Where the Rubber Hits the Road: Leveraging Strategic Delivery Points

Closing the gap between product and service delivery and corporate strategic direction provides greater competitive advantage and enhances operational effectiveness.

Victor Lombardi

Successful companies deliver products and services that are closely aligned with long-term strategic goals. Leveraging these strategic delivery points not only enhances competitive advantage, but also provides feedback mechanisms to more quickly respond to market changes. At the executive level, strategic planning processes help companies set high-level goals and make investment decisions that can enhance strategic delivery points. However, below the level of the executive suite, operational effectiveness to optimize strategic delivery points relies on three key components:

Communication
In order to recognize and undertake high-value projects, teams must understand the larger corporate vision, as well as their role in the business. Executives need to listen to these teams and their customers in order to refine strategic plans.

Incentives
Cross-functional teams must be evaluated on contribution to strategic delivery and have incentives that promote collaboration.

Capabilities
Companies must build the skills necessary to deliver products and services to the market as prescribed by the strategy. These skills might consist of advanced product and service design, marketing, channel selection, or customer service.

When Your Strategy Isn't Followed
Recently, we spent some time with the U.S. arm of a global financial services firm where this breakdown between strategy and execution was apparent. Due to competitive pressures, the company had been slowly losing customers to a competitor who offered more innovative services. In the past year, the CEO had made it clear in his writing and speeches that his strategy was to leapfrog the competition by offering the most innovative products in their industry. But much further down the hierarchy, the project teams who developed new services weren't executing on the CEO's stated strategy.

In this example, all of the symptoms of strategic delivery problems were manifest:

Communication: One group wasn't trying to innovate because they perceived it as costly and unnecessary– the group didn't realize the directive from above was important.

Incentives: Another group was not focusing service innovation efforts on strategically important customers. Because this group was not evaluated against the corporate strategy, they had no incentive to change.

Capabilities: Yet another group understood the strategy and wanted to innovate but didn't know how– they didn't have the skills to understand what would constitute innovation to their customers.

Consequently, this firm has continued to lose customers. Stating the strategy didn't go far enough; it needed to be expressed in the explicit processes of the company and supported throughout its organizational culture. At this company, the product development teams provided the greatest tactical lever to execute on the CEO's strategy. However, despite controlling this strategic delivery point, these teams received inadequate investment and support in the areas of communication, incentives, and capabilities…and they were having trouble executing.

Core Competencies and Strategic Delivery Points
Some organizations require different capabilities to serve customers than the capabilities they use to generate new products. Although organizational processes that power product development live deep within the company, the strategic delivery points that live closer to the customer are another vital mechanism to sustain a competitive advantage.

For example, JetBlue Airway's core competencies consist of hiring and training the right people and lean, progressive use of technology. Their strategic delivery point is the customer experience – from simple ways to buy inexpensive tickets to quickly delivering checked luggage to the carousel. To succeed, JetBlue invests not only in core technologies and human resource planning, but also in the strategic delivery point, the customer experience.

The result is a well-rounded execution of the JetBlue strategy. As of early 2005, a round-trip JetBlue flight between Oakland, California and New York City has been selling for a higher price than competing airlines. If we consider pricing as a proxy for asset utilization, JetBlue's superior delivery points are certainly commanding a price premium in this market. It isn't just DirecTV and leather seats that contribute to JetBlue's success – it's also the delivery points, including ease of booking flights, customer service, better flight schedules, and demand-based pricing models.

But merely having the intention of delivering well doesn't make it so. Witness airlines like Ted and Song who strive to copy the high-quality/low-fare JetBlue formula, but whose strategic delivery point – the customer experience – falls short because they failed to replicate JetBlue's employee-focused culture. JetBlue's successful delivery relies on more than just superficial features, like pilots who tell jokes. There is a mutually beneficial relationship between JetBlue's superior customer service and the strategic use of technology and human resource planning.

Begin with Communication
Before the organization can develop productive incentives and capabilities, executives and front-line teams need to develop more collaborative communication systems in order to understand the delivery points that are of highest strategic importance. Executives who reach out and communicate with delivery teams are much more effective at building mechanisms for ongoing communication within the organization and with customers.

For example, JetBlue CEO David Neeleman accomplishes this by talking to customers on flights, working alongside crew members and interviewing pilots. Steelcase CEO Jim Hackett closely reviews customer research with his design teams. SAS CEO James Goodnight spends significant time leading product development teams.

All of these executives share a willingness to bypass the traditional hierarchical levels of the organization by communicating directly with customers and, just as importantly, with employees in vital functional roles. The result is a more productive fit between corporate strategy and the teams performing essential delivery work at the customer level. If communication fails at either end, the delivery teams can head in different directions without the executives even realizing it.

This quick diagnostic can help you assess how well your corporate strategy corresponds with your strategic delivery points. Organizations who have synchronized strategic plans and strategic delivery points should be able to answer these questions in the positive:

Have you identified which products and services are so vital to customers that their success equals organizational success?

Do project teams at strategic delivery points understand how to execute on the strategy?

Do executives understand how execution of delivery influences strategy?

Is everyone inside the organization monitoring the customers' experience at strategic delivery points?

Breakdown in such important communication and feedback systems sounds unlikely given today's competitive environment, and yet we see it in many clients we work with. Unfortunately, many firms don't address this problem until they reach a moment of crisis when they are threatened by a competitor with better control of strategic delivery points (see *A Crisis in Innovation*). But high performance organizations can correct their course before reaching this failure point. Communication with front-line staff and customers is a vital first step to overcoming this problem.

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