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## **ARTICLE** **STRATEGY EXECUTION**

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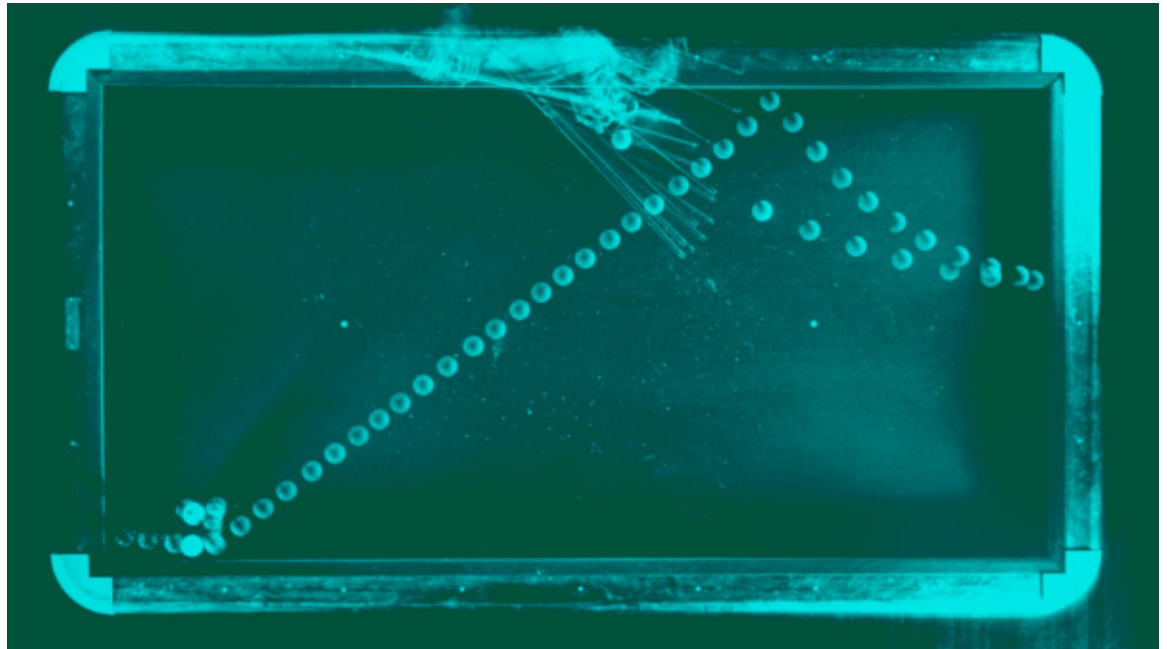
*by Paul Leinwand and Matthias Bäuml*

STRATEGY EXECUTION

# 8 Tough Questions to Ask About Your Company's Strategy

by Paul Leinwand and Matthias Bäumlér

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Companies often fail to address the tough questions about strategy and execution: Are we really clear, as a leadership team, about how we choose to create value in the marketplace? Can we articulate the few things the organization needs to do better than anyone else in order to deliver on

that value proposition? Are we investing in those areas, and do they fit with most of the products and services we sell?

If your answer is yes to these and the other tough questions in the exhibit below, you're among the select few. In our experience, one of the biggest challenges in business today is that way too few companies are asking or answering these fundamental questions.

### Tough Questions to Ask About Your Company's Strategy

	<b>CAN WE STATE IT?</b>	<b>DO WE LIVE IT?</b>
<b>WAY TO PLAY</b>	Are we clear about how we choose to create value in the marketplace?	Are we investing in the capabilities that really matter to our way to play?
<b>CAPABILITIES SYSTEM</b>	Can we articulate the three to six capabilities that describe what we do uniquely better than anyone else? Have we defined how they work together in a system? Do our strategy documents reflect this?	Do all our businesses draw on this superior capabilities system? Do our organizational structure and operating model support and leverage it? Does our performance management system reinforce it?
<b>PRODUCT AND SERVICE FIT</b>	Have we specified our product and service "sweet spot"? Do we understand how to leverage the capabilities system in new or unexpected arenas?	Do most of the products and services we sell fit with our capabilities system? Are new products and acquisitions evaluated on the basis of their fit with the way to play and the capabilities system?
<b>COHERENCE</b>	Can everyone in the organization articulate our differentiating capabilities? Is our company's leadership reinforcing these capabilities?	Do we have a right to win in our chosen market? Do all of our decisions add to our coherence, or do some of them push us toward incoherence?

