



# I Strategic Execution Observatory:

## Are employees aware of the strategy?

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## Initial premises and hypotheses

At BTS we believe that a strategy or a strategic plan, is only as good as its execution. This idea is not new, but it should be checked periodically to reassure its validity.

If the initial premise is confirmed, it would then be necessary to investigate the facilitators and obstacles to this strategic implementation. Our premise or hypothesis is that organizational culture and alignment with strategy are two fundamental facilitators that cannot be overlooked if the strategy designed and proposed is to be successful.

In order to confirm or reject both premises, we have prepared a study in which 500 professionals with different levels of responsibility in their organizations participated (see annex for details of the sample structure).



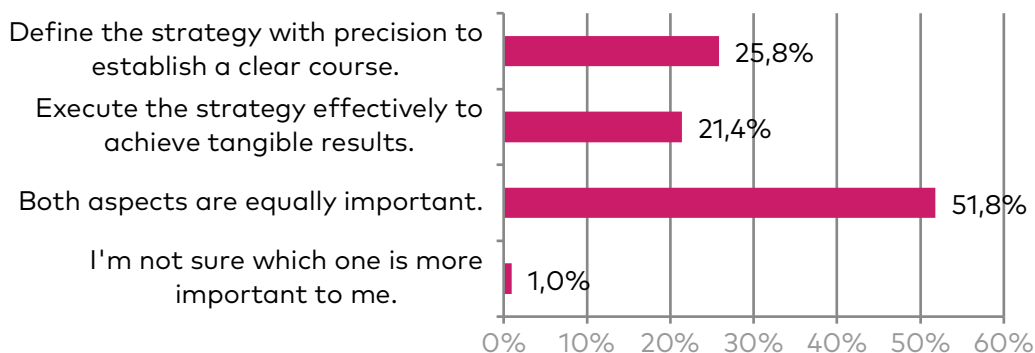
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# Strategy definition and execution considered equally important

Strategy is one of the main driving forces that determine the course of events in a company. Therefore each and every one of the processes related to it are of great importance and have an enhanced relevance in the work and feelings of the employees.

In this scenario, our first hypothesis seems to be proved since **the majority of participants (52%) consider both aspects to be equally important**. Only 25.8% emphasize definition, while a 21.4% prioritize execution.



However, it is surprising that only 43% of directors support equal relevance between definition and execution. At this hierarchical level of the company, the participants of the survey, while also leaning towards this integrative vision, show a greater preference for strategy definition (36%) compared to execution (21%). This group thus seems to give slightly more emphasis to an activity that, in many cases, relies on them. Perhaps as a result of their own experience, they are aware that a bad strategic definition can spoil the rest of the work and hinder its correct development.

In addition, both managers and supervisors, as well as employees, 53% and 55% of them, respectively, believe that both the definition and execution of the strategy are equally important in the process.

However, another fundamental aspect when it comes to strategy is who assumes responsibility for its definition and creation. At this point, the analysis reveals discrepancies in defining the authorship.

With this in mind, it is worth noting that the majority of directors consider that the definition of strategy is carried out exclusively by upper management (22%) or with limited involvement of the rest of the organization (50%).

On the contrary, managers and supervisors, as well as employees indicate in 39% and 37% of the cases, respectively, that strategy is defined as a collaborative process between upper management and the rest of the organization. On what there is an agreement is that defining strategy through several processes from top to bottom and bottom to top is very uncommon (11% of employees, 7% of managers and supervisors, and 4% of directors).

Two conclusions apparently emerge from these data:

- ✓ The first is that **probably not everyone has the same conceptions when asked about strategy, and its definition.**
- ✓ The second is that directors do not follow the principle "participation fosters commitment". In other words, we feel more committed to what we have participated in and what we consider ourselves authors of, even if it is in collaboration with others. In fact, this "lack" of commitment can be an obstacle to the effective execution of the strategy.

