

Strategy execution today is rarely implementation of a template. It is always a promise to satisfy a strategic intent. Agile, informal promises create the relationship needed between the customer and the performer.

– **Charles Spinoso**

Charles Spinosa

Over the last decade, Charles Spinosa has developed a unique market-expansion practice devoted to helping clients to use service innovations in order to enter hard-to-penetrate markets. At its simplest, this marketing practice helps clients develop new, attractive, anxiety-reducing service promises to customers to extend brands into difficult markets, reposition brands, build customer communities, integrate new media and traditional marketing, and align internal company commitments and culture around the service promise.

Some of the clients who have benefited from cultural innovation are: HBOS, Scottish and Southern Energy, ABB-ALSTOM, CEMEX, ADP, the Warner Music Group, AmericanCentury Funds, the *San Francisco Chronicle*, Celtic Football Club, Voith Siemens Hydro, Deutsche Bank and Bank of America.

Some of Charles Spinosa's publications are "Communicating with Customers", with Bobby Calder and David LeBrocq in *Kellogg on Advertising and Media*, "Promise-based Management" with Don Sull in *HBR* (April 2007) and "Using Commitments to Manage across Units" again with Don Sull in *MIT Sloan Management Review*.

"Extending Scenario Planning into Transvaluations" appeared in *Futures Research Quarterly* (Spring 2005). "Developing Productive Customers in Emerging Markets" came out in the Summer 2003 *California Management Review*. "Strategies for Viral Marketing" with Maria Flores Letelier and Bobby Calder appeared in *Kellogg on Integrated Marketing*, (John Wiley & Sons, 2002). Charles introduced his cultural approach to understanding innovation in *Disclosing New Worlds* (MIT Press, 1997).

Charles has taught English literature at Miami University in Ohio, philosophy at the University of California, Berkeley, and published widely in both the fields. He earned a PhD from Berkeley and a BA from Columbia.

- **In one of your brilliantly written articles (iPromise-Based Management, HBR, April 2007), you have advocated a promise-based approach to successful strategy execution. What do you mean by promises and what do they hold for successful strategy execution? Why promises? What importance do they hold for global and domestic firms operating in complex environments?**

When Don Sull and I write about promises or when VISION consultants help customers make recurrent promises, we are talking about informal, personal agreements between colleagues within a business, between a front-line person in a business and a customer, or between a purchasing person and a supplier. These agreements might be contractually binding, but that is not relevant to their execution. Most do not meet the standards of legal obligation; it is usually better to treat those that do meet those standards as informal anyway. There is always a customer who receives the promise and a performer who makes the promise. These roles will vary from promise to promise. The promise is personal, public (among colleagues), negotiated, voluntary, explicit, and focused by a shared concern or intention. For the purposes of

strategy execution today, the informal structure of the promise is critical. That informal structure focuses on the reliability of the promise and shared concern of the customer and performer.

In a recent example, a senior vice president promised his chief executive that he would establish a new business line selling three financial products to a certain percentage of the company's clients' customers within nine months. The power of the promise comes from the chief executive's capacity to rely on it. Once he received the promise, he could focus his energies elsewhere. To see the power more clearly, compare the commercial promise to one made between a husband and wife. If one promises to purchase theater tickets, the other can stop thinking about the purchase and allocate time for other activities. The point is absolute reliability. But what exactly is the person who receives the informal promise relying on? Legally minded people will say that the customer relies on the fulfillment of the terms of the promise—in our example, the percentage of customers, three financial products, and nine months or in the personal case, the tickets—but that misses the point. The person who receives an informal promise relies absolutely on having his or her more

general concern taken care of. That concern has to be well understood by the performer. In our example, for instance, the chief executive's concern is to show the board and shareholders new business lines with double digit growth and low costs. The senior vice-president who performs shares this mission. If the shareholders or the board grows restless, the senior vice president might have to show growth sooner. If one product does particularly well, he might shift all energies to it. He is taking care of the concern not the terms. Likewise, in the personal case, the theater tickets might represent an affordable family evening out. If that is the concern and the ticket price has increased dramatically or if an opportunity arises to join some friends for a beach party, the performer will take care of the concern, not the terms by opting for the party.

