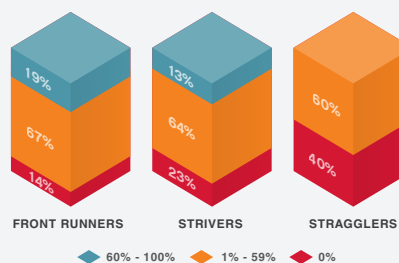
If we look further at compensation directly aligned to strategy delivery at different levels throughout the organization, we see telling differences between Front Runners and Stragglers.

Front Runners are much more likely to tie individual contributor compensation to strategy. They also tie a greater share of executive compensation to strategy.

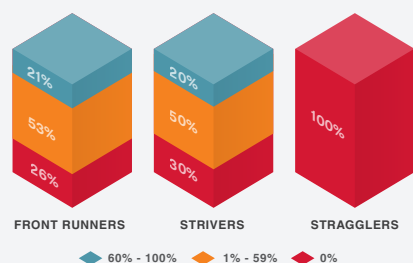
How often does your company update its strategy to account for changing conditions?



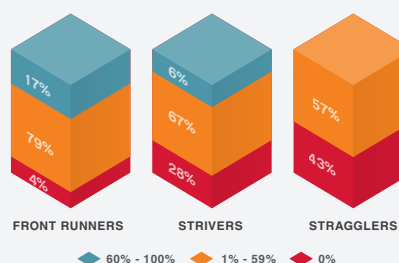
What percentage of your compensation is directly tied to strategy delivery?



What percentage of your compensation is directly aligned to strategy delivery at the Individual Contributor level?



What percentage of your compensation is directly aligned to strategy delivery at the VP level?



Conclusion

Our research confirms that Front Runners are winning by:

- Maintaining a proactive and formal strategy process
- Articulating strategy and measures clearly
- Driving decisions closer to those who are the most knowledgeable (often the individual contributor)
- Creating an environment where employees perceive leadership as aligned to the organization's strategic plan
- Aligning resources properly
- Communicating effectively so that employees across all levels have a personal understanding of the company's strategy
- Reporting and managing strategy effectively.

The survey was conducted via an online methodology to companies with \$500 million or more in annual revenue.

We received 113 responses of which 34% were C-Level/Senior Executive (i.e. C-Level, SVP/EVP), 33% were Middle Management (i.e. VP, Manager, Director) and 33% were Individual Contributor (i.e. non-management).

For more information about the methodology, please contact Richard Spoon at richard.spoon@archpointgroup.com.

ArchPoint is a global professional services firm designed to fuel client performance and growth. We unite world-class capabilities – management consulting, integrated marketing, strategic sourcing, supply chain and market execution – to solve our clients' most complex challenges. Our seasoned team of experts proudly serves clients across the globe, through hubs in North America, Europe and East Asia. With a focus on results – and measuring our own success by the achievements of those we serve, ArchPoint has a 97 percent client retention rate, and a client satisfaction rating of 8.9 out of 10.