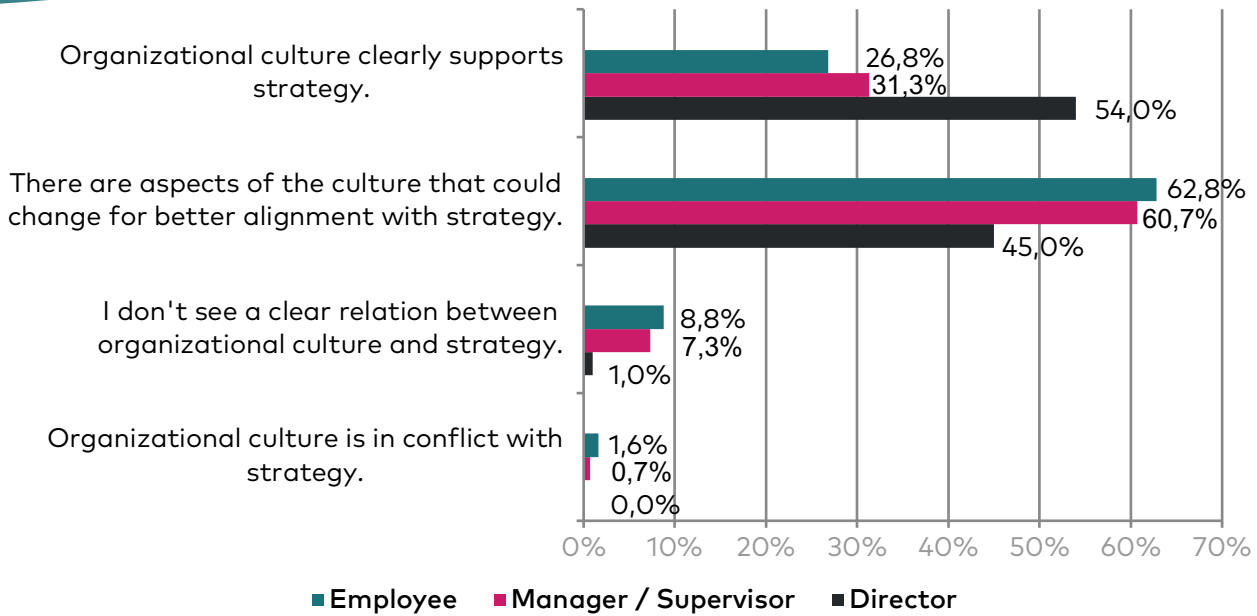


# Strategy and organizational and culture execution

The very concept of business strategy was conceived in the 1960s by Ansoff and then perfected in the following years. In the 1980s, it was developed with greater precision, overcoming the divisions between the different business units and proposing a global conception of the company and its strategy. According to this concept, the company's success is determined by the availability of specific capabilities superior to those of the competition. Moreover, particularly notable contributions in this field have been made by Peters/Waterman (1982) and by Michael Porter, who pointed out that "a business strategy is nothing more than the definition of how our company is going to differentiate itself from the rest, creating a unique and valuable position in the market and providing a differential value that is perceived as superior by the public".

At BTS, we have explored this concept extensively. Formulating a strategy, in its various forms, is a challenge, a deliberate search for differentiation, though translating it into reality is often even more complicated.

One of the main obstacles to this implementation, according to the results obtained in this Observatory, is that the majority of participants consider that **the organizational culture of their companies does not properly support their strategy**. However, differences between the groups of participants are significant. Thus, there are aspects of culture that could (read "should") evolve (read "change") for better alignment with strategy according to 63% of employees and 61% of managers and supervisors. This is also the opinion of 45% of the directors. If we accept Peter Drucker's idea that culture overpowers strategy, we could deduce the risk organizations take when they fail to achieve greater alignment between culture and strategy. According to BTS perspective, culture and strategy are either mutually reinforcing or simultaneously destructive.



That said, the data also indicate that most participants are confident in their companies' ability to assess strategy execution and modify or pivot when market dynamics change or things are not going as expected. 95% percent of directors rate this capability as excellent or very good, as do 84% of managers and supervisors and equally employees. One might think, critically, that Porter was right when he stated that most companies lack strategy. He said that strategy means choosing to differentiate and compete, and that most companies copy each other and confuse strategy with operational improvements.

Despite such high confidence, the obstacles to pivot are related to the complexity of internal processes, leadership inertia and organizational culture.

The data from these three questions analyzed together suggest that, **indeed, an organizational culture aligned with the strategy will facilitate its execution**, since it will strengthen the company's capacity to adapt by limiting obstacles.

At BTS, after more than 25 years of experience working with leading companies, we believe that strategy execution starts with people. It is not the result of a individual decision or action by an employee, but rather the consequence of a series of coordinated decisions and actions within the company that occur over time. Therefore, the execution of the strategy must be comprehensive and involve, as far as possible, the entire organization, from the executive level to the front line.

We have developed this in the **E=AMC** strategy execution framework that captures the critical elements of execution: **Alignment, Mindset and Capability**. Companies that work with these elements in a thoughtful, comprehensive and high-impact way can achieve a superior strategy execution.



