

**Execution
excellence.**

**Impress
customers.
Deliver results.**

**Talk to
Boxwood.**

Introduction

“There’s nothing wrong with 90% of strategy papers - it’s the execution that fails.”

Andrew Jennings, Global Retail Advisor and Board Member,
formerly CEO of Karstadt, Woolworths RSA, Holt Renfrew, House of Fraser

Creating an effective strategy isn’t easy, but it is relatively logical and straightforward. Getting your organisation to consistently execute the fantastic customer proposition that your strategy contains is, however, another story. To a large extent, this has always been true. However, the world has changed in recent times and execution excellence has become a whole lot more difficult to achieve.

Past success is not a guide to the future either. No-one would dispute that Apple’s retail strategy and execution has been a huge success. In 2011, when Ron Johnson – credited with creating that Apple retail experience – left to join J C Penney, Apple stores were generating twice as much per square metre as Tiffany’s, their nearest global competitor. Johnson joined J C Penney in the hope that he would bring some of his retail magic dust, sprinkle it over their strategy and revitalise the business. Johnson failed and the reason, according to principal shareholder Bill Ackman¹, was that the strategy execution was ‘very close to a disaster.’

A survey by the Economist Intelligence Unit² revealed that over 60% of the senior managers they surveyed felt that their organisations struggled to bridge the gap between formulation and execution of strategy. Our own experience of working with organisations to deliver execution excellence echoes these statistics. In fact, we would suggest that 60% is a conservative figure.

In this white paper, we explore why it is now even more difficult to execute a customer proposition excellently and consistently. We discuss how to overcome the obstacles and deliver a consistent, profitable and differentiated customer experience.

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Our methodology

We conducted more than 50 interviews within our global retail network, representing all sectors of retail, large and smaller companies. We complemented the insight from these interviews with desktop research and case studies related to execution excellence. We then added our own insight gained from many years of experience working with CEOs and their teams on large-scale business transformation programmes. The resulting paper is intended to help leaders change how their organisations work so they meet or exceed customer expectations every time and, most importantly, make money while doing so!

“We must be agile in our thoughts and plans.”

Ferry den Hoed, former COO of Etam Group

“Brand equity has diminished - customers only loyalty is to value.”

Leo Crawford, Chairman of SPAR Ireland and Group CEO of BWG Group

“Next has great product but its consistent excellent execution helps differentiate it.”

Mike Shearwood, CEO of Karen Millen



“Speeches alone will not change behaviour. Involving your employees through a group dynamic process will help embed a positive cultural change.”

Prof. Manfred Maus, Founder and former Chairman of OBI DIY

What's changed?

So why has it become more difficult in the last few years to achieve execution excellence? There are a number of macro trends that have made life harder:

- 1. Complexity** – Consumers want the 'martini' shopping experience – 'anytime, anywhere, anyhow...' – and this means that the front end of the business needs to be able to cope with a wide variety of consumer needs. The biggest driver of complexity is consumers expecting a seamless 'omni-channel' experience. A survey by Forrester on omni-channel trends revealed that 56% of consumers have used their mobile devices to search for products at home, 38% have used a mobile device to check available stock on their way to a store and 34% have used their mobile devices in store to research products. To cope with increasingly complex consumer demands, employees need to be empowered and skilled to deal with it. The old 'command and control' retail philosophy cannot cope with this new world.
- 2. Trust** – This has changed from trust in a brand to trusting communities of like-minded consumers – think Amazon reviews, the ASOS social media community etc. According to research conducted in 2013 by Dimensional Research, 90% of customers say buying decisions are influenced by online reviews. Customers trust strangers' product reviews more than brands. Competing in this new environment needs an ever evolving value proposition to stay relevant, a significant consumer engagement capability and an open, transparent mind-set.
- 3. Technology** – Specifically, mobile commerce and big data. This has transformed both how consumers interface with your business and how decisions are taken internally. As a result, the capabilities your business requires to survive and thrive have fundamentally changed.
- 4. The global recession** – As a result of the downturn most organisations have cut back on people. As the volume and complexity of transactions rise (without the corresponding rise in margin), the rise in activity required is not matched by investment in resource and organisations are even more stretched than usual. Capacity to execute change or even business as usual is often non-existent.
- 5. Game changing competition** – This is most acute in grocery retailing with the rise of the discounters, premium and online players, but similar trends are also playing out in fashion (ASOS, Net A Porter, Primark) and general merchandise (Amazon). Customers' perception of what constitutes value and expectations on convenience have changed for ever.
- 6. Millennials mindset** – The new generation of retail workers on the frontline have different expectations around self-determination, development and work-life balance. They will only remain loyal if they are adequately challenged, fulfilled and rewarded.

