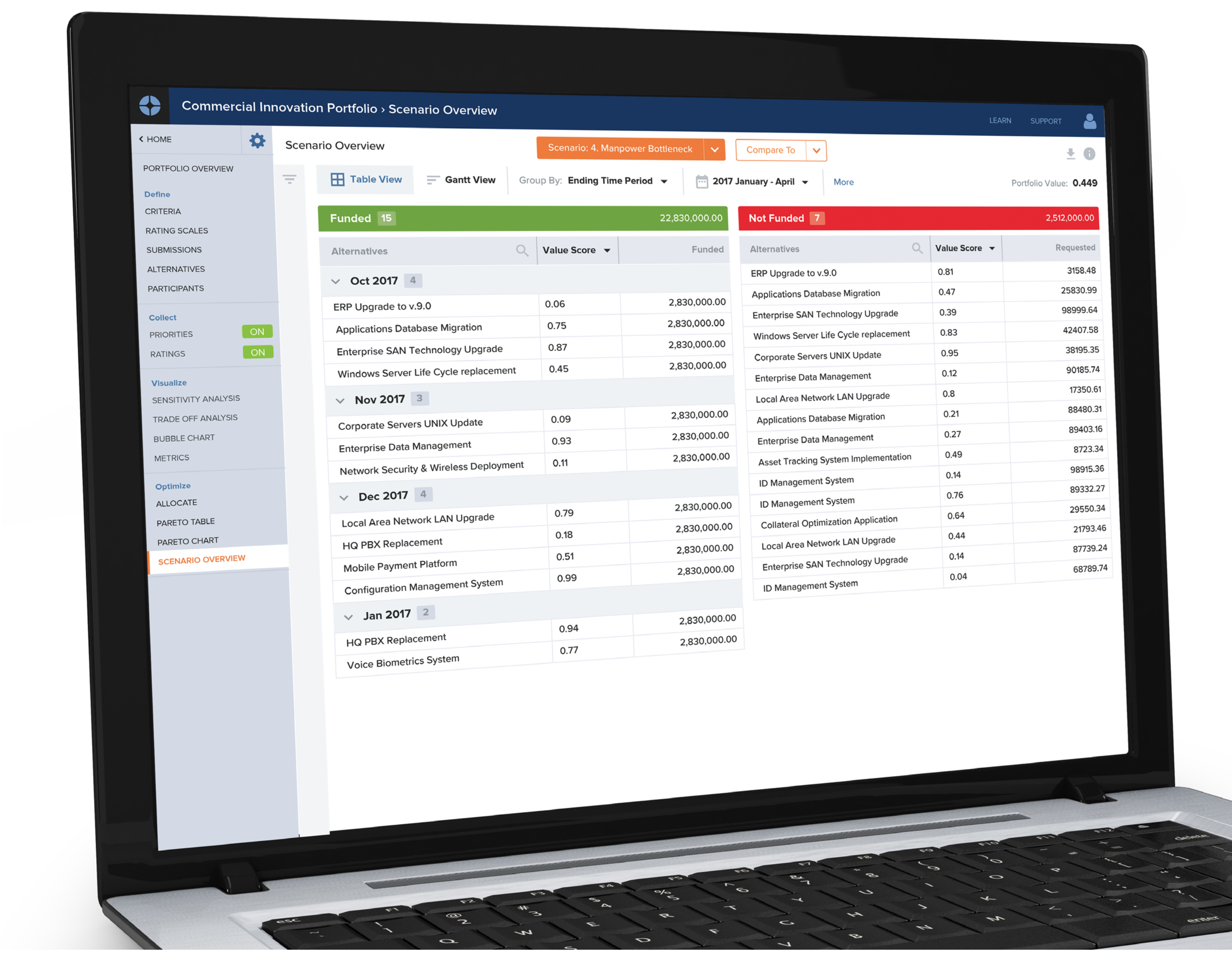
DECISION LENS

A Practitioner's View of

Making Strategy Execution a Reality

THE TIME IS NOW

In our brave new world of cloud-based digital transformation, new markets are segmenting and emerging every day, creating new and sometimes confusing buzz words that are hard to place (or even just define) in our traditional business structure. In an effort to clear the air around one of these newer terms – Strategy Execution – this paper takes a practitioner's view and presents some fundamentals and best practices. Specifically, it will focus on engaging and enabling stakeholders for a repeatable modern governance process, merging both strategy and execution for better portfolio visibility and more successful decision making.