We find that people feel a strong sense of obligation when they make promises for numerous reasons but primarily because they make promises inside relationships that they care about. The power of the informal promise for strategy execution depends precisely on the tendency for customers and performers to build the relationship with its shared intentions. With shared intentions, and the ultimate goal of taking care of the rela-

tionship, promises allow for the flexibility required by today's market dynamism. New competitive offerings arise. New competitors arise. Suppliers go out of business or change pricing structures. Customers change their long-term habits and values. Strategy execution today is rarely implementation of a template. It is always a promise to satisfy a strategic intent. Agile, informal promises create the relationship needed between the customer and the performer. Because of the felt obligation of the promise, performers form a relationship where

ers want and how he can meet that need. This research leads to an offer to the customer instead of a request from the customer. Once a request or offer is made, both customer and performer clarify it, explain its value to each other, the business, and beyond. The performer generally talks about the resources he will use. Inside a business, the customer generally talks about the political situation and the space she will clear for the work. Both talk about the conditions of success, which are the basic terms of the promise. In short, they go back and forth to de-

pení. The performer organizes his team by making requests of them, collecting promises from them and then checking in daily on how they are doing with their promises. He does not check in task by task, but rather on their confidence on fulfilling their promises. He insists on honest reports and probes on the basis of the statement of confidence. Too much confidence draws as much probing as too little. The main performer probes for the lessons that his performers are learning in fulfilling their promises. The main performer regularly checks in as well with his customer to learn if her situation has changed or to report changes he recommends based on the work his team is doing. The phase ends when the performer informs the customer that he believes he has fulfilled his promise.

In today's business environment, many managers see themselves as rolling up their sleeves and fulfilling the terms of a promise. Since promise-based management focuses on satisfying the customer, not just fulfilling terms, and on conversation, performers and customers constantly meet to say what they are learning and to collaborate in making adjustments. The customer says what she is learning about the company's overall adjustments to the markets. The performer reports on what he is learning about what his team can do. There are program plans and critical paths to be watched, but promise-based managers monitor by asking about lessons. Making it happen transforms status meetings into brainstorming sessions.

The last phase is closing the loop. Because the goal of promise-based management is satisfying the customer's ultimate concern, no promise is fulfilled until the customer declares her satisfaction or dissatisfaction and offers feedback. Completion is never a matter of finishing off a task list and handing the work off. Both internal and external customers frequently shirk their responsibility of assessing work done. No one likes giving negative feedback. Under promise-based management, customers give

In promise-based management, managers focus on getting employees into action. Meetings do not start out with dissertations about the nature of market reality. They start out with orientations that lead to requests

they share intentions with their customers and can therefore act autonomously and responsibly. Just as the spouse knows when she needs to call about rearranging the tickets, so the SVP knows when to get advice before shutting down a product.

Why promise-based strategic execution? Absolute reliability + flexibility!

➤ **You have highlighted a three-phase process for understanding and executing effective promise-based management. Can you share / illustrate what these three phases are and how companies should go about preparing themselves during each phase?**

Since requesting and making promises is a recurrent activity, we look at the completion of one promise as the beginning of the next, higher-trust promise. We see the general structure of a promise, then, as a loop.

We start, however, with a phase we call "meeting of minds". The customer begins the process by deciding for herself what exactly she wants done and who is best to do it. Sometimes the phase starts more entrepreneurially with a performer getting clear about what a customer or group of custom-

velop an agreement that they can both feel good about. The phase ends when the performer explicitly promises to deliver certain work to the customer at a certain time or declines or commits to promise or decline at a later time.

This phase transforms two common business activities. First, managers tend to focus on telling their employees about the state of the business and market and make weak requests based on their views. In promise-based management, managers focus on getting employees into action. Meetings do not start out with dissertations about the nature of market reality. They start out with orientations that lead to requests. Second, since promise-based managers move to action before having a complete picture of the market, many more of the actions are tests to see how a market will react to a new offer. Managers need to begin thinking more about their businesses as on-going experiments and less about executing the same recipe day in and day out. Even within strategy execution, as parts of the strategy are executed, the results are drawn on to make adjustments of the strategy.

We call the second phase of promise-based management "making it hap-

feedback most often before the same team present at the promise. Managers who are accustomed to perfunctory feedback or annual reviews usually need to learn to make strong thoughtful assessments in order to become promise-based managers.

➤ **What are the five qualities of a good promise? How relevant are they for today's complex business environments?**

There are five basic qualities of a good promise, which is a promise with a strong sense of obligation and shared understanding. Promises are:

- i **Public.** They are best when made before a relevant team of equals, for instance, the chief executive's team. Others know and honor what each other is doing. Public promises also put identities at stake. There is some fear of losing face for failing to fulfill. But more importantly when a performer takes ownership of a promise, that defines how colleagues see him. Public promises become the means to building an identity.
- i **Active.** Promises must be actively vetted and negotiated by the customer, performer, and colleagues. Otherwise, performers will tend to make more promises than they can fulfill. Even worse customers will evade their responsibility to monitor and assess. In another reversal of our legal intuition, in promise-based management, *a customer who accepts a weak, unvetted promise is at fault, not the performer.*
- i **Voluntary.** Generally performers feel a personal duty to fulfill promises made voluntarily. Customers need to work to create the space for a performer to decline. Promise-based management puts a premium on honest communication on all sides.
- i **Explicit.** Though the goal of promise-based management is to satisfy customers' general concerns, promises need explicit terms around which performers can organize teams to begin both learning and executing. Without explicit terms, there is no learning

that can lead to taking care of a customer's ultimate concern.

