STRATEGY EXECUTION IMPROVEMENT REQUIRES INSTITUTIONAL CHANGE:

THE STRATEGY REALIZATION OFFICE ENABLED BY STRATEGY EXECUTION MANAGEMENT TECHNOLOGY

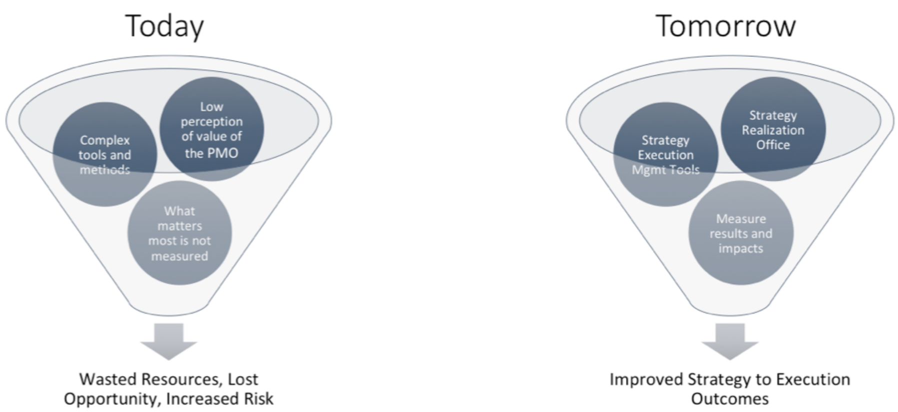
BY JON UMSTEAD – PLAN CANVAS FOUNDER
AND SENIOR CONSULTANT JON@PLANCANVAS.NET

PLAN CANVAS

SUMMARY

Successful strategy execution remains a significant challenge, yet, major critical business success factors, such as cost optimization, digital business transformation and employee engagement depend on it.

Despite decades' use of methods and tools such as the Project/Program Management Office (PMO) and Balanced Scorecards, most strategic initiatives do not reach a successful conclusion.



SOURCE: PLAN CANVAS

The Strategy Realization Office (SRO) and enabling Strategy Execution Management (SEM) technology help close the gap by improving communication and collaboration across and between all aspects of the enterprise, with a focus on results and simplicity, offering a new-found belief that major improvements in strategy-to-execution management are within reach.

OVERVIEW

KEY CHALLENGES

- A majority of strategies are not successfully executed
- A majority of large companies do not have an enterprise level PMO
- A majority of business executives do not find great value in the PMO
- The PMO has historically focused only on Information Technology (IT) projects
- The PMO has historically measured success in terms of scope, budget, schedule, and adherence to standards
- It is difficult to manage the strategic project portfolio of the enterprise, reprioritize as needed, and measure outcomes

RECOMMENDATIONS

1. Mid-sized to large enterprise should implement the SRO, enabled by SEM tools, to ensure that:
    - Strategic goals and objectives are well defined and communicated;
    - Strategic initiatives directly support strategic goals and objectives;
    - Strategic initiatives are prioritized (and can be reprioritized);
    - Strategic initiatives have defined, anticipated outcomes/impacts that are measured in terms of business results long after the initiative has concluded, and;
    - All types of initiatives are taken into account, not just IT-based projects.
2. Small to Mid-sized Business (SMB) should implement simplified SEM tools and the concepts of the SRO.

ANALYSIS

A vast majority of strategic initiatives fail. The obvious reason to be concerned with this is the resulting, tremendous, amount of waste – wasted time, money, effort, energy, and emotion.

The less obvious reason is the **immeasurable lost opportunity**, taking the form of missed potential to gain momentum, survive and thrive, versus the real potential for loss of market share and extinction of the business.

Saying that we need to do a better job of implementing successful strategies is comparable to saying we need to do a better job at diet and exercise. We know it is good for us, but find doing it difficult and unappealing.

For many of us, it is only after years of unhealthy eating and lack of exercise have negatively impacted our lives that we decide to make a change. At that point, "why" becomes, literally, painfully obvious. Unfortunately, it is often too late to reverse the impacts that could have been avoided in the first place.