COLLABORATIVE GOVERNANCE CAN BE YOUR FRIEND

Governance – the overall structure and daily management of activities and initiatives that help achieve corporate goals - has somehow become a taboo subject to many organizations. It is a topic that is much easier to discuss and theorize than apply. And for good reason. Digital transformation is disrupting every level of business while moving faster than we can institutionally implement, which presents a new, unknown set of decisions to make daily and leaves us vulnerable to the pitfalls of only dealing with fires.

We have met plenty of business leaders over the years who were caught in this governance crossfire. In one situation, a director tasked a client to deliver an entire portfolio that was 50% underfunded with only 5 months left in the budget year. “Just do everything,” he was told. The client estimated that he expended 30 minutes a day justifying amorphous delivery schedules with business stakeholders. When it came to delivering projects, some of the leaders had full responsibility and accountability, but little authority to prioritize tasks. Conversely, the business side typically had authority but lacked responsibility for the outcome of the portfolio. Neither had visibility into the other’s data, nor were they aligned to understand each other’s obstacles, thus creating a breakdown in communication and feedback.

Left hand, time to meet right hand.

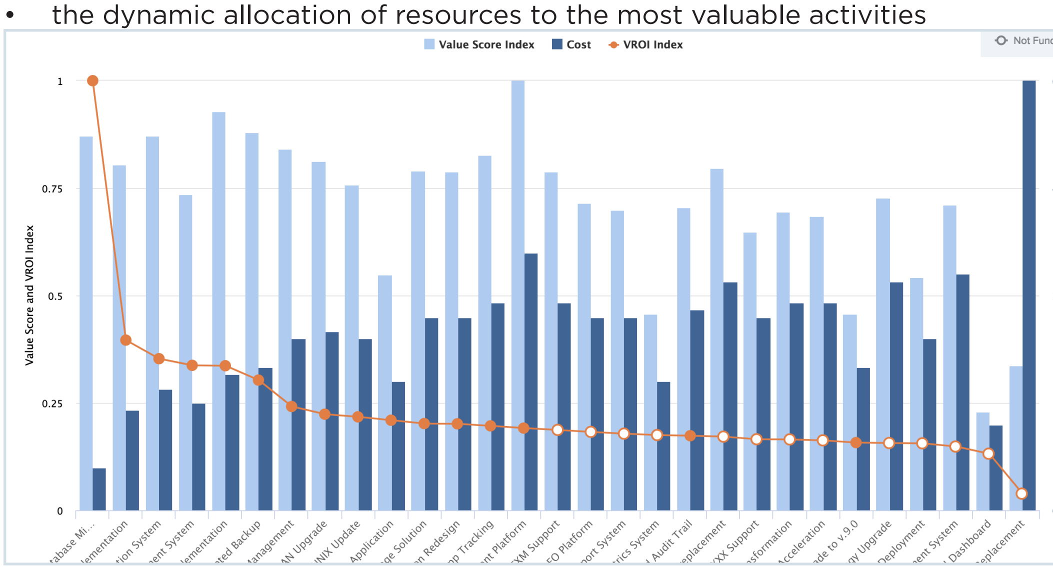
Most organizations are structured vertically, creating hierarchical groupings of skills and expertise segmented by function. They then deploy processes, typically linked via information technology, to integrate these vertical structures horizontally. It looks tidy on paper, but in my experience, the vertical walls tend to be much more rigid than the horizontal processes are fluid, resulting in silos that are a huge barrier to effective collaboration. In many cases, a culture can develop around this structure to reinforce these barriers. If a company requires a lot of time and effort to overcome them, the information sharing always suffers.

Many of our clients ask us to help solve these problems with governance. As decision science experts with a SaaS solution, we assist by scaling and scoping their governance process, making it more repeatable, collaborative, data-driven, outcome-focused, and more aligned to strategic and business imperatives. We have evolved this set of best practices into a SaaS based Strategy Execution process.

"Strategy Execution" is a relatively new term that has been gaining traction within the business market over the past few years. In short, it is a digital evolution of how organizations develop and implement governance. It is the modern practice of setting up an effective, organizational strategy to more efficiently identify, manage, and execute activities. Quite simply, it's the set of things an organization does to ensure that the "strategy" of the business gets "executed".