- i **Mission-based.** Customers and performers should see themselves as members of a single team to accomplish a broad goal mattering to both. Making requests and fulfilling promises is not just a job; it is forming a temporary partnership. It actively builds a relationship of shared matter and intention. All actions are understood in terms of the ultimate shared goal.

Most people think that the best way to handle complexity is with streamlined, recipe-like business processes. That does not work. Within any process, managers constantly look for ways to excel. Teams develop loyalty to their managers and organizations and try to make them look good. Markets, competitors, and technologies shift. With all this happening, managers make alterations in roles and activities that favor their insights. Old equipment, old marketing techniques, old reports remain in place because one group wants them. Consequently, processes fall out of alignment. Managers then develop add on processes for handling the misalignment. We see this all the time. Managers typically develop their own internal IT and marketing staffs for this reason. Promise-based management simplifies complexity without restrictive recipes. Business lines are organized around their ultimate promise to the end customer. The network of recurrent promises is generally as clear as the promises of a small start-up team's promises. When one promise holder wants to change the promise, she coordinates with the others. If she fails to do that, the feedback will quickly catch her. Simplicity is the hallmark of promise-based management. Senior and middle managers seldom need to manage more than eight recurrent critical promises. Ask, What is the basic promise I hold to my boss and company? The answer should provide some simplification right now. Finally, with the emphasis on the external customer, promise-based manage-

ments tend to have higher customer responsiveness and loyalty than their competitors.

- **There are two divergent lines of thinking in strategy making: one represented by Henry Mintzberg arguing that strategy is an emergent process; and others argue that it is an intended and a deliberate process. What according to you is the right way of understanding strategy? Is there any evidence to support this line of thinking?**

In my experience with clients, the practical distance between the position of, say, a Michael Porter and that of Henry Mintzberg is diminishing. The philosophical difference remains great over whether our best understanding of markets, customers, competitors, suppliers, and so forth comes from a distanced, objective view of the whole or from a craftsmanly engagement with the purposes of our company and its markets. This difference will remain until we identify the final good of human beings and of commerce or give up the distinction between science and the humanities. As a philosophical matter, I side with Mintzberg and the engaged, craftsmanly approach.

While philosophy offers important insights, I will not dwell on them here. Managers can arrive at many of the same insights by paying attention to the strategic activities of companies that do well in emerging economies. Consider such companies as CEMEX and Haier in emerging markets, as Deutsche Bank in financial services, and as Voith Siemens Hydro (facing product competition from GE and price competition from new competitors in India and China). Strategists at these companies focus on handling the *unexpected* better than their competitors. With technological change, globalization, longer lives, new business models, and new social values arising, the important moments of the future are very likely ones we do not expect.

Strategy in these companies involves reconnaissance of all kinds to

get the best understanding of the shape of the unexpected, building an infrastructure that is agile in all respects (finances, technologies, human resources, production capabilities, geography), experimentation, and when an experiment succeeds beyond expectation, scaling up fast to exploit the opportunity. In short, these companies have taken Mintzberg's craftsmanly sensitivity to opportunities and turned it into a Porter-like scientific strategy. Strategists at these companies draw on traditional analytics to note statistical changes in customers, suppliers, competitors, and so forth. But they also conduct distinctive forms of qualitative research where they look for unusual things that are happening with their customer- and supplier-facing teams and with customers and suppliers themselves. For instance, a typical strategic question in such a company is, "What is the most unusual thing that you found yourself doing this year?" The goal is to find anomalies that are harbingers of the future.

Building agile platforms is another cross between analytical and emergent strategy. Companies now bring the same intensity to building agility that they brought to create scale or scope technologies. But agility in technology, staffing and manufacturing (though outsourcing), finance (through hedging), management structures (through promise-based management), and so forth enables companies to go after emerging opportunities and compete by changing competitive advantages.

Experimentation looks for objective truth about the business reality as much as the boil-the-ocean approach of more traditional strategy, but the new strategists try out ideas and collect results much like the sensitive craftsman.

Don Sull, my co-author of *Promise-based Management*,¹ has been relentless in documenting the opportunistic strategy in dynamic markets. I recommend his *Made in China*, *Strategy as Active Waiting*,¹ *HBR* (September 2005), and *The Logic of Opportunity* (forthcoming 2009).