The same is true of business and enterprise strategy. An institutional change is in order. Key to that is understanding and acknowledging why it is important, then acting on it before the negative impacts occur.

THE CRITICAL IMPORTANCE OF IMPROVED STRATEGY EXECUTION MANAGEMENT

There are numerous reasons to focus on improving strategic outcomes, but all are a matter of **momentum, surviving, and thriving**.

Included herein are three critical business success factors, each representing an example of why improved strategy execution is essential:

1. Cost Optimization
2. Digitization, Digitalization and Digital Business Transformation
3. Employee and Customer Engagement

COST OPTIMIZATION

Perhaps **the greatest benefit of cost optimization is realized during and directly following economic downturns**, but it should always be a consideration.

"Cost optimization" is not synonymous with "cost reduction." Cost reduction is purely a defensive play that can turn into a mad scramble to cut costs – at all costs – in exchange for short-term survival or unsustainable gains in Net Income.

Cost optimization is much more strategic and looks at both the long and the short term. It includes defensive cost cutting as well as offensive investment spending. It seeks to produce the best outcomes possible, given financial constraints, beyond this month's, or this quarter's Net Income.

A yearlong study described in Harvard Business Review's 2010 article entitled "Roaring Out of Recession" found that of the 4700 companies studied during 3 preceding recessions, 17% did not survive. Of those that did, three years later, only 9% fared better than they had pre-recession (out-performing competitors and peers by 10%), while 40% had not yet returned to pre-recession levels.

Those companies that focused on cost optimization stood the best chance of not just surviving, but thriving, after a recession (37%).

By its very definition, **cost optimization is a component of an overall strategy**. It may be developed strategically, over time, as a matter of company culture, or it may be introduced by way of specific strategic initiatives. Either way, **its benefit is entirely dependent on successful strategy execution**.

Sometimes, that benefit is to merely survive while others cease to exist. Sometimes, that benefit is to thrive while others merely survive.

DIGITIZATION, DIGITALIZATION AND DIGITAL BUSINESS TRANSFORMATION

Digitization is turning an as-is process into a digital/electronic process. It is often an important first step in a digital strategy aimed at cost optimization.

Digitalization is the improvement of as-is, or the development of new, digital processes to improve business outcomes. This may include cost optimization, but may also include many other aspects of the business, such as new revenue streams and improved customer engagement/experience.

Digital business transformation is the reinvention of, or creation of a new, business model – doing things differently – through digital technologies.

Amazon is a great example of a company that effectively created a new digital business model so successfully that it forced big-box retailers like Walmart and Target to reinvent themselves through digital business transformation - simply as a matter of survival.

In all three of these categories – digitization, digitalization, and digital business transformation - both a long and short-term strategic approach is necessary.

The successful execution of those strategies is required **for the literal existence of many companies**, particularly those in industries increasingly dependent on or required to be digital.

EMPLOYEE AND CUSTOMER ENGAGEMENT

Employee and customer engagement and experience go hand-in-hand, and have a cause-effect, cyclical relationship.

A great experience results in greater engagement. Engaged employees enable the development and retention of engaged customers by making their experience great.

According to Gallup on CUSTOMER ENGAGEMENT, "customers who are fully engaged represent a

23% premium in terms of share of wallet, profitability, revenue, and relationship growth over the average customer," and, "companies that successfully engage their B2B customers realize 63% lower customer attrition, 55% higher share of wallet, and 50% higher productivity."

These are very significant reasons to focus on customer engagement, and yet, one critical success factor to customer engagement – employee engagement - is sorely lacking. Again, according to Gallup, employee engagement is historically only in the 30% range (see "STATE OF THE AMERICAN WORKPLACE").

What would even a modest improvement to employee engagement have on customer engagement? There are numerous studies and surveys to suggest it is very high. So it stands to reason that improved employee engagement should be high on the priority list.

Meanwhile, **there is no reasonable way to separate employee engagement and strategy execution**. A complete and cohesive strategy addresses employee engagement and strategy execution is dependent upon it.

KEY COMPONENTS OF THE STRATEGIC PLAN

It should go without saying that before contemplating how to improve strategy-to-execution management outcomes, **there first has to be a well-defined strategy.**

SOURCE: PLAN CANVAS

The purpose of the strategic plan is to close the gap between the vision and today's reality – over time – and to allocate resources according to priorities.