With Strategy Execution, the key tenet is promoting engagement between executives, business stakeholders, and departments in a focused, efficient, and non-threatening way to apply their collective inputs directly to a few key outputs:

- the prioritization of outcomes and benefits sought from the portfolio
- the business, strategic operating, and security value of portfolio initiatives
- the types of investment trade-offs that are most acceptable given budget assumptions and constraints
- the dynamic allocation of resources to the most valuable activities



Optimize investments based on the ratio of strategic value delivered to resources required.

As long as companies continue to attack their execution problems primarily or solely with structural or motivational initiatives, they will continue to fail.

Harvard Business Review: The Secrets to Successful Strategy Execution, June, 2008

For this process to be truly successful, the participating stakeholders in governance must be willing to accept the principle that not every initiative (and in many cases, not even most) merits funding in the upcoming cycle. Financial resources are scarce, human resources constrain the delivery schedule, and not every need serves a critical strategic, operating, or regulatory purpose. Strategy Execution is a shared responsibility between the business and personnel. If leaders can engage end user stakeholders in an efficient, focused, rigorous process that hears all voices and melds the accountability, authority, and responsibility for portfolio investments, governance can be your friend. And it's good to have friends that help get things accomplished.

But how do you marry two conflicting processes?

YOU DO STRATEGY. I'LL DO EXECUTION.

It is very understandable (and common) to hear from clients "we really want to focus on execution right now." They want to focus on enabling their PMOs and leveraging PPM systems to better manage delivery resources. This makes sense. Gains in delivery efficiency can free up substantial resources. You get a better handle on costs. Delivery schedules gain credibility. Stakeholders are happy. Delivery teams feel less stress. Unicorns and dolphins will frolic in the C-Suite's dreams … if only it was that simple.

The problem is that the portfolio planning process is too powerful, too impactful, too transformational—and too expensive—to relegate strictly to "execution". Implementing programs faster, cheaper, and leaner is fantastic—until poorly aligned investments crowd out growth opportunities, embed legacy costs, or deliver inconsequential or obsolete value when pursued under strategic blinders.

And "strategy" is far too amorphous and abstract to simply be thrown into the laps of middle managers dispersed throughout the organization without very clear operating direction: what specific programs are being funded, which ones are not funded, and why? What results are expected from these investments of time, money, and brainpower? Where should resources be allocated in light of our constraints?

Strategy and execution first meet in budgeting and resource allocation. Strategy becomes execution when leaders engage in a disciplined process that distills strategy into specific decisions that tie to resource plans and timelines, and, ideally, to operating metrics and KPIs. We call this alignment. Most organizations struggle with developing a strategy process and decision architecture that enables them to align the moving parts down into the lowest levels of the organization—where execution occurs. For most middle managers and line employees, strategy is too abstract and distant from daily responsibility to hold much meaning when described in presentations, reports, posters, and weekly briefings. Strategic alignment is never created by executive fiat, well-crafted words, or intricate performance dashboards.

The reason strategy execution is often glossed over by even the most astute strategy consultants is because primarily it's not a strategy challenge. It's a human behavior one.

Harvard Business Review: Execution Is a People Problem, Not a Strategy Problem, January, 2017

The truth is that strategy and execution cannot thrive independently. They are yin and yang. If you accept Michael Porter's notion of strategy, then organizational trade-offs—the fork-in-the-road decisions about where to invest resources—are the operational essence of strategy. The more tightly defined the strategy, the easier trade-off decisions become when executives confront them, the easier it is for middle managers to internalize and enact them, and the more focused, aligned, and efficient execution becomes. Visible signs of change and improved performance then close the feedback loop for strategy. The cycle reinforces itself.