“In-depth data analysis conducted ‘automatically and ubiquitously’ to understand what and where a customer will purchase a product is the future of retailing.”

Sebastian James, CEO of Dixons Carphone

“Brand equity has diminished - customers only loyalty is to value.”

Leo Crawford, Chairman of SPAR Ireland and Group CEO of BWG Group

The keys to execution excellence

So, what does all this mean for the execution of your customer proposition? Well, when it comes to execution excellence there are four essential elements that hold the keys to success:

1

Relevant customer proposition

Evolving your offer and go to market approach so that it stays relevant, differentiated and sticky

2

Inspirational leadership

How leaders mobilise their people to deliver the proposition at its best, every time

3

Effective operating model

How you organise and run your business to ensure that you are effective, efficient and profitable

4

Agile change capability

The ability to execute change successfully in today's complex, capacity constrained world

These elements have always been important when it comes to excellent execution. However, the macro trends just described mean that the emphasis within each element has shifted and some new techniques are required to deliver a consistent customer experience profitably. We are calling these the 'New Truths'.

The truths

The table below summarises where old truths still apply for each element, where tried and trusted techniques are now even more important than in the past and what new approaches are required to be successful.

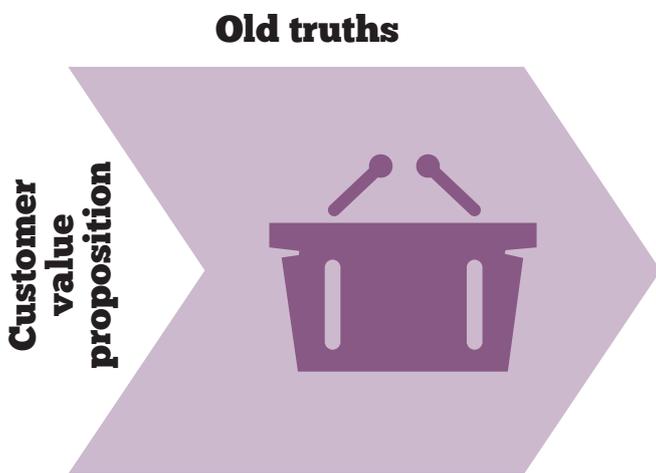


We explore the shifting emphasis in each of these elements in turn, starting with the customer value proposition.

Customer value proposition

The customer value proposition is why consumers buy from you. What attracts people to your brand or offer? Why is it relevant, different and compelling? Is it just price or range, or is there something extra that customers connect with and gives you the edge? What is a hygiene factor that all your competitors can do and what really makes the difference?

The ability to evolve your core customer value proposition to stay relevant and attractive to your current and future customers lies at the heart of any consumer facing business. The speed of change required and range of tools in your armoury to achieve this goal has increased dramatically.



Product centric

Product will always be the core of a customer value proposition. If the range, quality, design and value is not compelling, any retailer will struggle to be successful. However, having a great product is no longer enough. It's become a given, rather than a USP.

“To succeed great product is a given, it always has been... but today to win you have to also deliver a service proposition that's second to none.”

Liz Evans, CEO of Oasis and Warehouse

Even more true



“Delighting the customer. Start with that philosophy.”

David Tyler, Chairman of J Sainsbury PLC

“Transparency, radical transparency - whatever you do is out there forever.”

Paul Allen, CFO of Monsoon

Consumer centric

In the last few years, consumer expectations have changed. Consumers want a great product, and they want to purchase it anytime, anywhere and on any device. In addition to that, they want to customise their products and they want to make informed decisions about what they buy. All this drives the need for convenience, personalisation and transparency.

Amazon have long been leaders in providing convenience with one-click technology and next day delivery. Convenience tomorrow will be driven by different technology and expectations – Apple, for example, are heading the trend towards digital payments through Apple Pay. Within this decade, the need to carry money around could become obsolete.