The structure of a documented strategic plan may differ depending on the methodology, process, preference and template employed. Regardless, **there are relatively few key components to it**, including:

- Vision, Mission, and Purpose statements
- Goals
- Objectives
- Initiatives (internal project portfolio)

FOUNDATIONAL COMPONENTS

Three of the major components of the strategic plan are foundational to the business. They are: vision, mission, and purpose.

Vision is how you see things in the ideal future. The mission is often mistaken for or sometimes blended into the vision statement, but they are two separate things. While the vision is how you see things, the mission is what you do.

Amazon's is as an example of a well-written, combined, vision and mission statement, as follows:

> *"Our vision is to be Earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online."*

An effective way to write an Elevator Pitch is to write the Vision, Mission, and Purpose Statements first. Put them in reverse order – Purpose, Mission, Vision. Then clean up the language so that it flows well in either written or spoken form.

The vision is to be Earth's most customer-centric company. The mission is to build a place people can come to find and discover anything they might want to buy online.

Note that in neither the vision nor the mission statement does Amazon mention how they will get there, nor what that "place" looks like. Amazon can change its business model, how it serves customers, and enabling technology at will without changing the vision and mission.

Think of it as remodeling the house without replacing the foundation.

Businesses are increasingly focused on purpose in addition to the vision and mission. Purpose goes beyond Corporate Social Responsibility (CSR) and is more than a marketing campaign.

Purpose is why the business does what it does and why anyone should care. Why is this the vision? Why is this the mission? What good will it do for employees, customers, society or the world?

STRATEGY EXECUTION FOCUSED COMPONENTS

Set value-based Goals by beginning with Corporate Social Responsibility. Next, define Goals that are about the Employees (what's in it for them?). Then define Goals that are centric to the Customers. Finally, define Profit focused Goals that help make the others possible.

Strategic goals support the vision and are big, lofty, things that are largely immeasurable beyond the destination – "are we there yet?"

Virtually any Goal can fit neatly into one of four categories as follows:

- Profit
- Customer
- Employee
- Corporate Social Responsibility

Strategic objectives, on the other hand, are measurable and provide a good indication of how things are progressing toward the achievement of goals.

The Key Performance Indicator (KPI) is an integral component of a well-defined objective and comes in 6 major categories, including:

- Financial
- Sales & Marketing
- Customer
- Employee
- Operations
- Corporate Social Responsibility

Strategic Objectives are achieved in one of two ways:

1. Through on-going, day-to-day business operations, and;
2. Through the successful execution of Strategic Initiatives.

Strategic initiatives consume resources. They cost time and money, so before launching one, **there has to be an assurance that it aligns to at least one higher level strategic objective**. If it does not, why do it?

Not all projects are strategic initiatives, but all strategic initiatives are projects. They have defined start and end dates, budgets, and scope.

Classically, they have been thought of in terms of IT development or implementation projects. But non-IT projects can also be strategic initiatives.

Initiatives are frequently overseen, managed and tracked through the PMO, whose primary purpose has historically been to ensure they complete on-time, within scope, within budget, and in accordance with certain defined standards.

The problem is…

THERE IS A HIGH RATE OF STRATEGIC INITIATIVE FAILURE

ED BARROWS REPORTS AT THE AMERICAN MANAGEMENT ASSOCIATION (AMA) that surveyed CEOs ranked strategy execution as their top challenge and that "60% of strategies are not successfully implemented."

Other surveys indicate the failure rate is at least 70%.

Meanwhile, Gallup's STATE OF THE AMERICAN WORKPLACE REPORT indicates that 67% of employees are disengaged (globally, that number is much higher).

The rates of strategic failures and disengaged employees are similar enough to suggest there may be a correlation. As previously discussed, disengaged employees will not successfully execute strategy and strategies that do not address employee engagement are more likely to fail.

Additionally, strategic initiatives bring about change. Change is increasingly required at a faster and faster pace for businesses to remain viable. As a result, employees may simply be burning out, leading to disengagement, particularly if they repeatedly cannot see how the initiative impacts their daily work life (and opportunities) or repeatedly see the initiatives bring change without improved outcomes.