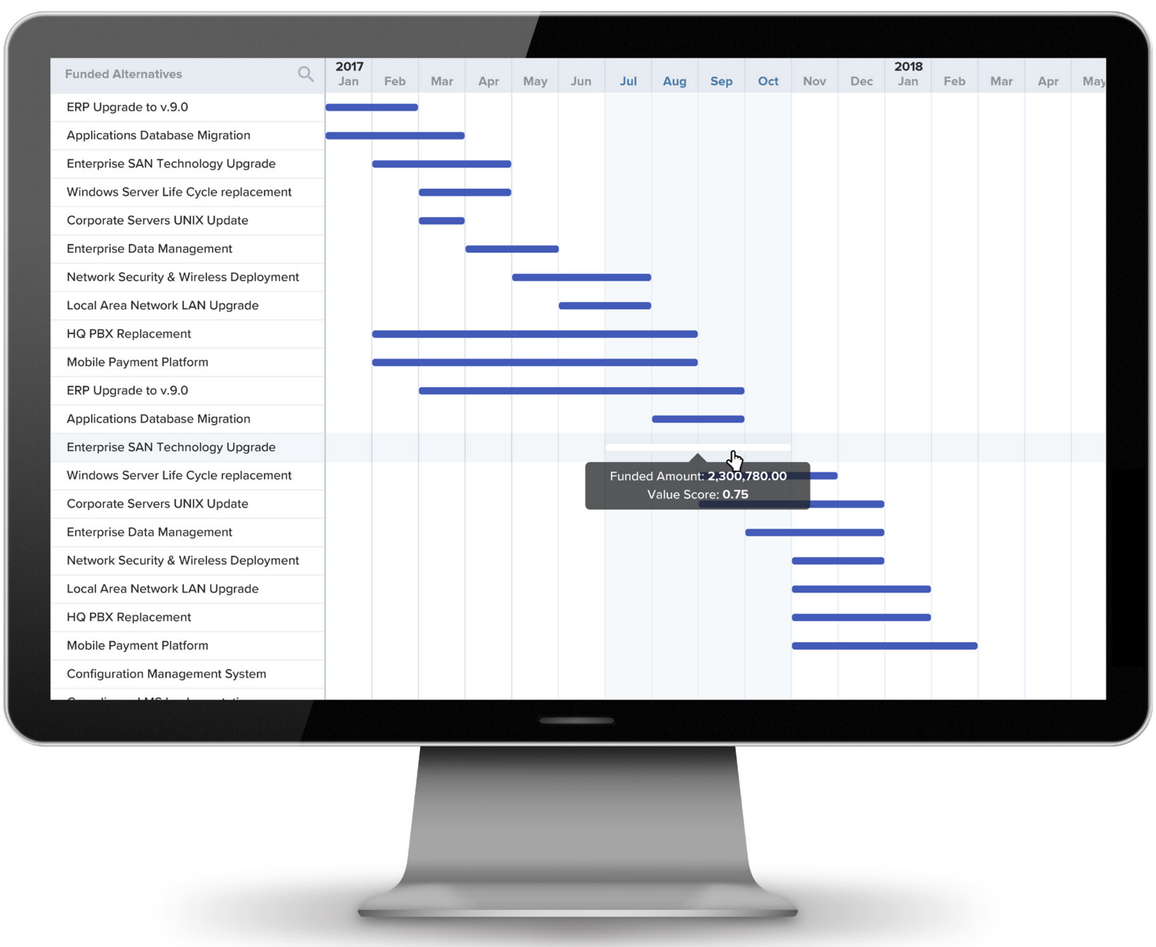
Frolic away, unicorns and dolphins, frolic away.

START YOUR STRATEGY EXECUTION ENGINE

Strategy Execution is a top-down process. It starts with a clear idea from leadership of what opportunities should be pursued, the operating capabilities required to get there, and the outcomes that should be expected. Equally important is an understanding that some opportunities may be foregone in order to pursue other ones.

We find that implementations become easier, and client success more likely, when the business leaders are ready to set a clear direction, and are willing to accept necessary operating trade-offs to pursue it. This may sound like a given for any organization, but I can assure you that it is not.

