

# What Leaders Are Thinking: Perceptions of Strategy Execution and Leadership in the Asia-Pacific Region

By Matt Tice, Managing Director, and Michael Craner, Practice Leader, Leadership for Execution, Palladium Group, Inc. (Asia-Pacific); and James C. Sarros, Professor of Management, and Brian K. Cooper, Senior Lecturer, Department of Management, Monash University

*It all started with a simple question: How were executives coping with the global financial crisis? Two years later, researchers at Palladium Asia-Pacific and Monash University (Australia) have launched a multiyear study of the role of leadership in strategy execution. Here, the team compares findings from the initial survey and their 2010 follow-up survey, revealing executives' conviction that execution matters most—and that leadership takes top spot as its key driver. Now comes the hard part: understanding why half claim only lukewarm performance in translating strategy into action.*

In early 2009, members of the Palladium Group and a team from the Department of Management Leadership Group at Monash University surveyed 141 senior executives at organizations in the Asia-Pacific region to learn how they were coping with the global financial crisis. We were interested in learning executives' perceptions about the crisis—its severity and likely duration—and its impact on their organizations' business prospects and performance, as well as on their ability to weather the changes the crisis brought. In addition to soliciting their outlook, we asked the executives what they considered the critical ingredients for successful strategy execution. The results of that study were reported in a Palladium Group white paper, *Executing Strategy in Times of Uncertainty*, released in April 2009.<sup>1</sup>

Among the key findings of the 2009 report: more than 80% of the executives surveyed felt that intense, rapid change has become the new status

quo and will not abate with the end of the financial crisis. An even greater percentage (92%) foresaw the economy worsening or at best staying the same over the next 12 to 18 months. Yet most of the executives felt they were weak in adjusting their strategy in time to adapt to rapid changes—a limitation we would characterize as meaning that the critical link between strategy and operations was often broken, if not missing. Given the state of the global economy at the time, it was hardly surprising that most organizations were less than optimistic about the region's business environment over the near to medium term.

Had attitudes and practices changed much a year later, as the crisis worked its way through the global economy? To find out, we repeated the survey in early 2010. This time, we had 545 respondents, nearly four times that of the 2009 survey (N=141). The broad sector breakdown was similar to that of the previous year's study: 67% private sector organizations

(versus 63% in 2009) and 24% government organizations (the same as in 2009), with the rest a smattering of nonprofits and "other." As in 2009, organizations were drawn from a wide spectrum of industries, including financial services, manufacturing, healthcare, IT, defense, and pharmaceuticals. Most of the 545 organizations were located in Australia (45%), with the next-largest group (28%) from Korea. Sixty-one percent had more than 500 employees. Most respondents were senior managers, 21% were CEOs or board members, and 37% were direct reports to the CEO; in other words, all had significant responsibility in their organizations for developing, implementing, or executing strategy. Respondents said they were highly conversant with strategy, with 30% in 2010 updating their strategy continuously as part of their strategy management process, and a further 45% updating their strategy at least annually—similar to the 2009 responses.

## Performance Outlook

Compared with the 2009 survey, the outlook in 2010 for the forthcoming year was markedly different. In 2009, only 21% of respondents believed their organization's prospects would improve over the ensuing 12 months, whereas in 2010, nearly three times that number (61%) were optimistic that performance would improve. Why the disparity? For one thing, as it turned out, the two biggest geographies represented in the 2010 study—Australia and Korea—managed through the global financial crisis relatively well. Technically, Australia didn't experience a recession, and South Korea bounced back from a 4.5% decline in GDP in January 2009 to record seven quarters of positive (although at times, fluctuating) growth. The optimism in the most recent survey is consistent with the findings of the Conference Board's *CEO Challenge 2010*: the topmost concerns associated with the global fi-

