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Managing strategic consensus: the foundation of effective implementation

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Executive Overview

A frequent complaint of senior executives is that middle and operating managers fail to take the actions necessary to implement strategy. As one top manager told us, "It's been rather easy for us to decide where we wanted to go. The hard part is to get the organization to act on the new priorities."

Implementation problems of this type are often the result of poor middle management understanding and commitment to strategy. In our research we've found that relatively few middle managers articulate the same goals as their superiors. More troublesome, other researchers have found that middle managers who disagree with strategic initiatives frequently work against their implementation.

This article examines an approach to implementation that focuses on the level of strategic understanding and commitment shared by managers within the organization. A framework identifying four categories of strategic consensus is introduced and used as the basis for analyzing differences in how managers perceive organizational priorities. A series of examples show the effects of such differences on strategy implementation and on management's ability to change direction. The article offers a practical approach for closing the gap between strategy development and execution.

Article

How can managers be expected to take action in support of a strategy when they don't agree with it, or even know about it? A recent Harris Poll found that less than a third of employees think management provides clear goals and direction.[1] In a large U.K. study, most of the middle-level executives considered the firm's strategy "within the remit of others."[2] In the words of one of the managers from our own research: "How can I contribute if I don't know what they're trying to do?"

This gulf between strategies conceived by top management and awareness at lower levels has been called the "implementation gap," and evidence suggests that it is widening. For example, a Booz-Allen survey of *Fortune* 500 top executives reports that only a quarter of them believe strategy implementation is consistent with strategy development in their own companies.[3]

Unsuccessful execution of strategy is caused by middle- and operating-level managers who are either ill-informed or unsupportive of the chosen direction. Successful execution, on the other hand, means managers acting on a common set of strategic priorities, and achieving it depends on the level of shared understanding and common commitment. We call this combination of collective heart and mind **strategic consensus.**

In this article, we show how strategic consensus is analyzed to diagnose problems in formulating strategy. We begin with a conceptual framework that isolates four levels or types of consensus and that provides a vocabulary for capturing the numerous and complex ways that strategic consensus forms. Then, we illustrate an approach for appraising consensus and evaluating its effects on strategy. Finally, a series of suggestions for reshaping strategic consensus and closing the implementation gap are discussed.

What is Strategic Consensus?

We define strategic consensus as agreement among top, middle-, and operating-level managers on the fundamental priorities of the organization. This agreement shows itself in the actual decisions taken by managers, and its strength can be assessed along both cognitive and emotional dimensions.

On the cognitive side, lack of consensus is created by managers who don't share a common perception of what the strategy means and who, therefore, pull in different directions. Often, this occurs even when managers *think* they agree. For example, managers accede relatively easily to broad objectives, such as "increasing sales and profits." But, hiding underneath this "common goal" are as many interpretations about "how to" as there are managers. Shared understanding should be probed at a deep and specific level to determine whether managerial thinking is truly "in sync."

On the other side of consensus, unless managers feel some degree of commitment to a strategy, their actions are half-hearted, even when they're fully informed. In general, strategic commitment depends on: (1) how the contemplated strategy fits with what managers perceive as the interest of the organization and (2) how it fits with the managers' own, personal self-interests.

In one of the firms we studied, for example, top managers complained about middle managers who dragged their feet on coming up with ways to implement a retrenchment strategy. The middle managers "knew what needed to be done" but expressed two types of concerns. First, they saw the cuts as "misguided" and "too drastic," resulting in the destruction of capabilities that had taken years to create. They resisted because they saw the strategy as contrary to the organization's interest. Second, in a less altruistic vein, one of the managers perceived the cuts as "the beginning of the end" for his own department. For him, the cost cutting posed a personal threat, and cooperating was contrary to his future career prospects. In short, these managers knew what was expected but were not committed to doing it.

Levels of Consensus

Combining the cognitive and emotional dimensions of consensus as in Exhibit 1 results in four general possibilities. When managers have both a common understanding and a common commitment to strategy, **strong consensus** exists (Cell 1). If managers are highly committed to something but do not share an understanding about what that "something" is, they are well-intentioned but ill-informed. We call this level of consensus **blind devotion.** (Cell 2). If managers share an understanding of strategy but are not committed to it, they are well informed about the strategy but unwilling to act. We call this condition **informed skepticism** (Cell 3). Finally, when *neither* shared understanding nor commitment is high, **weak consensus** exists (Cell 4).[4]