➤ **Strategy execution has always been one of the more difficult problems in business. Creating a brilliant strategy is nothing compared to executing it successfully. It has always been much easier to create a strategy document than to get employees to abide by it. Many employees don't even know the details of strategies. Plans by senior management are neither attended to nor executed. Performance expectations aren't met. How do you think the companies should get everyone rallying around the grand vision/strategy?**

I do not want to diminish the difficulty of creating a brilliant strategy. It calls for resources of character, passion, sensitivity to the resources of the company and to anomalies in the company and industry, broad and deep industry experience, analytical intelligence, and leadership. It is rare to bring all these traits together. Lorenzo Zambrano of CEMEX and Anita Roddick of the Body Shop are two leaders whose brilliant strategies demonstrate all the characteristics I have just described in addition to the ability to transform themselves in the process of developing the strategy. At the very least, genuine strategy making—even the opportunistic strategy making I have just described—requires numerous cases of passionately believing something about the nature of the industry or your company or your customers and then pushing yourself to discover that you are profoundly wrong. That is the experience that undergirds a brilliant strategy. Strategies are not brilliant because they are conceptually hard to develop. They are brilliant because they overturn the common sense of both the industry and of the formulators themselves.

That said, strategy execution fails approximately two-thirds of the time and fails because it focuses on the *implementation* of new practices, new processes, new value propositions, new reporting and measuring, new profiles to recruit, and finally new incentives. In short, it is commonly thought that a new strategy re-

quires a change in the recipe or template a company follows. Most who implement strategies actually know that companies are not just big rule following processes. They know that they are social organisms, but they leave it to the communications program to manage the social part of change.

Promise-based management understands that changes in strategy require changes in the relationships of people throughout the organization. People work with others they trust and avoid working with people they do not know or distrust. People step up to higher levels of performance with people who share in what they are doing and drop down to lower levels when they feel out of sorts with their colleagues. Relationships rule over performance, and for commercial relationships, the promises that people request and make to each other are the lynchpins. Promise-based managers therefore start strategic implementation programs by mapping a business's current network of recurrent promises and then designing the new network of recurrent promises that will deliver the new strategy. By working with people to practice the new promises, promise-based managers coach them through the formation of the new relationships. Our most complete, published account of how to create a promise map can be found in *Conversations with Customers*,¹ in *Kellogg on Advertising and Media*.

The change leader who executes a new strategy does not *implement* new processes but rather promises the Chief Executive that managers and staff will *embrace* the new key recurrent promises. No one can simply *implement* new promises.

In drawing people to embrace the new promises and thereby establish new relationships, there are six basic domains in which promise-based change leaders work at the same time. If the Chief Executive seeks to turn the company culture into a competitive advantage as part of the strategy execution, there are other domains of action as well. For simplicity's sake, we

leave them out of the account here. The six are:

- i. Identifying and publicizing the new promise—the wow proposition to the key stakeholder, normally the external customers or the shareholders—and making its expected value extremely clear.
- ii. Developing and deploying a change program that moves from cluster to cluster of promises such that it can produce one small achievement after another. (The change leader celebrates and publicizes each achievement.)
- iii. Designing and using a few key, simple measures that will show progress.
- iv. Developing and revising a strategic plan that shows the benefits of the

new promises. Strategic execution normally trains people in new technologies, new skills, and new performance measures but forgets to train people to see themselves differently from the way they were. Promise-based management coaches get people to experience how they will be trusted and acknowledged for new promises kept. Consequently, they come to own their new roles.

On our count, promise-based management executes strategy successfully at least two-thirds of the time, thus reversing the normal numbers.

- **Mostly strategies are made by one team (top management), and they are supposed to be executed by another team. Do you think com-**

new value proposition to the key stakeholder.

A number of companies already execute strategies this way: CEMEX, Digicel, Voith Siemens Hydro, Post Office Financial Services in the UK to name a few. Entrepreneurs such as Harold Schultz almost always take part in forming and executing new strategies. Most other entrepreneur Chief Executives do so also.

- **Tom Davenport recently argued that strategy execution has for too long lurched between two extremes. One camp, which he calls strategic engineering, envisions strategy execution as an engineering exercise and views employees as cogs in a machine well-oiled by computers. The other extreme, which he labels strategic anarchy, encourages executives simply to get out of the way of their employees' entrepreneurial and innovative energies. Neither extreme, of course, is very useful for organizations attempting to perform well in difficult and changing business environments. What according to you should be the right approach?**

In most companies that my colleagues and I have researched or worked with, the general approach to strategy execution has been what Tom Davenport calls strategic engineering. The hallmark of this approach to execution is that it is understood mostly as implementing new processes, systems, measures, and human resources with emphasis on processes, systems, and measures. This form of strategic execution pays little attention to the relationships a new strategy disrupts. It does not look at the implicit recurrent promises of the organization and how they need to change. It pays little attention to making the strategy attractive by simplifying processes. It pays little attention to personal transformation.