# Communication and information: facilitators for the strategy implementation

The third hypothesis that this research sought to confirm is: the importance of information and communication as facilitators of strategy implementation. For BTS, a company aligned with the strategy is a company where everyone has sufficient knowledge about the organization itself, knows what it needs and how they can contribute.

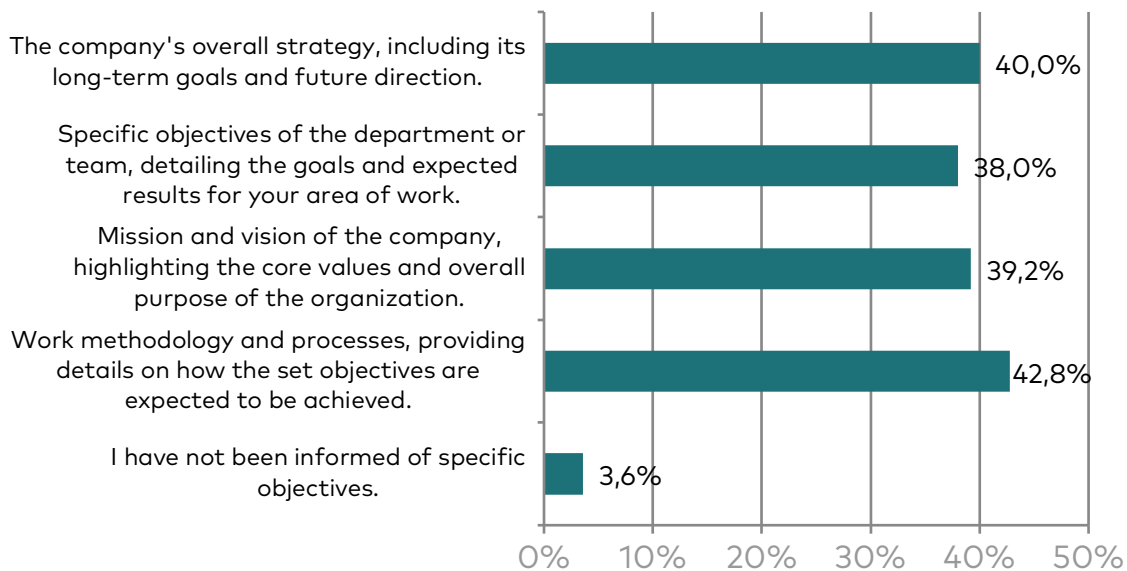
This is closely related to the ability of leaders to convey a clear vision of what is needed to achieve long-term success within the company. Teams need to know three key points:

- ✔ The overall direction of the company and the initiatives that are key to its performance.
- ✔ The context in which the strategy was created, in other words, what situation and what needs led to this situation.
- ✔ How it will be implemented and, more importantly, what your role will be in this implementation.

In this regard, specific questions were asked to employees, on the one hand, and managers, supervisors and directors, on the other hand, in order to provide answers to the situation they experience within the companies.

On the employee side, 66% say they have received information on the strategy, although only 30% feel they know it in detail and understand how it relates to their work. In fact, 50% indicated that they have a basic comprehension of the strategy, but do not fully understand how to contribute to its execution. It is observed that, although the majority is informed, there is still a considerable proportion of employees who have not been properly communicated to on the company's strategy.

Regarding the three key points mentioned above, the data show that only 40% of the employees surveyed have been informed of the general strategy (including its goals), while 38% know specific objectives of their department and 39.2% indicate that they have been informed of the company's mission, vision and values.