All four levels of consensus can be appropriate or inappropriate—depending on the situation. Strong consensus is good when the chosen strategy works and the business environment is relatively stable. But, what if something in the competitive arena shifts? Continued allegiance to a well understood course of action can inhibit organizational responsiveness by preventing managers from seeing the need for change. For example, many observers of the 1970s accuse General Motors of a kind of "group think."[5] Almost unanimously, their executives agree that imports like Honda and Toyota threatened only the historically insignificant

		Understanding	
		High	Low
Commitment	High	*Strong Consensus*	*Blind Devotion*
	Low	*Informed Skepticism*	*Weak Consensus*

Exhibit 1. Combining the Cognitive and Emotional Dimensions of consensus Results in 4 Possibilities.

compact car segment. Thus, they pursued shrinking markets for larger, more profitable models, only later to realize the broader ambitions of foreign makers.

Similarly, even though blind devotion sounds undesirable, there may be political or competitive reasons to limit shared understanding. For example, limiting understanding of strategy may be important when a firm wants to catch a competitor "off guard." In other situations, it may be wise to limit initial understanding of a strategy that is likely to threaten established political interests. On the other hand, lack of understanding can backfire when middle managers, unaware of the big picture, fail to question the wisdom of an unsound strategy. The president of a restaurant equipment manufacturer learned this the hard way when he initiated an across-the-board price increase and caused a thirty percent drop in sales. Middle level managers had foreseen the disaster and protested, but the CEO assured them "premium pricing" was part of the strategic plan.

Likewise, informed skepticism can be either positive or negative. In the early stages of a decision, skepticism fosters needed openness toward a range of strategic options. Premature commitment censors input and closes out possibilities. Increased commitment becomes necessary, however, when it's time for taking action. Personal allegiance is particularly vital to the implementation of today's service strategies that rely so heavily on employee discretion and image.

Perhaps surprisingly, even weak consensus suits the circumstances of some organizations. Large universities, for example, are composed of specialized departments that are bound loosely together by an administrative hierarchy. Priorities differ radically between, say, the English and Engineering departments, and at the university level, weak consensus on the basic purposes is all that is usually appropriate.

In the early stages of a decision, skepticism fosters needed openness toward a range of strategic options.

Thus, the level of strategic consensus differs not only in degree but also in kind. To accurately depict consensus on a particular strategy, assessments should consider the level of understanding and commitment independently.

Consensus Content and Consensus Scope

In addition to its four levels, two other elements of consensus help characterize its role in strategy. First, the content of consensus describes what managers agree about, and this includes environmental conditions, organizational goals, and strategic methods. Agreement on one doesn't necessarily imply agreement on another. Consensus on overall goals, for example, doesn't guarantee agreement about a specific course of action, and in other cases, managers reach consensus about what to do without agreeing on an overall goal.[6]

Second, the scope of consensus distinguishes who the consensus is among. For strategy, the tendency is to think exclusively in terms of top management, but this presumes they fully comprehend the situation and know what needs to be done.[7] In complex or changing environments, individuals rarely appreciate all the intricacies of the situation, and organizations benefit from the variety of viewpoints represented by middle- and operating-level managers.[8] Unless they understand the strategic context, however, lower-level managers are unable to recognize significant events, offer sound advice, or propose good options.

In short, the first step in developing the ability to manage consensus is finding ways to talk about it. The content and scope of strategic consensus are important parts of the vocabulary. Together with the levels of consensus, these elements allow us to be precise in describing what kind of strategic consensus exists in an organization.

Mapping Strategic Consensus

From our research, we have developed ways for representing consensus to managers. We call these "consensus maps," and they provide the basis for diagnosing potential implementation gaps and finding ways to overcome them.[9]

The process begins with interviewing the CEO and several key middle managers. Initially, we rely on the CEO to identify participants based on the activities s/he sees as most central to implementing the strategy. As we proceed, the interviewees often suggest others who manage critical activities, and who we then interview. The purpose of these unstructured discussions is to provide a list of strategic priorities in the "language" of the firm. We ask about the business conditions facing the firm, its major goals, the strategies chosen to pursue goals, and specific activities currently receiving special attention. Typically, we find some dissimilarities among managers as well as some common themes. The interviewing phase is judged complete when additional interviews add nothing new to the list of strategic priorities.

From the interviews, we distill a list of descriptors in each area of consensus content (environment, goals, and strategies) and use the list to create a questionnaire. We are inclusive in the questionnaire, incorporating items that may have been mentioned by only one or a few managers. To assess both understanding and commitment, each item is measured in two ways: the extent to which the item reflects *what is* and, the extent to which it describes what *should be*. For obvious reasons, items on the business environment omit the question of what should be. Table 1 lists a sampling of questionnaire items. Some of these are "generic," while others are drawn from specific situations.