Worse, no one promises that the customers or shareholders will embrace the new proposition. It gets implemented but remains wooden. For instance, one retail bank changed

Only someone who has gone through a transformation of vision and the personal transformation it entails will have the insights and emotional reserves to guide the change program, advise the team that designs new relationships, and truly understand the new value proposition to the key stakeholder

change program for *all* the constituencies involved, including employees.

- v. Ensuring that the new promises simplify the older processes. Simplification is always a key to the success of a strategic execution. Since most companies' processes depend upon an accumulation of older practices and processes from past strategies and market conditions, there is always room for simplification. Even more important, managers are constantly building checks and redundancies in processes to counter breakdowns. These create distrust and need to be swept away. But most strategy execution programs simply take over historical processes and distrustful processes with little question and thereby create more complexity, not less.
- vi. Coaching key managers and employees through the personal transformations that will be necessary for them to make and fulfill

panies can achieve better results if they combine strategy formulation and strategy execution, wherein the same team is made responsible for both strategy formulation and strategy execution? Do you see this thing happening anywhere?

Developing a new strategy, even an opportunistic one, requires its authors to go through a difficult personal change. They will discover that a number of their cherished beliefs, especially ones shared by others in the company and industry, were wrong. For this reason, we always advise that one member of the senior management team who has gone through the strategy formulation process lead the strategy execution. Only someone who has gone through a transformation of vision and the personal transformation it entails will have the insights and emotional reserves to guide the change program, advise the team that designs new relationships, and truly understand the

its strategy from innovative products to service. The hallmark of the strategic change was that all accounts were to be opened in 24 hours or less. The bank implemented the processes to do this and announced it. Employees dutifully adopted the new processes and opened accounts quickly. But no one spoke directly to customers about the change in strategy and the new promise. No one took the opportunity to create a new service relationship. Customers accepted the bank's account opening schedule with no enthusiasm. Needless to say, the change did not produce the result the bank's senior retail manager sought.

On the side of Davenport's strategic anarchy, we have seen various

- c. Lead a weekly peer assist meeting of all the empowered managers where managers brainstorm breakdowns with senior management facilitation.

Thus, senior managers track the offerings that their managers are making to the customers and shareholders and do so by tracking the promises they are making to each and then intervening when promises become misaligned. Many senior managers already find themselves spending more time aligning the various propositions to customers and shareholders. That is surely an emerging trend. So long as these managers develop structured, attentive practices for managing alignment, they can succeed and stretch

To succeed, any strategy has to reflect the interests, concerns, values, sensitivities, and dispositions of the leader whether the leader is the business-line leader or the Chief Executive. No strategy gets executed successfully unless managers and staff see it as an embodiment of the leader's character and the culture the leader is advancing. If a leader is introducing a new strategy he or she should show his or her personal transformation and announce the new ultimate goals for the company.

There are a number of practices leaders can engage in to communicate the new strategy. We advise two in particular. First, leaders can actively and publicly through blogs, town-hall meetings, and webinars ask managers about their promises and show themselves aligning those promises to the new strategy and the culture. When a chief executive displays his or her active management, employees take note.

Second, we strongly advise leaders to develop and own a signature practice that most people in the company will engage in. The signature practice has to fulfill four functions. It must be a practice that fulfills a clear business need. It must be highly visible (usually taken care of by having everyone participate in it). It must be admirable or otherwise distinctive. Finally, it must clearly and unequivocally express the chief commercial value associated with the strategy. To exemplify signature practices, I will provide a sample list we use with clients. The list itself usually inspires leaders to find or design their own.

- i **Amazon.com:** Everyone (Jeff Bezos included) spends one day per year on the customer support telephone lines. Customer service is the top value within the strategy.
- i **Vanguard Mutual Funds:** Everyone spends one day *per quarter* on the customer support telephone lines. Again, customer service is the top value.
- i **Starbucks:** Everyone gets a 24-hour intensive course in coffee and customer experience and then serves as a barista for over one

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unit managers in investment banking engage in trying one selling one package of derivatives after another in, say, Eastern Europe, or some other emerging market. As soon as one catches fire, they try to ramp volume up. But they get stuck because they do not have systems that can track the risk or even produce the products with the volume increase.