A recent survey by Intent HQ found that more than half of Britain’s social media users are willing to share personal information to receive personalised content. In a world where we are surrounded by choice, and sometimes overwhelmed by that choice, perhaps it’s no surprise that there is a growing trend towards niche, personalised products.

Another implication of being consumer centric is the importance of building trust with your customers. When it comes to transparency, as Alan Giles, former Chairman of Fat Face pointed out, “Any dirty secret you have will come out. Might as well be transparent.”

We live in a world where what you say and do can ‘go viral’ within minutes. With instant access to information about not just pricing, but about how ethically sourced your products are and how you treated Joe Bloggs in store, you need to know what your customers expect of you and make sure you meet, if not exceed, those expectations. With greater access to information, customers are able to make informed decisions about which retailers they can trust.

New truths



“The brand is now in the hands of the consumer: they can shape opinion.”

Liz Evans, CEO of Oasis and Warehouse

Community centric

The issue of trust leads us on to communities. Where before consumers placed their trust in the brand message, they are now more likely to place their trust in communities of like-minded consumers. For some brands, especially fashion, the ability to tap into this emphasis on communities will have a huge impact on how effectively organisations execute their customer proposition.

ASOS* has built an online community, which embraces a fashion lifestyle; tweeting, blogging, living and breathing fashion. It draws its target twenty something years+ consumers into its community, offers them a blend of content and products and encourages them to participate, making money from their involvement. Through a skilful use of social media, the boundaries between consumer and employee are blurred as ASOS incorporates its consumer community into its operating model.

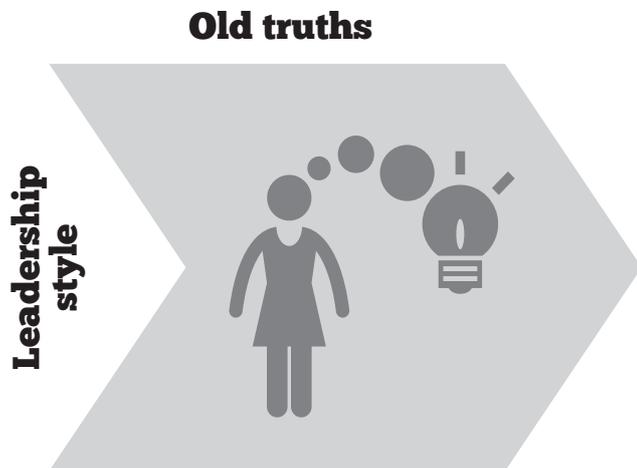
Whilst we believe that fashion is where this trend will be most important, you don't have to be a fashion retailer to build a community around your brand. Heinz is a great example of a company offering personalisation to a community of its consumers on Facebook. Their 'Get Well Campaign' enabled a consumer, via a Facebook app, to choose a soup can, personalise it and deliver it to an ill friend. The campaign started within their loyal community of consumers and spread, via those consumers in other communities, to a huge networked community of users. More than 96,000 people logged into Facebook to view the campaign, which reached 26 million people.

Whether you follow the ASOS route and create a community of consumers within your operating model, or whether you choose to build a community as an extension of your brand marketing like Heinz, or simply find ways to tap into existing communities, the choice is yours, but it's a choice you need to make. It is no longer an option to treat your consumers as unconnected individuals. The majority of them will be part of an online community somewhere, where they can become powerful advocates of your brand or equally powerful detractors.

As Liz Evans says, the marketers used to be the guardians of the brand, but “the brand is now in the hands of the consumer: they can shape opinion.”

Leadership style

The critical leadership challenge is to get the right people galvanised around a clear, compelling vision. It's never been harder. Customer needs are more complex, employees are more demanding, consumer trust and loyalty has to be won against intense competition, and to round it all off, recent years of tough trading conditions have left many employees exhausted and with limited capacity for new initiatives. It's no longer enough to have a vision in this climate, you need to empower your people to take accountability for executing that vision.