The questionnaire is then distributed to a range of managers according to the scope of the analysis. Selection of participants depends on the size of the unit, the number of management levels, and the cooperation of management. Even for

Table 1
Sample of Questionnaire Items*

Conditions in the Business Environment
The market for our existing line of products is growing rapidly.
Most of our customers are unconcerned about price.
Compared to our immediate competitors, our products and services are higher quality and priced at a premium.
Our major concern is avoiding a takeover.
Goals
Our goal is to become the largest producer in our market.
Our short term goal is to build volume with existing customers.
In the long run, we intend to become the lowest cost producer.
In the long run, we intend to become the highest quality producer.
Strategies
Reducing overall costs of operations.
Altering the product mix.
Improving internal control systems.
Attracting and retaining the highest quality human resources.
Introducing new products and services.

*** The format for such items includes five-point scales representing how descriptive these statements or phrases are of the organization's current situation. To measure commitment toward objectives and strategies, we use a parallel set of items where the scales represent the respondent's belief that the phrases or statements *ought* to apply.**

organizations that are quite large, it is possible to specify the scope of the study by identifying managers who are representative of a given area. In addition to the consensus items, we ask each participant to provide a job title. Although confidentiality is important to frank responses, we use the title to differentiate responses across various functions, departments, management levels, and so on.

From data obtained on the questionnaires, we produce consensus maps similar to those shown on Exhibit 2. For each area of consensus content, we use the descriptions of "what is" to display shared strategic understanding among a group of managers. The maps are two-dimensional where the axes represent tradeoffs or opposing ends of a conceptual continuum. For example, we can divide goal and strategy items such as those in Table 1 into two classes: those emphasizing differentiation strategy and those emphasizing cost strategy. The items in each category are summed for each questionnaire to gauge a respondent's assessment of the degree to which the firm's overall strategy is differentiation- or cost-based.[10] Scores are plotted on the map, using codes to indicate the function and/or level of the respondent (e.g. T = top manager, P = purchasing executive, etc.). A similar procedure is followed for the commitment maps, except that responses to the "should be" item are used.

When complete, this process creates a data base of individual perceptions about the environment, organizational goals, and specific strategies. In addition, it captures the extent to which members feel the strategy is appropriate. This information can be numerically summarized and visually displayed in many different formats. The result is a management presentation tailored to the needs of a specific case.

The following incidents reflect the circumstances behind the maps in Exhibit 2 and illustrate how the analysis is used to uncover problems in strategy. The plots were calculated from the data in questionnaires and reflect the emphasis each manager placed on cost and differentiation strategies. Thus, the vertical and horizontal axes for each grid range from low to high, with lower levels on the bottom and to the left, respectively.

Case 1: Actions speak louder than words
Companies are often surprised to find how much "misunderstanding" exists.