By deploying the new agile, opportunistic strategy-formation process and by executing it with promise-based management, senior managers can create a situation where the customer-centric, entrepreneurial instincts of their managers can be honored and successfully executed. We advise senior managers to:

- a. Take responsibility for creating a highly flexible infrastructure that can handle both testing and fast scaling
- b. Take ownership for the culture and distinctive values of the company: they should vigorously reflect in their actions and in their aspirations the culture of the company, and

the entrepreneurial and opportunistic capacity of their businesses.

When leaders want to unleash the opportunistic, entrepreneurial spirits of their managers, their cultural responsibility cannot be overestimated. It is every bit as important as the infrastructure, so important that we advise them to go so far as to compete on culture the way Southwest Airlines, John Lewis, Starbucks, Whole Foods Market, UPS, and Google do. Customers and shareholders want the products and services of such companies in part because they like associating with members of the organization. They like talking to them. They like being seen with them. They like their values, and they like their style. When a company's cultural style attracts people, recruitment becomes easier. Leaders of such cultures are not just aligners, they are chief cultural experience officers.

- > **What is the role of leadership in making strategy work? What kind of communication systems, do you think are vital to successful strategy execution?**

week. The strategy focuses on producing an uplifting experience.

- i **JetBlue:** Flight reservations agents spend a week in training and then work flex hours from home. They go on-line to trade for the shift they want. The strategy focuses on convenience.
- i **RBS:** The Chief Executive meets his executive team each morning at 8 AM for one hour to go over the previous day, the day's agenda, and the future (no more than 90 days). Speed is the essence of RBS.
- i **W L Gore:** All associates work in one of 15 functional areas, identify a sponsor and make and fulfill promises to the sponsor. There are no job descriptions, annual objectives, just promises. Commitment is the highest value.
- i **Goldman Sachs:** Successful job candidates go through 60 pre-hire interviews. Collaboration and networking are top values.
- i **Digicel:** All regional marketing and sales heads attend the "Why should the customer marry us this week?" meeting for reviewing products, services, and promotions. The meeting does not end until there is a convincing weekly reason for the marriage. Digicel prides itself in its innovative care for customers.
- i **Whole Foods Market:** New hires join an entrepreneurial department such as groceries, meats, or vegetables on probation for four weeks. After four weeks the new hire must receive a two-thirds vote to keep the job. Whole Foods runs on the basis of small, decentralized entrepreneurial teams.
- i **Umpqua Bank:** Motivational moments take place every morning before the bank opens. Each manager has his or her team go through a different uplifting exercise. Umpqua's strategy is to be the most interesting retailer in town.

If a leader does not already have a signature practice ready-made to go with the strategy, we advise that the leader identify how the strategy changes promises to customers, share-

holders, or direct reports. Identify one key practice that expresses the key changed promise clearly and redesign the practice so that as many people in the company as possible engage in it. Signature practices are critical for communicating the new strategy by communicating its chief value in a visceral way (Tamara Erickson and Lynda Gratton have written brilliantly about signature practices in their March 2007 *HBR* article "What It Means to Work Here").

➤ **What is the role of culture in implementing strategies successfully?**

Promise-based strategy execution understands that even seemingly simple strategy shifts, for instance, deploying a technology upgrade to build a new level of efficiency, require cultural shifts. For that reason, promise-based strategic execution deals directly with changing the company's culture precisely where the culture lives and most resists change: in the habits, familiarity, and tacit common sense of people in the organization. That is why promise-based strategy execution begins with mapping the current recurrent promises. Once it has this map, it draws together designers and people in the trenches to design the new network of recurrent promises. The key part of strategy execution is training people in new promises that force new behavior, new assumptions, the development of new tacit know-how, and new relationships. In order to make the habit change stick, promise-based strategy execution focuses intensely on one promise cluster at a time.

Researchers have come to see that culture can become a competitive advantage. In the US, strategists have known that Nordstrom's, Disney's, Ritz Carlton's, Apple's, Harley Davidson's, and Southwest Airlines' cultures were competitive advantages in themselves. In the UK, strategists knew that Virgin's, John Lewis', and the Body Shop's culture had the same power over customers, employees, and shareholders. Such companies with vibrant, attractive cultures have rates of return on investment 1.7 times

those of Jim Collins's great companies and 3 times the average *Fortune* 500 company. They boast extremely high employee retention rates, and because of effective word of mouth, they get more bang from their marketing spend.