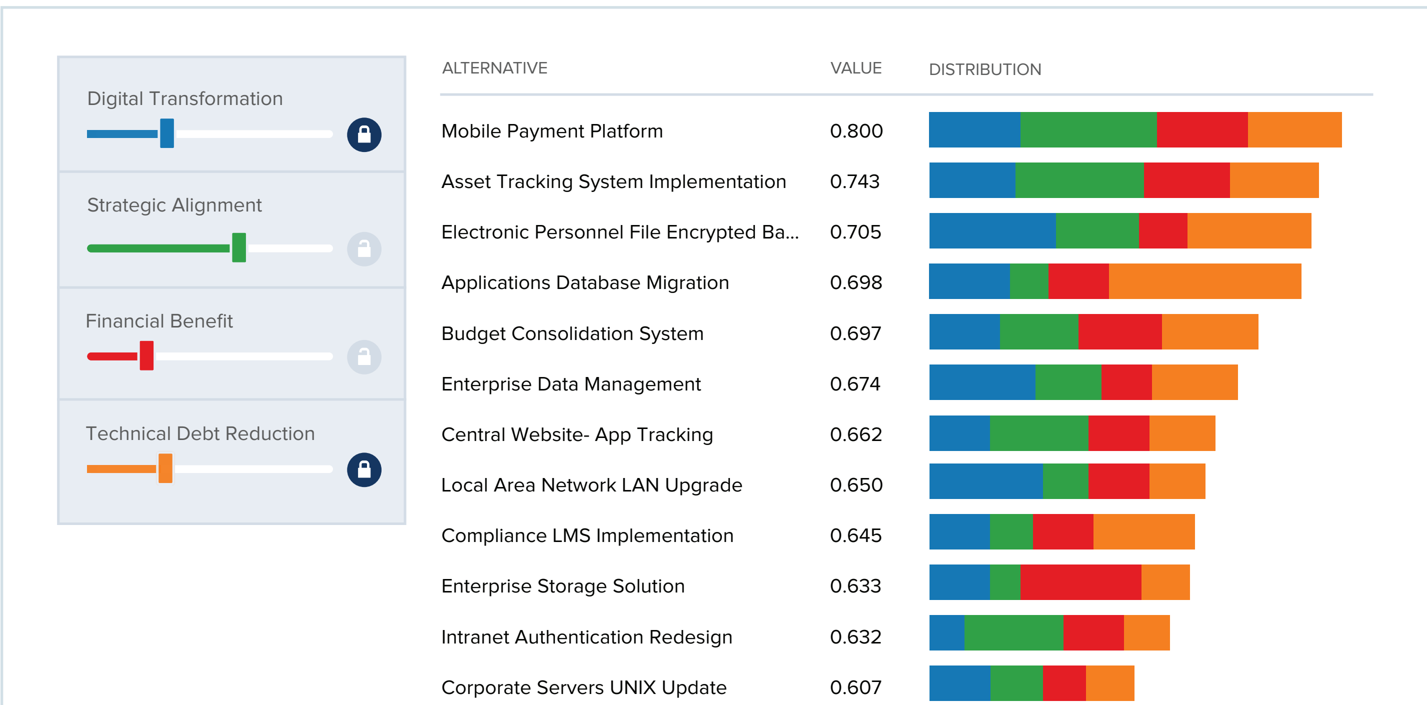
In the business arena, these trade-off frameworks typically take the shape of quasi-competing portfolios of projects that are geared toward a few general purposes: digital business transformation, maintaining operating continuity, leveraging shared services and infrastructure, and retiring legacy systems.



One of the key questions Strategy Execution must answer is the relative allocation of financial and human resources to each of these portfolios and their goals, knowing full well that an additional dollar spent on infrastructure or maintenance is a dollar less for digital transformation.

There is no “correct” set of prioritization criteria that should be applied across investment portfolios, but in general we find these factors to be the biggest differentiators in portfolio performance that yield richer prioritization and resource allocation outcomes:

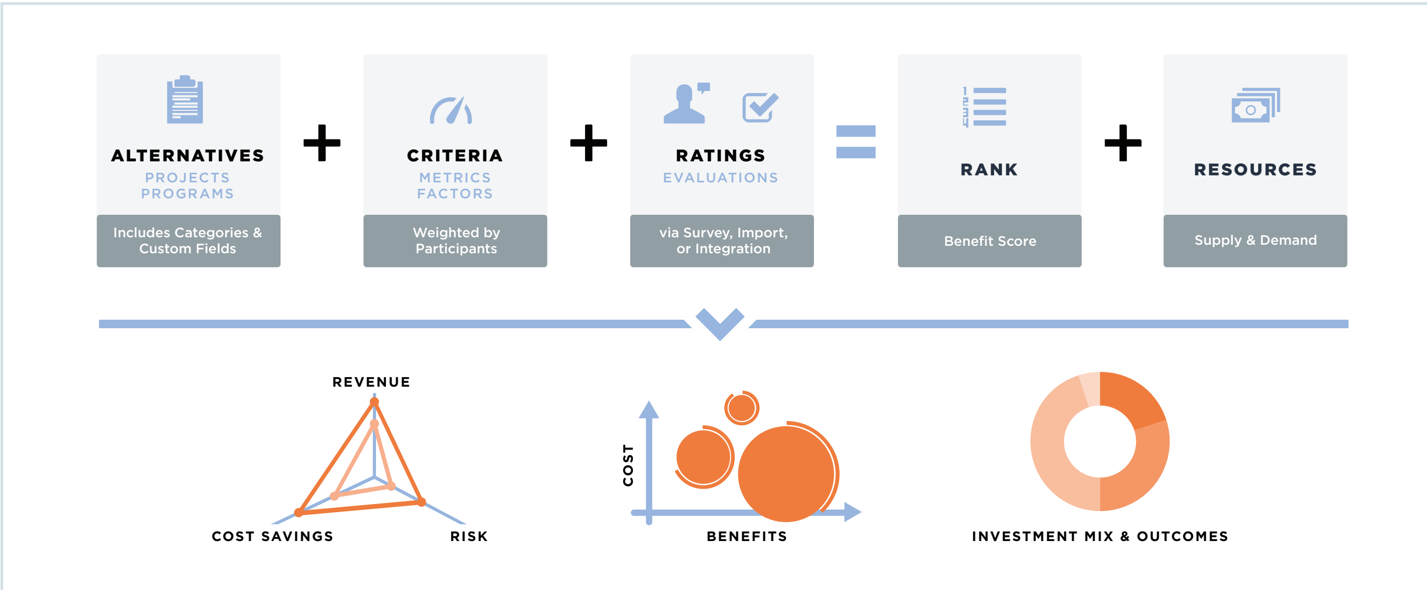
- Safety/Regulatory/Compliance
- Strategic Alignment
- Digital Transformation / Innovation
- Technical Debt Reduction
- Financial Benefit and Efficiency



Assess the true impact of investments against each strategic goal.

Deeper into the execution level, much of the focus today is on managing demand through resource capacity planning. This is a critical need to ensure timely delivery of key initiatives, but by itself is a dangerous mindset without being informed by strategy. Managing resource demand should be driven by achieving strategic outcomes—not just increased efficiency. In the absence of strategic prioritization, many organizations are trying to optimize by rolling up project-level plans into broader programs that are then affiliated, often ex post, to strategic initiatives put forth by teams seeking to justify their own plans in absence of broader portfolio strategies.

Overcoming this bias is not the province of spreadsheets, document sharing, project management apps, or social networking tools. Not that these are bad tools. They just are the wrong tools to fully enable scalable prioritization and resource planning. They can be somewhat collaborative, but often yield scattered, unstructured data that lacks a strategic prioritization mechanism. Getting stakeholder feedback is great, but applying it in a rigorous and focused way is the crux of the process.



Organizations are realizing that executing strategy effectively in the digital age requires a new set of tools and practices. Transformation leaders and EPMO leaders should consider investing in strategy execution software to help close the ever persistent 'execution gap'.

Gartner: Market Guide for Strategy Execution Software, September 21, 2016

Organizations need something that is built specifically for strategy execution. A solution that:

- easily gathers input from all stakeholders in a focused, efficient interface which fosters more genuine buy-in across the organization
- applies relevant data directly to portfolio prioritization without a need for manual collation or transformation
- uses simple visualizations to convey the resource implications of prioritization outcomes and the true decision points that must be addressed under specific sets of constraints and assumptions
- enables the governance process to easily separate the project selection decision from the resource allocation decision, which, although related, require different types of data and optimization algorithms
- quickly identifies resource allocation bottlenecks and helps you strategically alleviate them

Leaders do not want portfolio decisions made by default from the bottom up. Execution matters, and most PPM tools can play a pivotal role in ensuring more disciplined project delivery. But portfolio delivery, and the strategic benefits that should accrue from it, requires Strategy Execution. And this begins with Strategy.

There is simply far too much at stake in terms of growth opportunities, competitive advantage, alleviating technical debt, and business continuity to leave to the vagaries of manual labor.