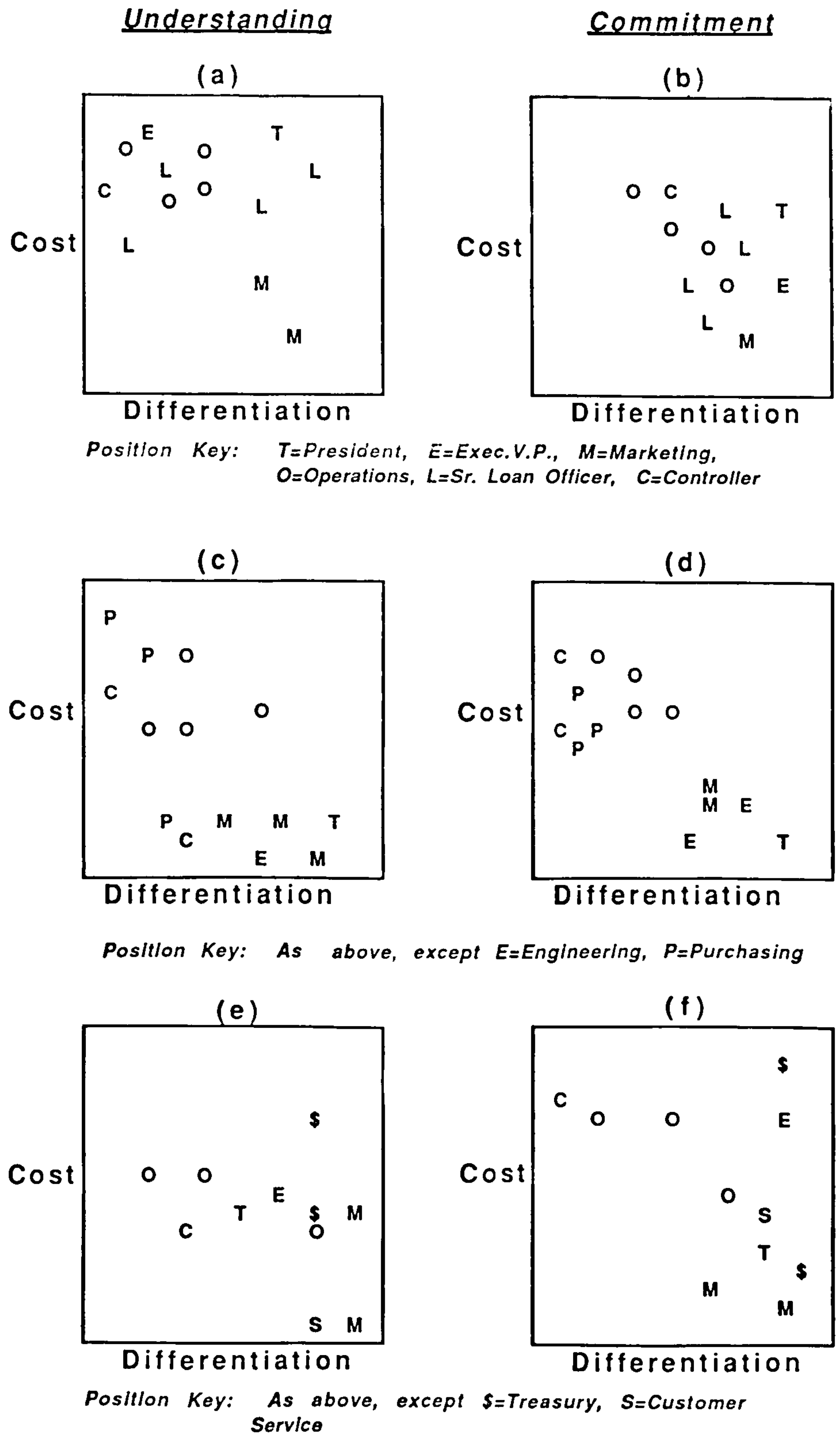

Exhibit 2. Consensus Maps Based on Questionnaire Data.

Exhibit 2a, for example, shows a medium-size bank with a high level of disagreement. The president and a few other managers saw the strategy as a "hybrid," combining strong emphasis on differentiation and cost. Most of the functional managers saw the strategy as cost-driven. Not surprisingly, marketing managers were exceptions, believing differentiation to be more important.

Comparing 2a with 2b (the commitment map for the same firm) shows a different pattern. Here, the functional-level managers expressed more agreement with a differentiation-based strategy, although there was still considerable disagreement. Top-level managers continued to show hybrid choices.[11]

This firm was facing an implementation gap. In the initial interview, the CEO communicated concern that many managers in the bank didn't recognize the "new competitive realities" and weren't responding to the need for better customer service and more new products. This was reflected in the understanding map which showed that the CEO's strategic intent was not being realized—the functional managers did not believe differentiation was a high priority.

Why? The explanation for the disparity was uncovered in the way the bank evaluated its managers. "Making the numbers" and "managing the spread" between bank assets and liabilities were the key ingredients in performance and compensation reviews. Though there were other dimensions, these were known to be the most important. Thus, despite the exhortations of top management to respond to the market, middle managers "knew what the reality was." They agreed that market considerations were important (as shown on the commitment map), and espoused a blind devotion to the marketing thrust. The "real" priorities, however, were based on senior management's actions, not their words.

This example illustrates the importance of perceptions in aligning behavior to strategy. How managers see the strategy forms the basis for their action. When they share a common perception and when that perception is in accord with top management's vision, then the intended strategy is likely to be implemented. Otherwise, managers will act on irrelevant or unsupportive priorities, and the "true" strategy will go unrealized.

Case 2: Changing strategies can be dangerous

The maps in Figure 2c,d are drawn from a manufacturing firm operating in a fragmented, highly competitive industry. Both the understanding and commitment maps demonstrated considerable disagreement across functional areas and management levels. The president, along with some of the managers from marketing and engineering expressed differentiation priorities. Manufacturing, accounting, and purchasing managers, however, voiced cost-driven priorities. In addition, there were some managers uncertain about any priorities, as shown by the plots in the lower left quadrant.

