Why do Business Strategies fail?

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A Strategy is a set of directional choices that an organization makes to build a stronger future for the company, taking into account its resources, strengths, markets and competition, leading to greater shareholder value. What it is not is a set of actions or an action plan, although the strategy a company adopts becomes the guiding light for each department in the company to work in the same direction. It is not the master plan itself but is the headline summary of the master plan.

Given that companies spend considerable amount of time and resources to hire consultants, and strategy officers to develop their strategy, why do then these strategies fail, and they do fail often! It is not often that the strategy by itself is wrong, but the execution of the strategy is where businesses falter. It is the job of the leadership team of a company to understand, imbibe and drive strategy across the business.

Let's examine some of the common pitfalls:

1. Unclear Strategy Roadmap: Building a strategy requires a 360-degree assessment of the company's position in the market and an alignment to the vision of the company. Once the strategy has been agreed, a clear road map has to be laid down which articulates how the strategy will be executed. This needs to be detailed not just at the corporate level but it should provide clear direction to every department to ensure that their actions contribute effectively towards achieving the overall objectives.

2. Poorly Defined Objectives: If the objectives of a business strategy are unclear or poorly defined, it becomes challenging to plan implementation of the strategy effectively. Lack of clarity on the objectives leads to confusion among employees, making it difficult to align their efforts towards a common goal. If the strategy document itself is unable to lay down objectives for each other departments then the CEO of the company should revisit the document and ensure that it addresses all aspects of the business.

3. Ambiguous and Siloed Communication: Often, discussions on strategy is restricted to senior executives in the company and the circulation of the strategy document is restricted to a privileged few. This leads to siloed information being passed through the company, and may come in the way of unifying the combined forces and energy of the organization to work towards common objectives. Continuous communication across the board is a key to galvanising everyone towards success. If there is a lack of clear communication channels, information sharing, and collaboration among different teams and departments, the strategy's execution can suffer, resulting in failure.

4. Lack of alignment and commitment: A strategy can fail if there is a lack of alignment and commitment from key stakeholders, including top management, employees, and business partners. When there is a lack of buy-in or resistance to change, it becomes difficult to achieve the desired outcomes. The alignment and commitment needs to be in both word and spirit. In case there are people in a position of influence who are not aligned to the plan, their role within the organization should be evaluated if they cannot

be influenced to buy into the plan. Any leader who is not aligned to the strategy should be dealt with at the very outset so that there are no road blocks in the future.

5. Inadequate planning and execution: A well-crafted strategy requires careful planning and flawless execution. Failure to establish a detailed implementation plan, allocate appropriate resources, and monitor progress can result in the strategy's failure. Insufficient follow-through on the execution of the strategy can render it ineffective. Actions and outcomes need to be defined clearly in the implementation plan for each department so that there is no ambiguity on how each person will contribute to the success of the plan.

6. Lack of adaptability: Business environments are dynamic and constantly evolving. Strategies that fail to adapt to changing market conditions, technological advancements, or customer preferences are more likely to become outdated and ineffective. Flexibility and the ability to adjust the strategy when necessary are crucial for success.

7. Inadequate resources: Insufficient resources, including financial capital, skilled personnel, technology, or infrastructure, can hinder the successful implementation of a strategy. Without the necessary resources, businesses may struggle to execute their plans effectively, leading to failure. This assessment and commitment should be done before kicking off the implementation.

8. Inaccurate market analysis: Strategies that are based on flawed or insufficient market research and analysis are more likely to fail. A thorough understanding of the target market, customer needs, competition, and industry trends is essential for formulating effective strategies.

9. Failure to anticipate risks: Every business strategy carries inherent risks, such as economic downturns, regulatory changes, technological disruptions, or unforeseen events. If these risks are not identified, assessed, and mitigated appropriately, they can derail the strategy and lead to failure.

10. Governance and Controls: Assuming that a robust strategy is accompanied with a clear set of actions that takes into account all the above mentioned factors, the chances of success would be enhanced significantly when there are adequate controls in place to measure the performance against each of the objectives. A robust governance process would be able to identify any gaps and enable quick decision making to mitigate points of failure.

11. External Factors: Given the uncertain times that we live in, and the disruptive cycles that businesses are being subject to, business strategies may falter due to reasons that are beyond the company’s immediate control and often cannot be planned for, such as change in government regulations or policies, global events like war or pandemic or an economic recession. Businesses need to take these factors into account during their planning process, be agile and decisive in tackling these unforeseen situations.

The last thing to remember is that businesses is not just about products, services and technologies, it is about how people work with other people (internal stakeholder, clients, stakeholders, suppliers, vendors). For any plan to succeed, you need an Ace Team that can work cohesively and deal with any situation that may threaten the company's plans. Building that team can guarantee success to some extent! Businesses need to continuously evaluate, learn, and adapt their strategies to increase the chances of success in a rapidly changing business landscape.