1 To obtain a copy, visit <http://www.thepalladiumgroup.com/bsr/uncertainty>.

	2009		2010	
	n	%	n	%
Leadership commitment	57	14	223	16 (1)
Translating strategy into operational objectives	73	18	220	16 (2)
Understanding strategy throughout the organization	54	13	161	12 (3)
Alignment across the organization	38	9	149	11 (4)
Having a clear vision, mission, and values	41	10	143	10 (5)
Measuring progress against the strategy	39	9	135	10 (5)
Well-executed initiatives	28	7	117	8 (7)
Regular communication from leaders	26	6	65	4
Alignment of budgets to strategy	22	5	53	4
Linking individuals' incentives to the strategy	21	5	49	4
Being innovative	10	2	37	3
A clear governance process	7	2	26	2
Other			10	0

■ **FIGURE 1: KEY INGREDIENTS TO SUCCESSFUL STRATEGY EXECUTION**

**In the 2010 survey, “leadership commitment” advanced to the top in perceived impact on strategy execution.**

nancial crisis of late 2008—global economic performance and business confidence—have now fallen off the list of the top 10 issues.<sup>2</sup>

### Continuous Change Is the New Normal

In Palladium’s 2009 survey, conducted at an early stage in the financial crisis, 81% of respondents said that they felt change was a constant, and 85% said that competition in their local market was intense. By 2010, 89% felt that change was not merely constant, but in fact was accelerating. That same percentage said competition had become even more intense. This result may well explain why the number of respondents reporting that they were monitoring the environment continuously almost doubled, from 24% in 2009 to 43% in 2010.

### Execution Matters Most, and Leadership Is the Critical Factor

In both surveys, more than 80% of respondents called strategy execution the most important factor that “makes the difference” in performance. This finding also accords with the finding in the Con-

ference Board’s *CEO Challenge 2010* that CEOs consider “excellence in execution” and “consistent execution of strategy by top management” the top two challenges, respectively, that they face.

We asked our respondents to identify the key ingredients for successful strategy execution based on a list of 12 factors. (See *Figure 1*.) From 2009 to 2010, most of the factors contributing to successful strategy execution remained unchanged in importance. The 2009 survey highlighted the importance of leadership commitment (doing what you intended and being willing to learn a better way) and alignment to successful strategy execution.

The top three remained the same, but in 2010, “leadership commitment” advanced to “most important” in terms of its impact on strategy execution, tied with “translating strategy into operational objectives.” Why? It’s unlikely that such a change is a function of sampling bias because respondents’ demographic distribution was similar from year to year. Anecdotally many executives in Asia-Pacific comment to us that they

have managed during this recession much better than in previous recessions. Action was taken quickly, with high levels of consultation with key internal and external stakeholders. Employees and their representatives generally responded positively to the strong direction and constant communication. Organizations that had spent the previous couple of years in a “war for talent” were mindful of the need to be innovative and collaborative rather than to simply reduce head count. This practice is consistent with the survey finding that respondents view leadership commitment as an even more important component of strategy execution following the global financial crisis.

In both surveys we asked executives to rank how well their organizations performed over the previous year in applying some of these key ingredients for successful strategy execution. Translating the strategy includes prioritizing initiatives that support the strategy, identifying actionable objectives that will help drive performance, translating long-term strategic targets into short-term operational ones, and measuring nonfinancial drivers of performance. In both years, only about half of the respondents ranked their level of performance as “moderately good” to “very good.”

### The Key Ingredients for Leadership

If strategic outcomes are to be achieved and sustained, leaders must behave with consistency and honesty. We asked the respondents, “What elements of leadership behavior contribute to successful strategy execution?”

In both surveys, respondents ranked “showing consideration for employees by treating them as individuals and providing them the opportunity to develop” as a key contributing factor. This is consistent with earlier research that demonstrates that the leadership behaviors “individualized consideration”

2 L. Barrington, *CEO Challenge 2010: Top 10 Challenges*, *The Conference Board*, 2010. Of the 444 CEOs surveyed, 22% represented Asian companies.