Thus, even though the president thought that priorities were clear, this management group was going in different directions and the firm really had no strategy at all. The founder (who "retired" to become chairman of the board) was an accountant and had always emphasized cost. The new president, with the help of a marketing consultant, had decided that a narrow market focus and more differentiation were needed. Eighteen months before the study, a strategic planning meeting had been held off site and the new strategy had been "adopted."

The consensus maps highlighted the fact that key managers had never really "bought in" to the differentiation strategy. The new president acknowledged that the narrower target market could mean lower volumes, but manufacturing and accounting managers saw it as "a sure way to lose business." Further, cost mindedness in the plant was consistently reinforced by the founder who made a habit of "wandering around" holding chats with production managers. This created an informed skepticism in some managers toward marketing priorities and left others wondering whether there were *any priorities.*

The results were a disaster: shrinking volumes, as marketing narrowed its scope, and dissatisfied customers, when the product failed to meet specifications.

In sum, the "agreement" achieved in the off site meeting had been insufficient to create shared understanding and commitment. As we found elsewhere, consensus relies on ongoing dialogues and is rarely achieved by occasional strategy sessions. The consensus maps helped explain why the new strategy wasn't working and initiated new discussions about what strategy ought to be.

Case 3: The need for early dissension
The maps in Exhibits 2e,f look like those in the previous case, but the context puts an entirely different interpretation on them. Here, a financial service firm was facing an erosion of its market share. The company's traditional market was becoming increasingly price sensitive, and customers were moving their assets into other institutions. People in the organization differed widely on what should be done to alleviate the situation, and the divisiveness was creating a high level of tension.

As we found elsewhere, consensus relies on ongoing dialogues and is rarely achieved by occasional strategy sessions.

The president gave us reason to see the disagreement in more positive terms. She commented: "we're nowhere near ready to settle on a strategy. Our goal is to meet the customers' needs, but we don't know what their needs are." If she was right, this was a situation where a changing strategy made weak consensus highly appropriate.

The consensus maps helped to surface the varying viewpoints as to what priorities for recouping market share ought to be. The issue then shifted to which of these was based on an accurate assessment of the competitive reality. The result was commitment to a series of trials and pilot projects wherein middle managers experimented with ideas for retaining customers. These, then, became the basis for alternative strategies.

Analyzing Understanding and Commitment
The cases presented previously are just a sample of the possible ways that consensus analysis informs management about the state of strategy in the organization. The subtlety surrounding the appropriateness of varying forms of consensus in specific cases requires that interpretation of the data be done in context. In general, however, there are two fundamental considerations that influence what kind of consensus is appropriate: (1) the extent to which the organization's strategy is undergoing change and (2) the roles various managers assume in the decision-making process.

Changing strategies and shifting consensus. While it is simplistic to view strategy as a sequential process moving smoothly from formulation to implementation, organizations do move through periods of convergence and divergence. In periods of convergence, basic assumptions and priorities are more or less settled and the focus is on integrating activities to reach a common objective. In this circumstance, organizations benefit from the efficiency and unit of purpose achieved by strong consensus on strategies and specific actions. During divergent periods, however, strong consensus cuts off the flow of new ideas and creates a form of strategic myopia. The only constructive agreement at this point may be about the need for change itself.

It is here, when priorities begin to shift and strategy changes, that organizations are likely to experience major problems in managing strategic consensus. Usually, concern is focused first on changing understanding—what people perceive as the current strategy. Video conferences are held, speeches are made, programs are announced, and so on, with the goal of communicating the change in direction.

During divergent periods, however, strong consensus cuts off the flow of new ideas and creates a form of strategic myopia.

These things are important, but our research suggests that high levels of shared understanding are built from direct exposure to strategic priorities. This means establishing a conversation about strategy across management levels and functions. As managers make proposals, offer alternatives, or question judgments, they become more aware of one another's priorities, and the level of shared understanding deepens. In the process, top management's original intentions evolve to accommodate the inputs of middle and operating levels. In short, strategy making is a dynamic, continuous phenomena, and to understand it, managers at many levels must be engaged first-hand in the thought process.

No amount of understanding, however, balances lack of commitment, and too many organizations fail to follow through in making changes to strategy. Incentive and reward systems should be designed so that contributing to strategy serves the managers' self-interest. Organizational structures should be designed so that the strategy is seen to be good for the organization.