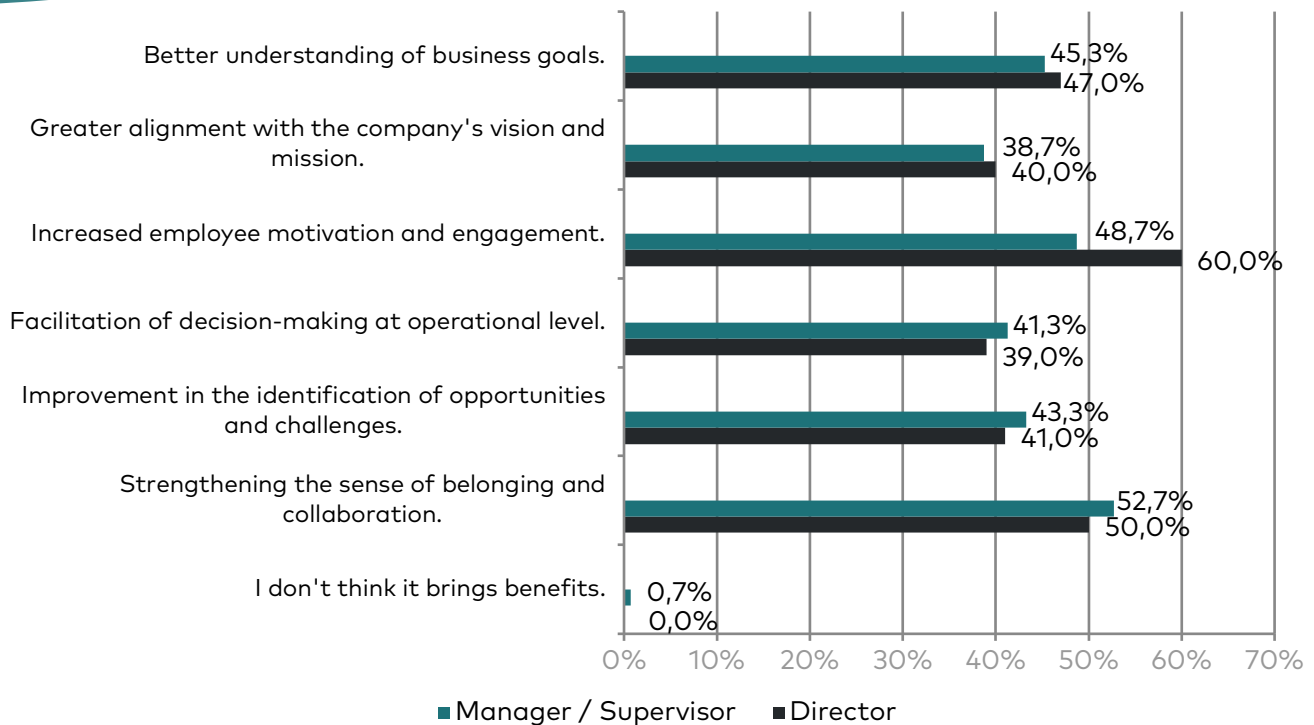


Yet **87% of directors and 67% of managers and supervisors claim they know the strategy in detail and understand how it relates to their work.** It is of interest to compare this data with the idea expressed by directors as well as managers and supervisors that active communication of strategy alone brings only benefits either because it increases motivation and commitment; because it leads to greater alignment with the vision and mission; or because it strengthens the sense of belonging and collaboration.

Nevertheless, despite the stated benefits of active communication, research demonstrates shortcomings in both the way the strategy is communicated and the content of what is communicated. This, as previously warned, undoubtedly affects the alignment of the teams and therefore implies a suboptimal execution in short term.

When asked about the advantages of active strategy communication, 60% of directors consider that the main benefit is the increase in motivation and commitment, while 53% of managers highlight the strengthening of the sense of belonging as the most significant benefit.

Both groups also value a better understanding of business objectives (47% directors, 45% managers/supervisors) and the facilitation of decision making at the operational level (39% directors, 41% managers/supervisors).



With this data, it is surprising that employees state that only in **32% of the cases communication has taken place through structured sessions in which their meaning and how each area could contribute to its realization was explored.** The use of more conventional means (e-mails, informative meetings), and also less effective, is predominant.

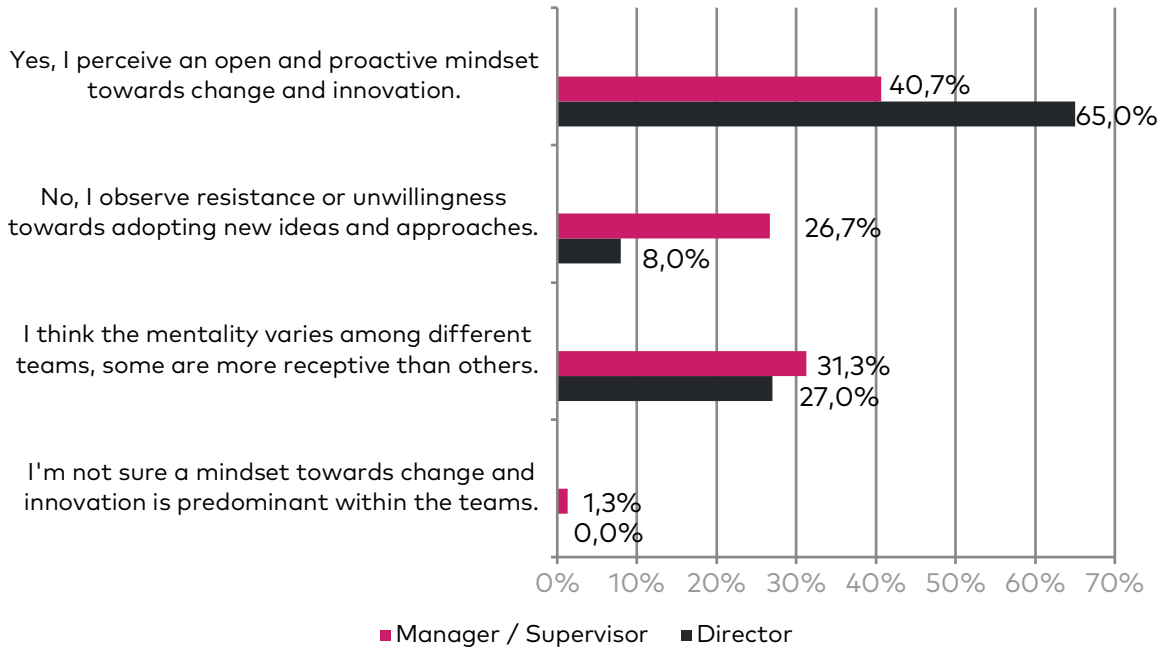
Regarding content, employees say that in only 38% of the cases they received information on the objectives and expected results of each area.