Visionary

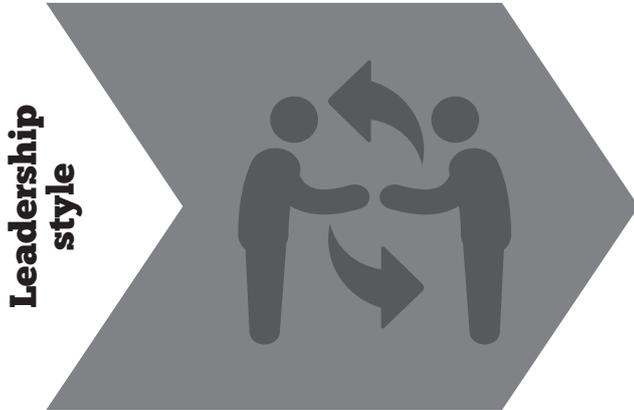
Steve Jobs was a visionary. He took Apple from an idea, to a quirky alternative to a desktop PC, to an ecosystem of devices and services which have literally changed the world. On a retreat with his team in 1982, he famously pulled out a device that was about the size of a desk diary and asked, 'Do you want to see something neat?' It turned out to be a mock-up of a computer that could fit on your lap, with a keyboard and screen hinged together like a notebook. 'This is my dream of what we will be making in the mid-to-late eighties.'

These days, having a vision and expecting people to follow you, because you know best, won't get you very far.

“Speeches alone will not change behaviour. Involving your employees through a group dynamic process will help embed a positive cultural change.”

Prof. Manfred Maus, Founder and former Chairman of OBI DIY

Even more true



“Sometimes the enemy is not outside the business, it’s inside the business.”

Andrew Jennings, Global Retail Advisor and Board Member, formerly CEO of Karstadt, Woolworths RSA, Holt Renfrew, House of Fraser

“Retailers today require a big vision that contemplates far more than “what are you here to sell me today?”

Henry Stupp, CEO of Cherokee

Engaging

Involving your people starts with engagement. It has always been true that every great leader needs a clear, compelling vision and the natural progression from that, is engaging your people to execute that vision. Engagement has been around as a leadership buzzword for a while, but it’s not something that’s easy to achieve. A 2013 Gallup poll³ found that only 13% of employees worldwide are engaged at work.

Effective leaders need to find ways to make an emotional connection with their employees, to help them to buy into their vision. Nobel prize winner, Daniel Kahneman, who specializes in research into human judgement and decision-making under uncertainty, claims that people who buy in to an idea are 3-4 times more likely to implement it. Our own work within organisations reinforces this viewpoint. Failure to get this buy-in nearly always leads to failure to implement your vision. As Andrew Jennings said, “Sometimes the enemy is not outside the business, it’s inside the business.”

It is often said that organisations don’t change, people change. Leaders need to focus not only on WHAT needs to be done, but also on the WHO. Stakeholder engagement results from an approach that actively utilises two-way communication channels, training that supports the desired learning and performance management that aligns with the desired behaviours.

New truths



“Delegate responsibility as low as you can. Empowerment makes life much more satisfying. This would not have been done by yesterday’s leaders.”

David Tyler, Chairman of Sainsbury’s

“Make them feel good about their job. Make a hero of them. Give them accountability.”

Senator Feargal Quinn, Founder of Superquinn

Empowering

If engagement is about getting your people to care about the vision, empowerment is about sharing accountability with your people to implement the vision. The only way to deal with the complexity and demands of the modern consumer is to empower your people to take ownership for the execution of your customer proposition.

Empowerment is not just about sharing accountability for the skilful execution of your vision. You must also underpin that accountability by providing the tools and the support to enable a consistent and excellent execution of your customer proposition across the business. Consider the very best football teams: the captain – leader – is on the pitch with the team and every team member has shared accountability, supported by the right skills, training and support, to win the match.

Alex Gourlay, Executive VP, Walgreens Boots Alliance, compares an engaged and high performing workforce today to a football team: “You are competing on a global stage now with extraordinary capable people. It’s not just about winning the Premiership, you are competing in the Champions League, playing against the AC Milans and Real Madrids of the world – you must be one fantastic team, playing total football.”

Leaders need to care passionately about their business and dare to empower their people to help them to achieve their vision. We call these ‘care and dare’ leaders. They are passionate about their business, the people who work in it and the customers they serve. They demonstrate that passion every day in how they act, what they do and the impact they have on everyone they touch. Their passion means they are also prepared to dare: they dare to challenge old, accepted ways of doing things, to set stretching targets, to hold people to account and to take a few carefully calculated risks to achieve their vision for the business.