This may seem obvious. Yet, executives in the Booz-Allen study reported that organizational structures and compensation systems are as likely to *inhibit* strategy as to implement it. As a reason for this, some observers point to the inert, self-perpetuating character of the systems themselves. How can you bring the two things in line when one of them is so difficult to change?

In short, strategy making is a dynamic, continuous phenomena, and to understand it, managers at many levels must be engaged first-hand in the thought process.

Often, a useful solution is to build "sunset provisions" into compensation schemes, control systems, and the like. These provisions call for periodic review and reconfirmation. Time limits are placed on programs and lacking continued strategic justification, they are discontinued. Creating a norm where such programs are re-thought provides a dramatic signal of the need for continuing realignment to strategy. It provides an opportunity to ask fundamental questions about whether existing arrangements support the current and future direction.

In short, structure and systems in many ways *are* strategy. Unless people are moved to act in new ways, to go beyond the status quo, there is no "new strategy." Managers, top managers in particular, are too quick to separate strategic ideas from strategic actions, and as a result, to leave organizational "details" out of their strategic thinking. This short-circuits the process and leaves people uncommitted. Cynicism about the difference between what top managers *say* they want and what the system rewards may be the single common cause for lack-luster execution of strategy.

Thus, consensus should be managed in accord with the stage of the decision. Early in the process, divergence is important and consensus should develop around the fundamental strategic context, with no expectation regarding understanding or commitment to specific strategies. As the alternatives are narrowed, consensus should begin to converge on a set of strategies and simultaneously on the organizational arrangements that support them.

Roles in the Decision Process. The problem in managing consensus during periods of strategic change is complicated by the roles various levels of managers are typically expected to play. Top managers see themselves as the "thinkers" who formulate strategy, while middle and lower level managers are seen as the "doers" who implement strategy. Research evidence leads us to take issue with this traditional division of strategic work, however.

Cynicism about the difference between what top managers say they want and what the system rewards may be the single most common cause for lack-luster execution of strategy.

For example, among computer firms in Silicon Valley, top managers face short product life cycles and rapidly changing technologies. Trying to lay out a product development plan in the executive suite and then expecting engineering to execute it is simply unrealistic. Senior managers have neither the technical nor market knowledge to set priorities in this regard. Instead, they rely on product initiatives brought to them by middle managers. Most often, proposals develop out of learning experiences at the operating level. Middle managers screen these and champion the ones that they perceive to fit into the overall direction. Managers at the top, then, are responsible to define the overall context, perhaps as a mission statement or set of goals, while lower- and middle-level managers are the source of specific alternatives.[12]

Of course, the complexity of the strategic problem faced by a firm influences the types of strategic roles individuals should play. In relatively simple and predictable situations, there may be little gained from increasing strategic input, and individuals outside top management focus on implementation. But, turbulence is the best word for the environments facing most large firms, and in this setting, strategic effectiveness depends on middle managers who effectively monitor, interpret, and communicate changing conditions. Moreover, the best performing firms have middle managers who persistently and persuasively communicate alternative strategies to upper management.[13] Sun Co.'s experience demonstrates the value of middle managers who understand strategy, even in the worst of circumstances (See Exhibit 3).

These alternative roles in strategy highlight the importance of managing strategic consensus. In most cases, the scope of consensus on the strategic context should be fairly broad, and middle managers in particular should understand and be committed to the fundamental direction provided by top management. Consensus on specific strategies develops within this context as middle managers propose alternative courses of action. This is a process where middle managers mediate

Three years ago, the exploration and production division of Sun Co. was facing the need for a major reorganization to do away with management layers and a cumbersome bureaucracy. Like many producers, Sun gradually had begun to see low oil prices as a permanent condition, rather than a temporary "blip." The cost savings program called for reducing the number of middle managers from 650 to fewer than 400.

Top management called in groups of managers and described the tough times facing the company. Generous severance was offered to anyone volunteering to leave, and as a result, some able managers opted to go. Two hundred of the remaining middle managers were formed into teams and asked to analyze company operations. One group, for example, was shocked to find that records on the ownership of wells were kept at fourteen different locations. Tracing such inefficiencies made it abundantly clear just how important the organizational shake up was. "Suddenly we had 200 evangelists," says division president James McCormick.

The payoffs in strategic commitment from management's direct approach have also been significant. Says McCormick: "Every employee who is here knows we want them here, and we know they wanted to stay. That has made all the difference." In addition, these events have set a precedent in the company that encourages continuing, frank discussions of company strategy. The positive results are captured in the words of geoscientist Sonia Schwartz: "People are a lot more willing to sign on if you tell them the business reason for doing something."