It is a vicious cycle that feeds on itself - the more strategic initiatives are launched, the more there are failures. The more there are failures, the more new strategic initiatives are launched to correct them.

STRATEGIC PLANNING VS. STRATEGIC MANAGEMENT

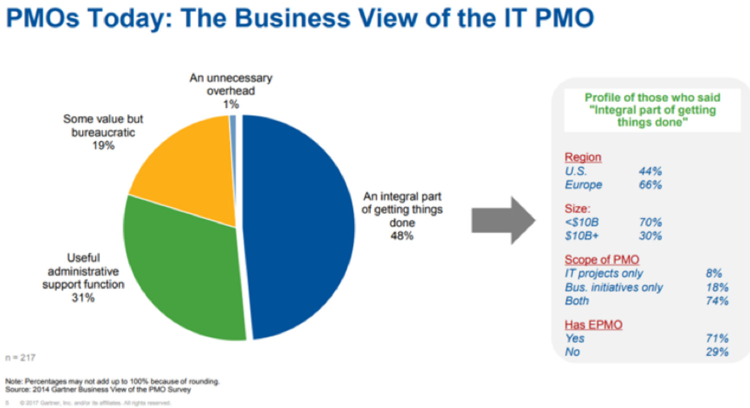
It is important to note the **difference between Strategic Planning and Strategic Management**.

SOURCE: PLAN CANVAS

Strategic planning is represented in the first 2 of 4 strategy phases: Analysis and Formulation. Strategic management is represented in the final 2 of 4 strategy phases: Execution and Sustainment.

Strategic planning has become somewhat of a commodity, while strategic management remains an enormous challenge (hence the 60% to 70% rate of failure).

PMOs were conceived and implemented, in part, to improve the odds, but In her November 16, 2017 webinar presentation entitled "Strategy Realization Office: Collaboration Gets Strategy Executed", Gartner Research VP Joanne Kopcho provides a slide entitled "PMOs Today: The Business View of the IT PMO" showing that only 48% of surveyed respondents said that the PMO plays "An integral part of getting things done."



SOURCE: GARTNER WEBINAR PRESENTATION - STRATEGY REALIZATION OFFICE: COLLABORATION GETS STRATEGY EXECUTED, NOVEMBER 2017

Additionally problematic, in the majority of cases, PMOs do not exist at the Enterprise level.

Simply put, **the PMO function is not perceived to be as effective as it should be and is not implemented at a high enough level to be of maximum value to the Enterprise** as a whole.

Meanwhile, methods and tools such as the **Balanced Scorecard were also conceived to improve the odds of success, but a common criticism is that they are too difficult to implement**.

PMOs and tools like the Balanced Scorecard have their place and have, presumably, helped bring about some levels of success. But, clearly, after decades of use, something is still amiss.

There is no reason to believe that doing more of the same will result in a different outcome. Therefore, **there is every reason to believe that something has to change** – institutionally and in the business culture.

That "something" lies within 2 emerging concepts:

1. The Strategy Realization Office (SRO), and;

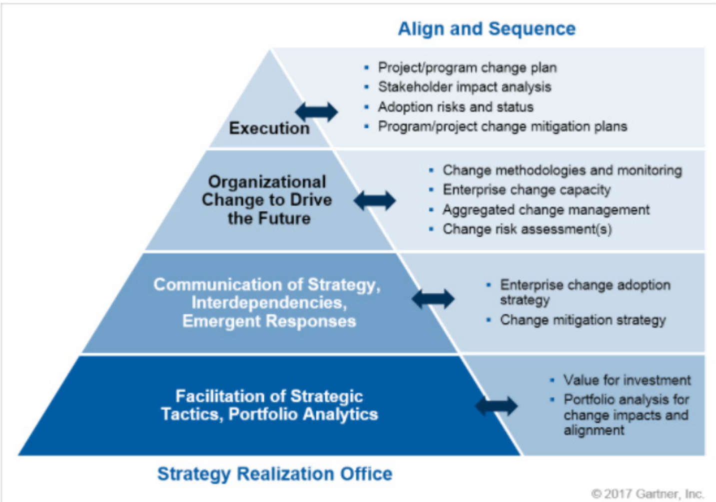
2. Strategy Execution Management (SEM) tools (enabling technology for the SRO).