## The Study: Leadership for Execution of Strategy

*Palladium Group Asia-Pacific is partnering with the University of Queensland and Monash University to undertake three years of applied research on the topic “Leadership for Execution of Strategy.” This research project is funded in part by an Australian Research Council (ARC) grant, the most prestigious federal government research grant awarded to universities in Australia. ARC grants are awarded to academics on the leading edge of research in their respective fields who are partnering with private or public sector organizations. The lead researchers are Professor James Sarros (Monash University), Professor Charmine Hartel (University of Queensland), and Matt Tice and Michael Craner (Palladium Group Asia-Pacific).*

(coaching, supporting) and “intellectual stimulation” (developing) foster innovation and productivity because workers feel empowered and important in the organization. Another key factor cited by respondents was leaders’ ensuring they do what they say they’ll do, thereby earning employees’ respect. Clear and positive communication is essential here because it helps ground the organizational vision in visible leadership behaviors. So leaders who inspire an organizational vision; are clear about the organization’s values; behave in a manner consistent with their words; support staff; engender trust, cooperation, and innovation; instill respect; and encourage and recognize staff are seen as critical to success. In short, as James Sarros and his coauthors describe in the forthcoming book *Cool Head, Warm Heart, Clean Hand: Leading Better, Faster, and with Impact*, leading with the heart (through support and encouragement), the hand (through ethical actions and behaviors), and the head (through a clear vision) are fundamental attributes of leaders and also seem to be critical for strategy execution.<sup>3</sup>

### Why the Disconnect?

From the Conference Board’s *CEO Challenge*, we know that excellence in execution and consistent execution of strategy by top management remain the top challenges for senior executives. And from our own survey we know that

executives consider leadership critical to execution success. Yet if execution is so critical, and if leadership is such an important driver, why do only 50% of organizations say their level of performance is “moderate” to “very good” in turning the strategy into clear and actionable objectives that drive a shift in performance? What explains this disconnect between what leaders view as critical and what they actually practice? What are the specific success factors for leadership in effective strategy execution?

This disconnect between importance, desire, and reality—and the question of leadership in strategy execution—have led Palladium Group’s Asia-Pacific team and its partners to embark on a three-year applied research project, “Leadership for Execution of Strategy,” with the objective of understanding the intricacies and key success factors for leadership in successfully executing strategy. Thus far, we have researched the literature, conducted interviews, and developed a model of leadership for strategy execution through workshops with client organizations. Our next steps will entail testing the model and conducting global research. *Balanced Scorecard Report* plans to keep readers informed as the research progresses, and we invite any organizations to participate in this groundbreaking global research project. Contact [mcraner@thepalladiumgroup.com](mailto:mcraner@thepalladiumgroup.com). ■



Matt Tice, managing director at Palladium Group (Asia-Pacific), has been a member of the Kaplan-Norton team for 10 years and has worked with countless clients throughout the world to create value through rapid and effective strategy execution.



Michael Craner, practice leader of Leadership for Execution at Palladium Group, is passionate about developing people. He has more than 30 years’ experience in human resources, consulting, and line management.



James C. Sarros, professor of management and director of the leadership research group at Monash University, is one of the foremost authorities on leadership. He has published 10 textbooks and more than 100 articles in leading international journals.



Brian K. Cooper is a senior lecturer in the Department of Management at Monash University. He specializes in research methodology, with particular interest in the areas of leadership, organizational performance, and employee well-being.

### To learn more

In case you missed it, BSR’s November–December 2010 issue featured Robert Kaplan on “Leading Change with the Strategy Execution System” and Mark Hefner on “The Top Ten Attributes of Effective Leaders.” The entire issue and individual articles are available at [www.strategyexecutions.com](http://www.strategyexecutions.com).

Also, check out the BSR Reader Leadership, and explore other articles related to leadership and mobilizing for change in the new BSR Index 1999–2010, available free at the above web address.

### Continue the dialogue

Is there a disconnect at your organization between what leaders view as critical and what they practice? What do you think about the leadership/execution link? Join Michael Craner to discuss leadership and strategy execution, and the Leadership for Execution of Strategy project, at [www.thepalladiumgroup.com/bsr/CranerLeadership](http://www.thepalladiumgroup.com/bsr/CranerLeadership).

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<sup>3</sup> In addition to the author’s forthcoming book, see James C. Sarros (ed.), *Contemporary Perspectives on Leadership: Focus and Meaning for Ambiguous Times* (Tilde University Press, 2009).