[Source: Kenneth Labick, "Making Over Middle Managers," *Fortune*, May 8, 1989, pp. 58-64.]

Exhibit 3. ***Consensus Even (Especially!) in the Worst of Times***

between the strategic context and specific alternatives and where strong commitment to a given proposal develops during the give and take of proposal generation and evaluation.

Managing the Process
Shaping consensus is an effective approach to forming strategy and consensus maps serve as a useful strategic barometer. The important thing is for top and middle-level managers to recognize problems with consensus as causes of the implementation gap. For most, this will be a new way of thinking about strategy, and the following steps are intended to help assimilate the thought process.

Examine the Strategic Context. Determining the appropriate level and form of consensus requires a careful appraisal of the firm's strategic context. Is the firm in a period of convergence or divergence? Are competitive relationships relatively stable and predictable, or are they better described as turbulent and uncertain? Answers to these questions allow management to identify the type of consensus that is best suited to the firm's unique situation.

Assess Consensus. Given this as background, the next step is gathering data and producing the consensus maps. The data collection process itself is often useful because it encourages managers to move beyond their day to day responsibilities and to think "strategically." Further, since material for the questionnaire is gathered from a range of managers, the process forces top management to characterize both their own sense of strategy as well as what alternative interpretations are likely.

Identify Gaps. Once the maps have been developed, senior management can begin the process of identifying possible implementation gaps. Three recurring themes are often found.

(1) Consensus is too narrow. Top managers share common perceptions of strategy, but middle managers and others either have misperceptions or lack commitment.
(2) Consensus is too specific. Participants agree on specific actions without full appreciation of the strategic rationale driving them. The result—inappropriate actions and/or lack of commitment.
(3) Consensus is not specific enough. While everyone agrees on basic assumptions and objectives, each is pursuing them differently.

Work to Close the Gap. While each situation is unique, the basic approach is to bring the real consensus in line with what is ideal. In general, this involves work both on improving understanding and commitment.

Step One—Improving Understanding. *Increase the quality of strategic conversations in the organization. This means more than increasing the formal opportunities to communicate strategy. Regular workshops are useful, but shared understanding relies on continuous discussions of strategy. This occurs as middle- and lower-level managers make proposals, probe top management's criteria, and challenge the status quo. The emphasis is on daily, two-way communication involving a wide range of managers.*

For example, in the early 1980s executives at Adolph Coors Co. agreed about the need to reposition themselves as a national brand but disagreed about which specific strategy would best achieve this goal. As Richard Daft suggests, managers inside Coors knew what they wanted but "hadn't yet learned how to make the company a sophisticated competitor".[14] Some managers argued for a national advertising campaign and price reduction; others thought corporate image-building should take priority. Another suggestion was to attack the East

Coast market head on. Initially, these discussions created considerable confusion and resulted in a series of tentative efforts. Over time, however, the dialogue led to a national advertising campaign, the successful introduction of Coors Light, and the establishment of Coors as a leading national brewer.

Step Two—Enhancing Commitment. *Realign rewards, systems, and structures so that they embody the intended strategy. These communicate strategy to managers more than any words. In addition, they are key to building commitment by aligning strategy execution with the interests of organization members.*

Consider the telephone company that wants to increase sales of value-added products like call waiting and speed dialing. Identifying such a strategy and advertising it is relatively straightforward. Now suppose the middle manager in charge of customer service is rewarded based on productivity improvements, and in turn, appraises operators based on call volume. Pushing premium services like call waiting takes time; so the operators are not likely to oblige.

In this case, the first step is to assure that middle managers understand the new priority. This means creating a dialogue between top and middle level managers where contributions to the new objective are clarified. In the process, middle managers take away an understanding of the specific activities needed, and top managers come to understand the resources required. This kind of specific, mutual understanding provides a basis for building commitment. Middle managers will commit to a strategy only once they are convinced top management will provide resources and reward appropriate behavior. For example, the new services program requires skill in selling as well as technical knowledge, and it is important for top managers to understand that training is needed. In addition, consensus should be reached on the design of incentives that relax the emphasis on call volume and promote the sale of new services.

Without Consensus, Do You Have a Strategy?