But these cultures typically seem to be extensions of the founder's personality, almost a matter of luck. In working with bold, imaginative, idealistic Chief Executives, we have uncovered six factors of outstanding importance for developing a competitive culture. Since these factors are close to elements of promise-based management, they can be easily and effectively integrated into strategy execution. These six factors are:

- i **Design and Publish an Explicit Conditional Promise to the Customer:** Most businesses we know keep their promise to the customer an internal secret. Managers do not tell the customer because they do not want the customer to know when they fail to keep the promise. The managers are in fact diminishing what their culture values by hiding the promise. Companies with bold attractive cultures turn what they stand for into an explicit promise. First Pacific Trust Bank has a perfect, elegant conditional promise. Realizing that most retail bank customers worry that the bank will lure them in with promotional rates and then start gouging them with fees a few months later, the Pacific Trust Bank CEO, Hans Ganz has a sign in each branch promising to pay any customer \$50 to leave after six months if the customer is unhappy for any reason. There is a condition. The customer has to come in and say why he or she is unhappy. The promise and the condition both drive a sense of shared value and of conversation. Everyone who deals with a customer asks if he or she is happy with the service, and customers for their part give serious answers.
- i Lloyds TSB grew from approximately 1% market share to 10%

market share in the highly competitive UK mortgage market with a similar conditional promise to brokers. iWe will provide you with a mortgage decision in three hours provided you give us a fair representation of your business.i Conditional promises take care of anxieties and get conversation going.

- ii. **Establish and Publish a Distinctive and Widely Understood Value and Purpose Statement:** Most value statements waste the paper they appear on. Leaders who build a cultural advantage think about their values and purposes incessantly in order to distill the purpose and values into a clear statement that distinguishes them from their competitors. Harold Schwartz of Starbucks is brilliant at this. You might think Starbucks baristas primarily provide people with coffee. Harold Schwartz does not think so. Their purpose is to provide customers with a daily uplifting experience. Coffee is only a means. There are then four imperatives (values) that Starbucks baristas live by: a) be welcoming, b) be genuine, c) be considerate, d) be involved.
- iii. **Deploy a Signature Practice** that draws everyone inside the company to express the company's top value *in action* while engaging in the practice. Imagine the power of finance, sales, engineering, and operational experts bonding over a single practice that shows the company's top value.
- iv. **Simple Measures:** Simple measures are already part of promise-based strategy execution's toolkit for execution. The new culture itself takes root if employees are given a small number of key measures. The John Lewis is exemplary. Every customer facing employee is measured on her ABCs by both her manager and mystery shoppers. What are the ABCs?

i **Approach:** Every customer who comes to the store should

be discretely acknowledged within two minutes of entrance, not with American-like hardy greetings, a British nod or smile will do.

- i **Build:** John Lewis hires product mavens who love telling customers about the product and finding just the right product to suit the customer's need. If the customer comes to purchase wine glasses, the maven will learn the typical occasion, any special occasions, describe what different glasses do for the table and the wine and find the one that perfectly suits the purposes of the customer, even if it means a lower-priced sale.
- i **Close:** After the build, the John Lewis salesperson explicitly asks the customer if he or she would like to purchase the product today. The close is part of the service. After the John Lewis employee has shown so much expertise in describing the product, the customer expects the employee to say when it is time to make a purchase. Employees guide themselves and others with their ABC standards. They are a simple mantra.
- v. **Collect and Celebrate Legendary Stories:** Legendary stories are simple stories of employees expressing the company's values in an out-of-the-ordinary way. They can be simple: At John Lewis, a customer had purchased more than she could fit in the boot of the car. The store had closed, and she was stymied. An employee sized up the situation immediately, took off his silk tie, and tied the boot shut. At Umpqua bank, an elderly man who had been a customer for years came in one autumn day asking that the bank stop payment on a check. He had purchased a cord of wood for burning in his wood stove over the winter, but the logs would not fit in the stove. The clerk told him that the check had already been cashed, but if the customer could

wait until the weekend, his problem would be solved. That weekend, a team of Umpqua bank clerks arrived at the customer's house and cut the wood to the right size. The heroes of these stories are culture heroes. To perpetuate the culture, businesses need to celebrate them as such. Ritz Carlton, Umpqua Bank, and other cultural leaders celebrate these heroes at a celebration modeled after the Academy Awards. John Lewis used to create film adaptations of the stories and hold a Cannes-like celebration where everyone saw the videos. Without celebration of the extraordinary, the ordinary dies.

- vi. **Make the Chief Executive the Chief Cultural Experience Officer:** The responsibility of standing for what customers, shareholders, and employees care about in the business is too big a responsibility to delegate. If the Chief Executive does not take the responsibility to live and express the values of the business everyday, including taking responsibility when something goes wrong, then the organization cannot compete on culture. The Chief Executive will be a constant distraction. Does she really stand for the culture or is it the invention of her delegate? When people are going to engage in heroic efforts for the sake of the culture, they cannot be wondering if the culture is real.