These leaders need to strike the balance between expecting shared accountability and ensuring everyone is delivering a consistent experience. As David Tyler, Chairman of Sainsbury’s says, “You need consistency, you can’t have everyone doing their own thing.”

To achieve consistency, capability development and performance management is critical: people need to know what to do, when they are meeting expectations and, more importantly, when they are not. KPIs need to be clearly linked to the overall vision and cascaded throughout the organisation. A clear set of values will help to guide decisions and actions. An empowering leader will live, breathe and guard the values through their own actions and motivate others to do the same.

As Senator Feargal Quinn, Founder of SuperQuinn, says, “Make them feel good about their job. Make a hero of them. Give them accountability.”

Operating model

Your operating model is the combination of roles, skills, structures, processes, assets and technologies which enable your organisation to deliver its customer value proposition. It is the organisational construct which determines how and where work gets done. Excellent execution requires people to translate ideas and customer strategies into what it means for them in their area of the business. This is where the operating model comes in.

Old truths



Relentless focus

Aldi's* focus on operational excellence delivers its strategy of offering consistently low prices. Every aspect of Aldi's operating model is designed to deliver value at low prices: from the standard layout of the stores, to the limited choice within product ranges, to the culture of continuous improvement. Aldi has a relentless focus on low cost, in everything that it does. That consistency means that both staff and consumers know what to expect and trust the brand. When you have a relatively simple proposition, having a relentless focus works. The complexity of today's world means that this is increasingly rare.

Even more true



“The more complex you allow it to be internally, the harder it is to execute well.”

David Thatcher, Group Chief Executive of Direct Wines

Complexity capable

Retailers used to just have stores, they then added call centres. Now they have multiple channels in which to sell and market their products. They also have consumers who demand transparency, value for money and even personalisation. We operate in a far more complex environment than we used to, and that inevitably means complexity creeping into our organisations.

Complexity often gets a bad press, particularly with the growth in ‘lean’ programmes. However, there is a difference between complexity which gets in the way of the day-to-day running of the organisation, i.e. chaos, and complexity which delivers value to your customer. The former needs bringing under control, and introducing lean principles and techniques is an excellent way of achieving that. The latter needs to be managed tightly, delivering the right level of complexity for your organisation.

The key is to keep the complexity outside the organisation and not allow it to destroy efficiency inside the organisation. Operating models need to be designed to cope with complexity; they shouldn’t be over-simplified otherwise the consumer will go elsewhere, where their multitude of needs can be met.

New truths



“Understanding the data and translating that into proper actionable information is more important now than it ever was. It’s what gives you capabilities to do things that are meaningful for large groups of customers while at least giving the impression that you’re not ignoring those that are on the fringes.”

David Thatcher, Group Chief Executive of Direct Wines

Data enabled

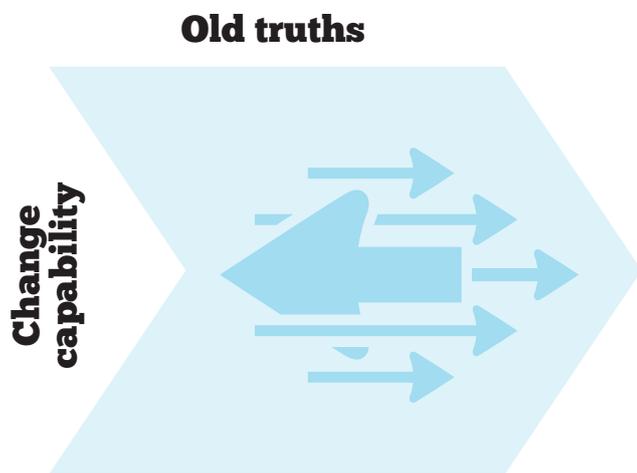
Complexity has taken on a new twist with the explosion of data. We are surrounded by data. Big Data includes structured and unstructured data; structured data includes things such as company sales reports, and unstructured data includes things such as Facebook and Twitter posts. Every day an average of 500 million messages are posted on Twitter. The rapid adoption of connected devices (phones, iPad etc.) is having a massive impact on the volume of data being generated. In fact, Intel⁴ estimates that the number of connected devices equalled the world’s population in 2012. This number is expected to reach double the world’s population by 2015. The IDC⁵ estimate that by 2020, the ‘digital universe’ will be 40 trillion gigabytes.