Evidence that key members of the organization do not understand or are not committed to strategy gives pause to most senior managers. It means that there is a significant gap between what they intend as strategy and what actually transpires—an implementation gap. If daily priorities are not consistent with strategy, then in what sense has the strategy been implemented? If the people don't know or care about the strategic priorities, what governs their actions? Unfortunately, these questions too often remain unanswered. The vocabulary and techniques described in this article provide senior management with a means for getting answers.

Moving from concept to organizational action may be the most difficult step in the strategic decision process. We argue that shared strategic understandings and commitments, not top-down "delegation," are the basis for coherent action and effective strategy.

". . . the decision as to whether an order has authority or not lies with the persons to whom it is addressed, and does not reside in "persons of authority" or those who issue orders."

Chester I. Barnard in The Functions of an Executive, *1938.*

Endnotes

[1] Reported in *Fortune*, December 4, 1989, 58.

[2] D.M. Reid, "Operationalizing Strategic Planning," *Strategic Management Journal*, 10, 1989, 553-567.

[3] Booz-Allen & Hamilton Inc., "Making Strategy Work: The Challenge of the 1990s" (New York, N.Y. 1990).

[4] This is an adaptation of a model we developed in our article, "Strategic Process Effects on consensus," *Strategic Management Journal*, 10, 1989, 295-302.

[5] I.L. Janis, *Victims of Groupthink* (Boston, Ma: Houghton Mifflin, 1972).

[6] Richard Daft, in *Organization Theory and*

Design, 3rd Ed. (West Publishing, 1988), refers to the agreement among managers about which goals to pursue as goal consensus and understanding and agreement on how to reach those goals as technical knowledge. He argues that by assessing where the organization is on these two dimensions, managers can determine the best decision-making approach. For example, when managers are clear about the goals they want to achieve but unclear about how to achieve them (high goal consensus, low technical knowledge), an incremental, trial and error approach is called for. Conversely, when low goal consensus is combined with high technical knowledge, coalition building and bargaining are needed.

[7] For a review of research on consensus among the top management team see G.G. Dess, and N.K. Origer, "Environment, Structure and Consensus in Strategy Formulation: A Conceptual Integration," *Academy of Management Review*, 12, 1987, 313-330.

[8] For a discussion of the strategic value of information from middle- and operating-level managers see I. Nonaka, "Toward Middle-Up-Down Management: Accelerating Information Creation," *Sloan Management Review*, Spring 1988, 9-18.

[9] Consensus mapping for purposes of strategy development is a hybrid process that has similarities to Nominal Group Technique (See A. Delbecq, and A. Van de Ven, "A Group Process Model for Problem Identification and Program Planning," *Journal of Applied Behavioral Science*, 7, 1971, 466-492.). To our knowledge, the term was first used among management researchers in S. Hart, M. Boroush, G. Enk, and W. Hornick, "Managing Complexity Through Consensus Mapping: Technology for the Structuring of Group Decisions," *Academy of Management Review*, 10, 1985, 587-600. Cliff Bowman of the Cranfield School of Management, Bedford, England, reported a similar approach toward capturing "shared understanding of strategic priorities" at the 1990 meeting of the Strategic Management Society in Stockholm. Our own methodology continues to be refined but was developed initially for a research project subsequently published as "The Strategy Process, Middle Management Involvement, and Organizational Performance," *Strategic Management Journal*, 11, 1990, 231-241.

[10] Differentiation and cost emphasis are generic strategies developed by Michael Porter in his book *Competitive Strategy* (New York: The Free Press, 1980) used for purposes of illustration. In practice, we try to express the content of strategy at a more specific level and in the organization's own vocabulary. Developing a questionnaire on this basis is more art than science, and we rely heavily on a company contact to help us in this process.

[11] We often find the difference between what is and what should be smallest among top-level managers. There seem to be two reasons for this. First, by virtue of their position, top managers are predominant in establishing strategic priorities. As a result of this "ownership," they are more likely to see the goals and strategies as appropriate. Second, managers at the top of the hierarchy are unaffected by many of the organization's structures and systems. Thus, they are not in a position to recognize instances when such arrangements encourage priorities that are inconsistent with the intended strategy.

[12] Robert Burgelman and Leonard Sayles describe how middle- and operating-level managers contribute to corporate innovation in their book, *Inside Corporate Innovation: Strategy, Structure, and Managerial Skills* (New York: The Free Press, 1986).

[13] This is one of the conclusions from our own research, but it coincides with the findings of Rosabeth Moss Kanter, *The Change Masters* (New York: The Free Press, 1983), among others.

[14] Richard L. Daft, *Organization Theory and Design*, 3rd Ed. (West Publishing, 1988), 382.

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