In summary, strategy implementation requires culture change. Since that is the case, why not use the occasion to develop a cultural competitive advantage along with the one embedded in the core strategy?

- > **OnPoint Consulting recently surveyed the gap between strategy and execution. And the results were startling. Of the leaders surveyed: 49% perceived a gap between their strategies and execution (the ability to make their strategies happen), and of these 64% didn't have full confidence that their companies would be able to close the gap! How should**

one identify strategy execution gaps? At what stage do you advocate such an audit should be carried out? If so, who should carry out the gap analysis so that the company is kept always on the right course?

For promise-based managers, the best audit of strategic performance is promise mapping. A promise-based designer interviews managers and workers from each department, identifies the hidden recurrent promises and creates a map that shows how they add up. Frequently the actual promise fulfilled by the company turns out to be a degraded version of the one the strategy requires. The promise map shows precisely where to go to work to fix the behavior. We recommend that each division of a company carry out such an alignment check quarterly. Companies that are highly opportunistic will check promise alignment more frequently. We recommend weekly.

➤ **After all, no one plans for a failure. Why do you see so many companies' strategies failing? Why don't good strategies result in good results? Drawing from your rich experience and research inputs, what's your advice to companies in making their strategies successful?**

We have gone over a number of reasons why strategies fail. I will summarize them.

First, strategies fail in the formation stage because the formulators do not force themselves through a change in the way they see the customers, competitors, suppliers, market structures, and the rest. A new strategy that lives in the common sense of the old is merely a costly adjustment. Even if the adjustment is an improvement, the cost of implementing it will very likely discount most of the increased value. New strategies require new ways of seeing the business. The strategist's chief job will be to transform herself to see the business anew and then to help others to see the business in the new way. When CEMEX changed its ready-mix concrete strategy by promising that the cement would be delivered within 20

minutes of the expected time or the money refunded, the difficult transformation in vision was to see building contractors as facing ongoing emergencies and to see themselves as emergency workers. Only with that shift in mind-set could the engineers make sense of the changes they needed to make. Likewise, Voith Siemens Hydrois engineers could only come to compete with Indian and Chinese cost structures once they came to see themselves as project managers instead of scientists. Brilliant strategies only occur when the strategist notices something unusual but recurrent and redefines his business and himself. That takes courage as well as intelligence.

Second, strategies fail because they are implemented as new recipes or templates. Any genuine strategic change changes the relations of the people in the business, changes their promises to each other, and changes the culture. Executing the strategy without coaching people through the change in relationship requires enormous goodwill, informal coaching, and luck.

Third, executing a strategy is a matter of testing and refining not rolling out one whole plan or template across the whole of a business. Promise-based change leaders work with one cluster of promises as a time, make changes in the promise design to get promises fulfilled, and then take the changes back to the original strategy. As mentioned earlier, one strategy called for a mix of products in a channel, which was marketed as perfect for the mix. Only one product worked. The change leader modified the strategy and moved forward by marketing the one product and then others very like it.

Fourth, strategies can fail for reasons directly related to Chief Executive. For instance, the Chief Executive does not take responsibility for the culture or take part in the signature practice. Or the Chief Executive and the change leader do not manage the alignment of promises over the span of the strategy execution. Last, Chief Executive can fail to model making strong requests and insisting on meaty promises. Though this kind of failure

is seems trivial and of the bizarre sort where you say, 'For want of a horse shoe, the kingdom was lost.' But this failure is as common as rain.

Fifth, strategy formation and execution is part of a competition. Strategies always face off against other strategies. Even in the simple case of chess, one strategy will fail either because of poor formation or poor execution. That is why the best strategy overthrows common sense and why the best strategy execution transforms people and relationships inside the organization.

➤ **In all the B-Schools, the students are offered a course either on Corporate Strategy or Business Strategy. And invariably these courses offer tools and techniques of strategy making. But no B-School sees teaching execution part of the strategy. All of them become very good in strategizing with no idea whatsoever on implementing. Even as regards implementation, the students are taught the science in the classrooms. How about teaching them execution? What according to you should be done to sensitize them to the importance of becoming equally good executives?**

There is a new beginning already underway. Don Sull of the London Business School teaches promised-based management for strategy execution and does so in his strategy courses. He asks students to test out and get used to the basics of promise-based management in their current businesses or more simply in their current commercial activities. Don has made an extremely good beginning.

We at VISION would like to see business schools add training in the capacity to map and redesign the promises of an organization, the capacity to guide people through personal transformation, and designing competitive cultures as part of leadership training. ☺

The interview was conducted by
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