Why does it matter? Speaking at a BRC event in 2014, Sebastian James, CEO of Dixons Carphone said that, Making sense of customers’ online history, social media activity and ecommerce patterns will be the key focus for retailers in the coming years he argued, before adding that a maths driven workforce can “convert this wealth of data into true behaviours that speak to us about what customers really want.”

Retail intuition needs to be enhanced by people with maths PhDs. A singular focus is no longer enough. To survive in today’s environment, retailers need to harness data to help prioritise and make informed decisions. This ability needs to be built into the operating model and become the way that you do business. By doing this, as Sebastian James said, “New niche ways to anticipate, excite and entice customers will evolve, breathing new life into our high streets.”

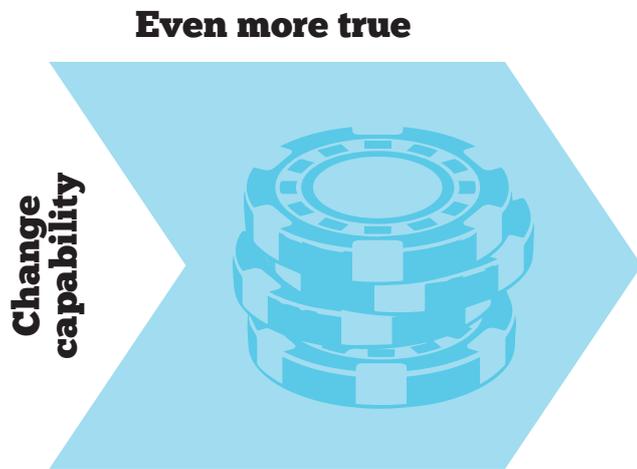
Change capability

An organisation's capability – and capacity – to execute change is critical in today's environment. This is where the customer value proposition, leadership style and operating model come together to deliver your end goal in a consistent and compelling manner. Failure to execute change well is where many strategies fail. And with the world around us changing constantly, the ability to execute change has become even more critical to success.



Less is more

The 'less is more' philosophy is clear, simple and easier to execute. It goes hand in hand with an operating model based on 'relentless focus.' There is no ambiguity, no options or trade-offs to choose between and no parallel strand of the business to keep going alongside; just one clear direction. Be discerning about what you want to do and then implement with commitment, purpose and speed. However, it is a rare business that can afford to be so focused.

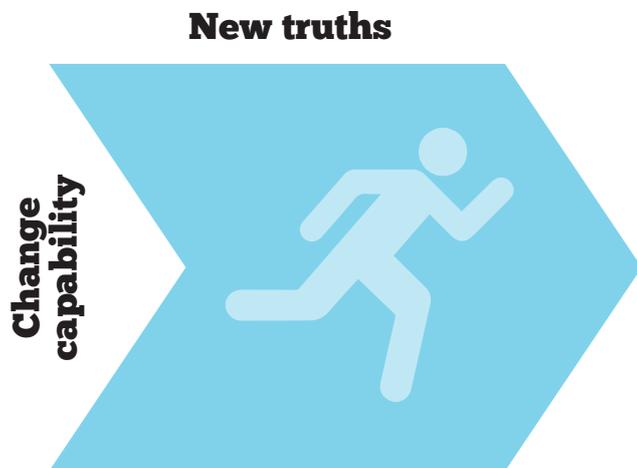


Place your bets

The 'less is more' approach is less applicable when you are juggling multiple consumer demands. Then, change execution becomes less about choosing the obvious route to change and more about using data and insight to prioritise a more varied and dynamic portfolio of projects to meet your complex customer needs.

It is easier to place your bets if you have fact-based insight which can inform your decisions and extend your competitive advantage. That insight needs to be related to the direction in which you want to go, as well as providing an insight into your internal constraints. In choosing the right trade-offs to decide which initiatives go ahead, the decision should always be made with an accurate understanding of what resources and capabilities are available to execute the strategy. This is harder than ever, not only because of the volume of data to understand and prioritise, but because of the strain on 'headspace' as a result of companies cutting back on resources to survive the recession.