This explains why 52% of employees say they **only understand their company's strategy to a certain extent**, which opposes the 62% who say **their individual and company's objectives are aligned.** In all likelihood, although they do not fully understand the strategy, they trust that their leaders have matched individual objectives with those of the organization.

This relates to the second aspect of our E=AMC approach, Mentality, the missing piece in the execution equation, which is perhaps the most crucial factor, but also the most challenging. Research has shown that effective execution of a strategy requires enormous personal commitment among employees. The right mindset around the company's strategic direction and priorities generates real business results. And that is why communication and information alone are not enough to drive effective strategic execution. Providing information does not equal their understanding of it, let alone their commitment or behavioral changes.

At BTS, we identify three critical mindset drivers. Firstly: belief. Employees believe that the strategy is the path to follow and that the organization can actually succeed that way. Secondly: passion. Employees are confident that the strategy will make a difference to the company, the customer and themselves. Finally: urgency. Employees understand that if they do not make the strategy a reality, it will compromise the future of the business (the inaction risk).

Luckily, 65% of directors believe their teams are open-minded and proactive towards change and innovation, which is the highest proportion among the groups reported. Yet only 41% of managers/supervisors share this perception. Meanwhile, 27% of directors and 27% of managers/supervisors noted resistance or unwillingness to new ideas.







## Challenges to overcome for strategic execution improvement

One of the key questions to address in order to achieve excellence and success in strategy implementation is: what are the obstacles that prevent directors, managers and supervisors from actively executing the strategy?

Some obstacles are clearly related to the lack of alignment between culture and strategy: the strategy is not communicated so as not to create unnecessary concerns among employees or due to the reluctance of other leaders to share strategic information. Yet lack of time or complexity is also a factor worth mentioning.

From the execution point of view, it is important to understand the mechanisms and employees' perceptions about monitoring the strategy implementation. **In this regard, 59% of employees say that they receive information on strategy execution, but not as much as they would like or need.**