STRATEGY REALIZATION OFFICE (SRO)

The SRO represents the next evolution of the PMO – more specifically, the next evolution of the enterprise PMO – and is designed to address many of the reasons for the high rate of strategy execution failure, including but not limited to:

- Strategic initiatives are determined and prioritized without collaboration across all aspects of the enterprise, and;
- Are often measured in terms of completion on-time, within budget, as opposed to the intended impact/results the Initiatives are intended to produce;
- At the business unit level, strategic initiatives often fail to roll up to, or directly support the enterprise level strategy;
- Once set in motion, project teams move forward believing that an Initiative is still relevant, when, in fact, it may no longer be;
- One business unit may carry out a strategic initiative that is in conflict with another's, or;
- That duplicates another's efforts;
- "Projects" are confused with "strategy";
- 12-month business (tactical operation) plans are confused with a strategic plan;
- Strategic plans are often huge, multi-volume documents that are not actionable

Figure 1. Top-Down and Bottom-Up Input Focused Through the SRO



Source: Gartner (September 2017)

SOURCE: GARTNER, “HARNESS THE STRATEGY REALIZATION OFFICE TO FIGHT ORGANIZATIONAL CHANGE FATIGUE”, SEPTEMBER 2017

A September 2017 research document by Kopcho and fellow Gartner Research VP Elise Olding entitled “Harness the Strategy Realization Office to Fight Organizational Change Fatigue” provides the following graphic to illustrate the **4 key functions of the SRO**.

While the PMO is more about ensuring the project, or strategic initiative, is well managed, **the SRO is more about ensuring the planned benefits of the strategic initiative are delivered** – did this initiative provide the outcome it was designed to produce in the first place?

The organizational placement of the SRO is of less importance than the function of the SRO itself, and the concept of t**he SRO is not limited to the large enterprise**.

Small to Mid-sized Businesses (SMB) can employ the functions of the SRO without actually establishing an SRO. For example, in very small companies, this may be a function of the owner, operations manager, or an assistant.

Regardless of company size, **critical to the SRO function is the ability to communicate and collaborate with and across all aspects of the enterprise**. In turn, the SRO enables better communication and collaboration between all aspects of the enterprise – with and between one another.

SOURCE: PLAN CANVAS

A critical aspect of the SRO is an acknowledgement that **not all strategic initiatives are IT projects** - but all strategic initiatives are in the field of vision of the SRO. S**trategic initiatives must support at least one strategic objective**, but **the common goal of all strategic initiatives is to improve business outcomes**, therefore, **the SRO itself is business-based, as opposed to IT-focused**.

The key components (and measures of success) of a strategic initiative cannot be limited to scope, schedule, budget, and standards. **They must include measurable, intended outcomes/impacts (objectives)** and it is those objectives **that have to be tracked and communicated** long after the strategic initiative itself has concluded.

Finally, **strategic initiatives have to be prioritized**. This is particularly important because, since they are resource intensive, an enterprise cannot take on more strategic initiatives than there are resources available to successfully carry them out.

In other words, just because something is a good idea does not mean it is a good idea right now.

The SRO is intended to ensure all of these things.

SEM - ENABLING TECHNOLOGY FOR THE SRO FUNCTIONS

Enabling technologies are required to more effectively carry out the mission of the SRO. SEM is an emerging market of software that does just that - addressing all 4 strategy phases: Analysis, Formulation, Execution and Sustainment.

However, **the benefits and use of SEM tools are not limited to the SRO**. SEM tools directly address challenges with strategy execution at the business unit level as well - such as the distinction between a strategic plan and a business plan (and the need to simplify each), business unit Project Portfolio Management (PPM), measurable objectives and results.

That said, simply due to the SRO's mission, **it is recommended that SEM tools be centralized within the SRO**.