We have worked with many clients, overwhelmed by a stream of initiatives, who are struggling to not only deliver business as usual, but to execute a new strategy effectively. Helping them to prioritise projects on the basis of benefits, time, and resource demands may sound straightforward, but in our experience is rarely an easy discussion. Clarity of the overall goal, the big picture of change required and the engagement of the leadership team is key. Each department has their own set of urgent priorities (hopefully) linked to the company's strategy and some of those will need to give way for the benefit of the organisation as a whole.



“The pace of change requires agility and flexibility and ability to respond to a shift in trends that are moving at a rate of knots.”

Liv Evans, CEO of Oasis and Warehouse

Agile

For some organisations, e.g. fashion retailers, this prioritisation approach may simply be too slow. As Liz Evans says, “The pace of change requires agility and flexibility and the ability to respond to a shift in trends that are moving at a rate of knots.”

Organisations need to change at the speed that the market dictates. The old static 5-year-plan is no longer relevant in an ever changing complex trading environment. A more dynamic, agile approach will enable you to cope with the volume and complexity of change. For some organisations, that may mean adopting a twin track approach to change alongside BAU. For example, creating a longer term infrastructure programme (e.g. implementing a new ERP system) in a traditional way in parallel to a network of innovators that deliver an agile, continuously evolving customer offer.

In a recent Harvard Business Review article⁶, Accelerate, John Kotter offers a new vision of a parallel approach to change: the Dual Operating System. He believes that traditional hierarchies are so focused on stability and efficiency that they smother and cut off new ideas, which may upset the status quo. He proposes instead that organisations should create a network of volunteers, the ‘strategy network’, drawn from all levels of the organisation, who are asked to contribute their time to imagine and co-create the future. In parallel, the rest of the organisation keeps the business running as usual.

Parallel capacity is key to fast and effective change execution. The trading environment for many, though not all, organisations is simply too complex and too changeable to adopt a singular ‘less is more’ or a prioritised ‘place your bets’ approach.

“We must be agile in our thoughts and plans. It’s no longer about 3 year plans. It’s about 3 month or 6 month plans.”

Ferry den Hoed, former COO of Etam Group

In summary

Companies do not usually fail because of bad strategies. They fail because of an inability to implement good ones. In the last few years, the ability to achieve execution excellence has become even harder due to a number of macro trends ranging from complexity to technology to trust.

We believe that there are four essential elements to execution excellence that will help you to overcome these challenges. The emphasis within each element has shifted over time so that to be truly effective today, you need to have:

1) An ever-evolving, relevant Customer Value Proposition:

You need a good product and you need to understand and meet your customers' multitude of needs. Most importantly, you need to help your customers to become powerful advocates of your brand within their existing communities or within a tailor-made community designed by you.

2) Inspirational leadership:

You need to demonstrate your passion for your business, your people and your customers. You need to empower your people to take accountability for executing your customer value proposition consistently and effectively.

3) An effective operating model:

Keep complexity on the outside, but don't over-simplify: you need the capability to cope with the right amount of complexity to deliver customer expectations. Recognise the volume and power of data and employ people with the ability to harness it, to enable you to find new ways to anticipate, excite and entice customers.

4) Agile change capability:

Change at the speed that the market dictates: don't stick doggedly to a 3-5 year plan. Prioritise initiatives and create parallel change capacity if you really want to change at pace.

Conclusion

One size does not fit all. The greatest strategy is one that you can implement effectively. You need to understand what's important to you, your people and your customers. As a leader, you now have a much larger range of tools at your disposal to tackle the challenges in the current market. However, so does your competition and your customers' expectations are growing exponentially. It is imperative to make a proactive decision on how to build execution capability and capacity into your business.

Organisations that do not have the capability to execute their customer offers successfully have a bleak outlook. If you stand still, you go backwards. If you go backwards, you die.

Boxwood deliver great results with leaders who care and dare, who are passionate about what they do and who want to empower their people to deliver their vision for the future.

If you need advice on execution excellence:

Talk to Boxwood.

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Contact for more information:

Matt Clark
Head of Consumer

T +44 (0)203 170 6025

E matt.clark@boxwood.com

15 Old Bailey
London
EC4M 7EF
United Kingdom

Tel +44 (0) 203 170 7240
Email info@boxwood.com

www.boxwood.com