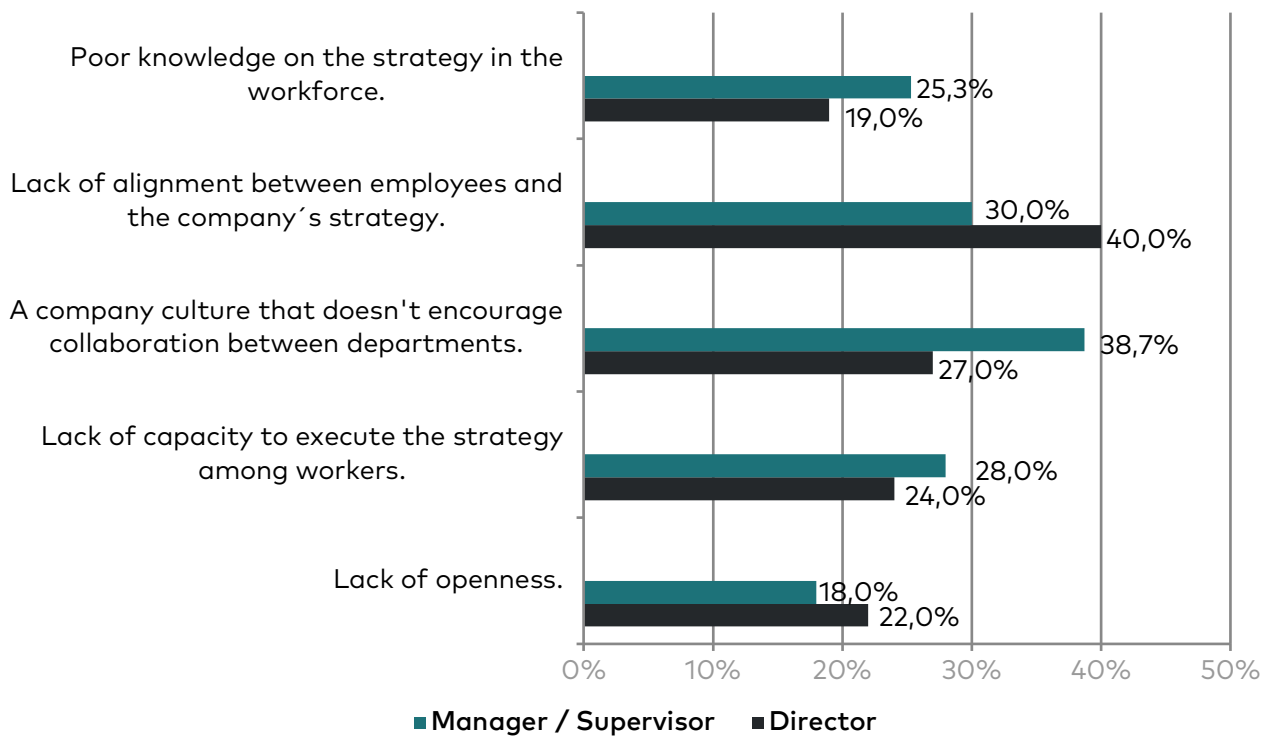
However, this lack of information on strategic matters is not the main obstacle to its implementation. **Lack of training and skills**, reported by 31% of employees, or **lack of appropriate methodologies, procedures and leadership models**, reported by 32%, are the most frequently mentioned barriers. For directors, managers and supervisors, the primary obstacles include misalignment between employees and the company's strategy, as well as an organizational culture that fails to promote interdepartmental collaboration.

Ultimately, employees state that receiving regular information on the company's objectives and strategic direction, aligning their individual objectives with those of the organization, and receiving feedback on how their work contributes to the achievement of the area's strategic objectives are key elements in supporting their contribution to strategic execution.

Directors and managers/supervisors identified different obstacles to the strategy implementation.

- ✔ Managers primarily pointed to a "lack of alignment between employees and strategy" (40%), followed by "a company culture that does not drive cross-departmental collaboration" (27%).
- ✔ Managers/supervisors considered a "corporate culture that does not encourage cross-departmental collaboration" (39%) as the biggest obstacle, followed by a "lack of knowledge about strategy in the workforce" (25%).

In addition, it is notable that managers/supervisors perceive corporate culture as a greater challenge than directors.



# The value of empowerment

The last part of the equation is training or the enhancement and development of new capabilities. Companies that excel in execution heavily invest in developing the skills of their teams.

Proper execution of the strategy requires a wide range of capabilities. On the positive side, many of them, when widely developed, accelerate execution and deliver rapid business results.