The November 9, 2017 "Market Guide to Strategy Execution Management Software" by Gartner Research VPs Daniel Stang, Philip Allega, and former Principal Research Analyst Teresa Jones states,

> *"…we define the capabilities of SEM tools as those supporting the process of strategy execution in many of the following ways:*

1. Managing the outcomes to business process impacts
2. Visualizing the organization's strategies, goals, missions, objective, or other conceptual or contextual guidance relative to:
   - Metrics
   - People
   - Plans
   - Projects
   - Assets
3. Prioritizing any continuing, upcoming and in-flight investments relative to strategies and metrics
4. Continuous planning and project selection based on resources (such as availability, knowledge and location)
5. Capturing actual metrics of strategic execution attainment based on continuing investments, as well as predicting contributions of in-flight projects to those strategies once projects are implemented
6. Providing continuous monitoring of the state of projects and their resources against targeted strategies and metrics once executed, and not just metrics concerning the project life cycle itself
7. Formalizing a scenario planning process for re-examining strategic plans whenever necessary
8. Providing the ability to reprioritize in-flight projects in light of plans and continuing investment relative to strategies and goals"

This list goes **well beyond the typical functions of Balanced Scorecard and PPM tools**. That said, it is important to note that **SEM tools are not systems of record**, but integrate with systems of record - as well as systems of engagement.

SOURCE: PLAN CANVS

Above all, **SEM tools must be simple** - simple to implement, simple in nature, simple to use, with an ability to produce simplified plans, progress reports, and other information, promoting improved communication, collaboration, and on-going tracking of results.

SUMMARY AND CONCLUSION

Improving strategy execution requires institutional change through the adoption of the Strategy Realization Office (SRO) and enabling Strategy Execution Management (SEM) tools.

Improved strategy execution is important beyond the obvious waste of time, money, and resources associated with the 60% to 70% rate of failure.

Three examples of critical business success factors illustrating the importance of improved strategy-to-execution management outcomes include:

1. Cost Optimization
2. Digitization, Digitalization, and Digital Business Transformation
3. Employee Engagement

Each of these factors is key in positioning the companies of today to survive and thrive tomorrow, or face extinction.

Each are achieved through the strategic development of a company culture in which they eventually become engrained or are introduced as Strategic Initiatives themselves.

For the large Enterprise, the SRO is a next evolution of the PMO, with some key differences:

1. The SRO is most effective when its field-of-vision spans the entire enterprise.
2. The SRO's scope is not limited to IT projects and includes non-IT business initiatives as well.
3. The SRO is more focused on outcomes and on-going results than the classic PMO's limited focus of on-time, on-budget, within scope and in accordance to standards.
4. The SRO continuously monitors, modifies, and communicates changes in strategic priorities.
5. The SRO is technologically enabled through SEM tools.

For SMB companies that cannot feasibly implement an SRO, the function is still relevant for all of the same reasons – but a simplified approach and enabling SEM tools are required.

NON GARTNER SOURCES

Harvard Business Review, “Roaring Out of Recession”, Gulati, Nohria, and Wohlgezogen, March 2010

American Management Association, “What is Strategy Execution”, Ed Barrows

Gallup, “State of the American Workplace”, 2017

Gallup, “Customer Engagement”

Figure.1 Publishing, Business is ART, Jon Umstead, October 2015

GARTNER SOURCES AND RECOMMENDED READING

Gartner “Harness the Strategy Realization Office to Fight Organizational Change Fatigue” , Joanne Kopcho and Elise Olding, September 2017, “Information and Technology Strategy for the Enterprise on the Cusp of Digital Business”, Lee Weldon, Colleen M. Young, Monika Sinha, February 5, 2018

Gartner, “The Need to Execute Digital Strategy Will Drive the Transformation of the EPMO”, Joanne Kopcho, June 1, 2017

Gartner, “Program Management in 2030: The Great Strategic Change Leader”, Joanne Kopcho, April 11, 2017

Gartner, “Integrate Organizational Change in the Strategic Planning Process”, Christie Struckman, Elise Olding, November 22, 2016

Gartner, “Share-Listen-Adapt: Connect Employees to Successful Change Outcomes”, Christie Struckman, Elise Olding, March 7, 2017

Gartner, “Market Guide for Strategy Execution Management Software”, Daniel Stang, Philip Allega, and Teresa Jones, November 9, 2017