SOURCE ADAPTED FROM "THE COHERENCE PREMIUM," BY PAUL LEINWAND AND CESARE MAINARDI, HARVARD BUSINESS REVIEW, JUNE 2010

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Why is that? Why is it so difficult for leaders to talk about these topics?

Often, executives avoid questions they are not sure how to answer. Or leaders and employees may feel that it's just not the right time to be asking them, perhaps rationalizing that the CEO has been at the helm of the company for a year or more and a strategy is already in place. They might feel that the time for asking these questions has already passed, and they don't want to come across as launching criticism. Some executives may in fact value the lack of strategic clarity because it allows them to pursue their own priorities. As for CEOs themselves, they often do ask these questions when they start in their roles, but they often feel constrained by the boundaries handed to them — either an incoherent portfolio, or strong short-term pressure to meet targets that diverts their attention.

If the executive team doesn't consistently address these questions, boards — who in many ways own the long-term strategic direction of the company — should at least ask management to provide

answers, if not directly participate in finding those answers. However, most directors feel they are brought in way too late in the strategy process to have meaningful engagement.

The result is that tough questions about the linkage between strategy and execution often go unaddressed.

So what can companies do to build a culture of accountability around the most important strategic questions? Leaders should consider three tactics: One is to build in a process for the executive team to discuss these fundamental questions. Unfortunately, the traditional approach to strategic planning often doesn't provide room for these discussions, because it tends to be very bottom-up, financial, and often incremental in nature. Instead, what is needed is a time and place for executives to step away from the day-to-day urgencies and discuss and debate these questions openly.

A second tactic is to involve a larger part of the organization in a discussion on how the company is doing on strategy and execution. Like the annual employee survey, organizations should take the pulse around the most important strategic topics. Such a survey provides powerful insights about how well your employees — the people who know the company best — think it is positioned for success, how well they feel they are delivering on the value proposition, and how effectively they are able to connect their individual work to the strategy of the organization. Besides telling you what people think the company's main challenges are, it also helps create a climate where such questions can be raised... and are raised. Many organizations have used our [strategy profiler](#) that takes just a few minutes to complete, and yields very helpful insights.

A third tactic is to get the board more involved. The board is the only group that would have the long-term focus (what we call “longitudinal sustenance”) to be able to manage these kinds of questions over time — and many board members are uniquely qualified to help the executive team answer and challenge some of the most difficult questions of strategy. Instead of the old practice of merely reviewing the company's strategy, the board could set up a structured process with management to talk about strategy and the linkages to execution. Management could take the lead in these discussions, and work with the board in picking topics where directors will have salient input. Even periodic, direct interviews and discussions, in which board members are asked about their concerns, is a powerful way to engage the board more effectively.

We have a collective responsibility to answer these fundamental questions — even if the answers aren't easy or immediately practical. We have to create the room for this debate, and we owe our shareholders, customers, and employees clear answers about why we exist and what we do every day to fulfill that purpose. Building mechanisms to encourage debate is the best way to bring these fundamental questions out of the shadows and put them at center stage where they belong.

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**Paul Leinwand** is Global Managing Director, Capabilities-Driven Strategy and Growth, with Strategy&, PwC's strategy consulting business. He is a principal with PwC US. He is also the coauthor of several books, including [Strategy That Works: How Winning Companies Close the Strategy-to-Execution Gap](#) (HBR Press, 2016).

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**Matthias Bäuml** is an advisor to executives in resource and process industries for Strategy&, PwC's strategy consulting business. He is a Managing Director with PwC Strategy& Germany and leads the firm's Chemicals business as well as Enterprise Strategy in Europe, Middle East and Africa. He has co-authored a number of publications, including Strategy&'s Future of Chemicals series.

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