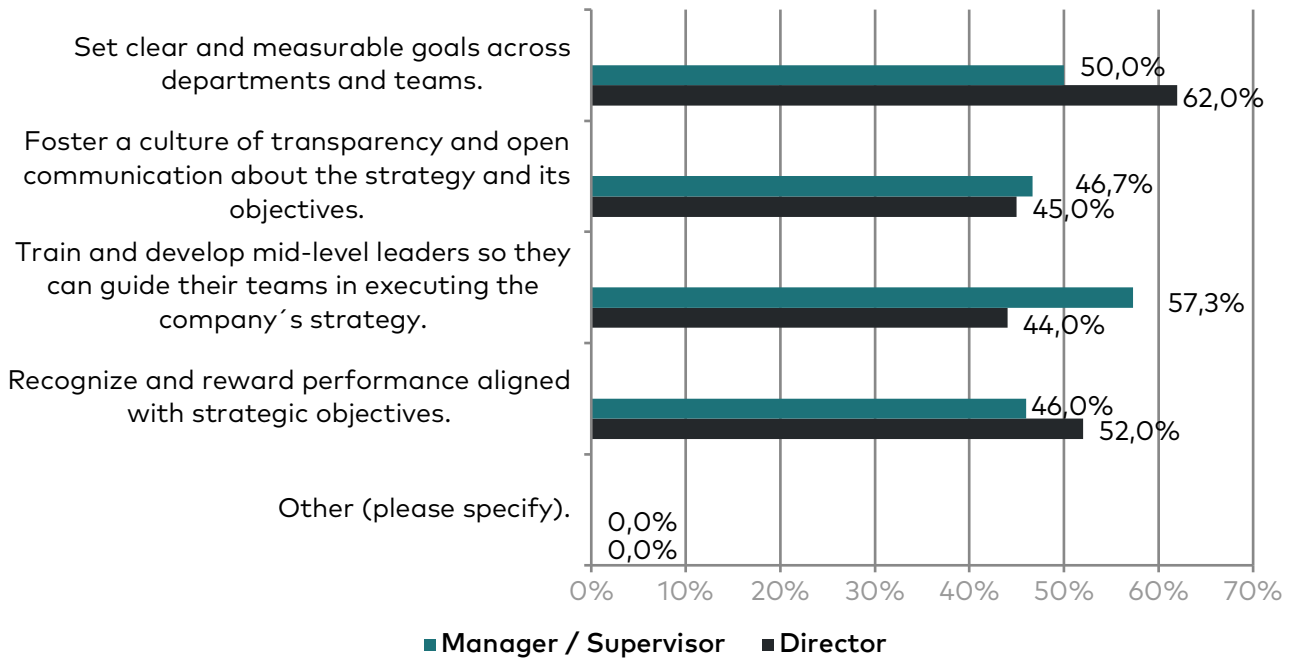
At BTS, as part of our E=AMC approach, we identify three key issues:

- ✔ Business acumen and decision making: it is important that employees have a deep understanding of how the company makes money. Business acumen includes a market-focused approach and a general understanding of the business and its interrelationships.

Research shows that a large proportion of employees (66%) have been informed of the company's objectives and strategy, while 24.6% say they have not received any information at all.

- ✔ Management and leadership skills: to accelerate execution within their business area, leaders must effectively align, motivate and develop their people. This includes fundamental skills, as well as deep experience in talent development, performance management, coaching, feedback and more.
- ✔ The following chart indicates the importance given by managers and directors to the different aspects through which they motivate and align their employees with the company's strategic direction. While for management (57.3% in favor) is their own capability what guides in the right way, for directors (62%) the success of this motivation lies in establishing clear and measurable goals.





- ✔ Sales skills and focus on accelerating customer outcomes: it is essential that sales organizations have the ability to articulate the company's value proposition, what it means to the customer and how it will enable them to succeed.

Large organizations often heavily invest in developing these capabilities, but the initiatives often fail to achieve the intended results. Gartner Inc., the world's leading information technology research and advisory firm, predicts that, in the future, high-performing companies will shift 50% of training program development spending to experiential learning programs to increase people's effectiveness.

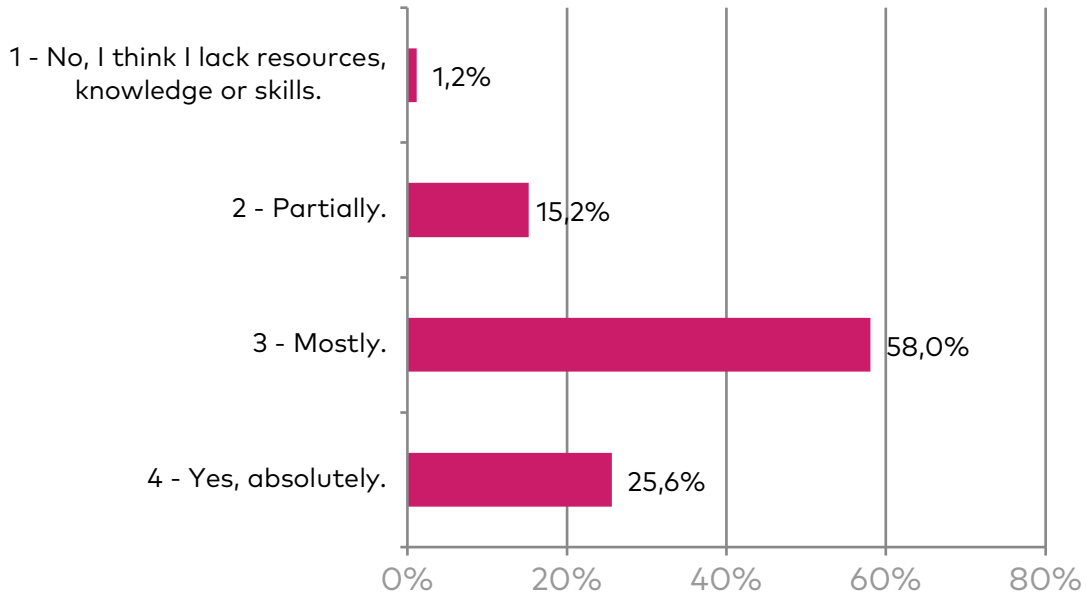
In fact, the global gamification market is expected to reach \$96.2 billion by 2033, compared to the \$11.6 billion estimation made in 2023 in a report by Spherical Insights & Consulting.

Going back to our research, the majority of the employees (58%) believe they have the resources and skills to contribute effectively to the execution of the business strategy. Moreover, a 26% feel fully qualified, making a total of 84% of participants who feel entirely prepared to contribute to their company's strategy. On the other hand, a 15% feel only partially prepared, while only 1% think they lack the resources, knowledge or skills to contribute effectively.

This indicates that there is a considerable level of confidence among employees in their ability to execute the business strategy. This seems to be in accordance with the perception of managers/supervisors and executives. Only 28% and 24% respectively claim there is a "lack of capabilities" among the reasons preventing the correct execution of the strategy.

Based on this response and what they identified as obstacles, it becomes clear that employees consider the lack of information on the strategy and its relevance to their specific position, as well as the lack of correct methodologies or cooperation tools, to be greater difficulties than their own lack of training or skills. After all, most people believe they have the right skills to perform their job effectively, yet strategy execution is something that seems to depend on more than their day-to-day activity and not apply individually.





In regard to the previous section, it is no surprise that employees highlight as the main sources of support the regular information on the company's goals and strategic direction (43%); collaboration to align their personal objectives with the company's global strategy (40%), thus encouraging an integration of personal and corporate goals; and feedback on their work contribution to the achievement of the strategic objectives of their area (34%), entailing a two-way communication in the company's strategy.

Only a 12% expressed not feeling any support to contribute to the company's strategy, which points to an opportunity to improve the inclusion of employees in the strategic vision.

## Conclusion: Proper execution synonymous with results

Ultimately, companies can achieve better results even faster when employees are aligned with the strategy, have the right mindset to approach execution with a sense of urgency and purpose, and have mastered the capabilities required.

As a conclusion of the results obtained, some recommendations to achieve these objectives are provided:

- ✔ Work on the alignment of the organizational culture with the strategy, identifying and addressing cultural aspects that may hinder its effective implementation.
- ✔ Implement training and development programs aimed at improving understanding of the strategy at all levels of the company, with a special focus on how each role contributes to its execution.
- ✔ Improve internal communication of the strategy and its execution, using multiple channels and ensuring that information is clear, consistent and frequent.
- ✔ Develop mechanisms to facilitate adaptability and the power to pivot in the face of change, simplifying internal processes and promoting a culture of openness to change.

- ✔ Encourage the active participation of employees in the creation and review of the strategy, taking advantage of their knowledge and perspectives to enrich the strategic process.
- ✔ Establish clear and measurable goals at all levels of the organization that are aligned with the strategy, and use recognition and reward to motivate their achievement.
- ✔ Evaluate and strengthen the support of superiors towards their teams in the development and execution of the strategy, ensuring that all employees feel the necessary support to contribute effectively.

## Annex

The "Observatory of company-team alignment: Are employees aware of the strategy?" establishes a detailed analysis on strategic alignment in companies and how this affects the execution of the strategy regarding the employees and organizational performance. The aim of this study is to better understand how companies manage their strategy in the alignment, execution and creation phases at different levels of the organization: employees, managers and directors.

### Dynamics:

The study comprised different parts designed to obtain a comprehensive understanding of various aspects related to business strategy and its implementation in the organization. Taking into account fundamental aspects such as the AMC framework, these parts were structured to address the relationship at different levels of the organizational hierarchy.

The total study sample was 500 individuals, of whom: 250 were employees with more than two years of experience in the same company, 150 managers in charge of teams and 100 members of senior management.

- ❖ The first part of the questionnaire was addressed to the total sample, regardless of their position within the company.
- ❖ The second part focused specifically on the organization's employees. These questions were designed to assess the degree of knowledge of the strategy, the perception of their participation in its development and the alignment of their individual objectives with the general objectives of the company.

- ❖ Finally, the third part was intended for managers and directors. This part addressed issues related to the management and alignment of teams with strategy, strategic communication in the organization and the specific challenges they face in the implementation of the strategy in their areas.

Through this structure, we sought to obtain a complete and detailed view of how the business strategy is perceived, understood and executed at all levels of the organization, allowing us to identify areas of strength and opportunities for improvement in the strategic process.

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