Strategy IS Execution

By David Munt

About the author – David is founder and Managing Director of GenSight. He has 35 years experience as a business leader, entrepreneur, consultant and visionary educator in the field of strategy and innovation. He holds three degrees covering engineering, marketing and an MBA. David founded GenSight in the 1990's based on his vision of what strategy should be like. It has evolved constantly since then, and this paper represents the latest version of his thinking.

Strategy Realization

– *Abstract***:** This paper aims to summarize the cumulative learnings acquired from over three decades observing, developing and evangelizing on the subject of strategy, and more importantly the reality of putting strategy into action… or should it be putting action into strategy! The author has long since held the belief that real strategy emerges (Mintzberg), and that better strategy emerges if it is pointed in the right direction from the outset… and that truly great strategy emerges only when we accomplish genuine innovation as well. It is only when all those ingredients are present that real competitive advantage can be achieved. We have the tools and the insight, this paper presents the author's view on how to use them.

"Realization"… To make real, to become aware

It's not Sequential…

Execution doesn't follow strategy, it IS strategy. The first part classically regarded as 'strategy formulation' is vitally important, intellectually challenging, and complex… but all that does is get you to the start line. When the competitive race is on, which is all the time, its what you do as reality unfolds that counts.

There are so many simplified views around that depict this unrealistically as sequential. Worse still, corporate behaviour frequently follow the same pattern. Formulate strategy, summarise in a roadmap, develop the OGSM… and then cascade it into the organization. Evidence of the success rates of implementing strategy tells an awful story, and we all know it as well. Statistics vary but the message is always the same… "over 60% of strategies fail"…. "90% of strategies don't turn out as expected".. or my favourite most damning comment from a corporate veteran "I have never yet seen a strategy that worked".

Why do we keep doing it? Einstein famously said that the definition of insanity is to keep doing the same thing over and over and to expect a different result.

The movie Le Mans 66 tells a great corporate lesson. Ford versus Ferrari in the Le Mans 24 hour race. Ford developed a new strategy, to challenge Ferrari. They built a race car, got themselves to the startline, and set their corporate objectives clearly upon the team. The movie shows a great scene, shortly after the race starts, Mr Ford leaves the racetrack in a helicopter, to go off for a nice lunch somewhere… Meanwhile, the great Enzo Ferrari stays trackside, involved, adapting, engaged and truly presidential. Ferrari win. Mr Ford returns, and demands explanation of why the strategy failed.

Strategy Realization – Key Principles

Before we get into the logic of the framework, let us start by explaining some of the key principles and beliefs reflected in our approach.

Principle 1 – The whole process of strategy formulation, mapping, communicating and cascading into and throughout the organization is truly important – but its not enough. The principles of Kaplan and Norton are a key reference here.

Principle 2 – Emergent strategy. The concept was popularized by Henry Mintzberg, and essentially draws out the contrast between the intended strategy (that which was formulated by the board) and the strategy that actually emerges in practice.

Principle 3 – Innovation. Strategy comprises a number of themes that set a broad direction, and initiatives that accomplish actual improvement in desired areas. For this to yield real competitive advantage, there must be innovation. Without it, the organization simply will not thrive, no matter how brilliantly the strategy is formulated or described.

Principle 4 – Portfolio management is the core capability at the center of strategy realization. 'In reality, strategy is a collection of projects'. That is a succinct message I developed over 20 years ago, and it has long been a core tenet of the GenSight process methodology. Your portfolio of initiatives determines the future of your organization.

Principle 5 – Learning and adaption are key. The approach requires agility, to adapt along the way, and quite probably to substantially revise the original plan. The 'waterfall' approach is doomed to failure in a complex world. Back to the motor racing analogy, Formula teams constantly revise their strategy during the race. The very first corner usually means a complete 'rewrite' of the strategy.

The GenSight Strategy Realization Framework

The framework comprises of seven core elements – arranged as a hub and six spokes, plus an additional outer layer.

Element 1 – **Portfolio Management**. This is the central part of the framework. The portfolio of initiatives, projects and programs is the embodiment of what strategy an organization is actually pursuing. If we need to look anywhere to determine what strategy will emerge – it is the portfolio. If we need to change the direction of strategy, or to prioritize delivery or fit to resource constraints – the portfolio is where we must look as our reference point. However, the portfolio is not where the process starts, for which we move on to the next element.

Element 2 – **The Innovation Process**. Strategic initiatives comprise of many types – and it is most helpful to consider or classify these according to different value streams. A value stream can be anything that is needed to support the intended strategic direction (the next element), and typical innovation streams include but are not limited to: new products, R&D programs, digital transformation, process improvements, six sigma, capital projects, M&A.

Element 3 – **The Strategy**. Here we incorporate the classic view of strategy, defined in terms of two distinct layers. Firstly, a strategy map to help understand the logic of what themes are covered by the strategy and why. Second, a cascade of goals and objectives to provide a tangible focus for the rest of the framework to build upon.

Element 4 – **The investment model**. This is the financial part where we must assess every initiative for its viability, risk and likely return. The central part of this element is a profit and loss format of a business case, for each initiative. The added aspect of this element is that the project level financials need to be linked into the corporate level – this is not completely straightforward and some special tools and processes are required.

Element 5 – **Project Delivery**. The portfolio will not produce value all by itself – it must be delivered, actively managed by an appropriate framework of project management. Agile, lean, stage gate, whatever – the most appropriate choice will always depend on context, most particularly the timescale of the underlying initiatives. In the pharma industry, ten year timescales for a major new drug merits a very different approach to a rapid cycle time digital product release.

Element 6 – **Resource Management**. This part of the framework sits closely with the investment model (resources cost time and money), and also couples strongly with the project delivery element, to assign the right resources so that initiatives can be delivered in a timely fashion. More fundamentally though, it sits closely with the portfolio, as a constraining element, that ultimately will determine what and how much can be adequately resourced.

Element 7 – **Business Intelligence**. This is where we get feedback and learning. Visualization is key. Being able to see what is in the portfolio, what the balance looks like across different value streams, technologies, products, countries etc.. And beyond that, learning from history, being able to compare what we see emerging now in the portfolio, compared to what we expected perhaps a year ago. Hindsight is a wonderful thing, and if we can master the art of morphing it into foresight then so much the better.

The Toolkit for Strategy Realization

As will be clear from the above, strategy realization requires an integrated set of tools. There is a complex and multi-faceted set of functions to support – and an integrated custom designed set of tools is what is required. This is the business of GenSight. Its what we do, so in this paper we will simply express our view on what is needed.

Idea to Launch Process – The Innovation Funnel

Stage gate, Agile, hybrid, six sigma – preferred choice of process varies according to the type of the project or initiative.

The process tools should be configured to your process needs. You will almost certainly need to operate a range of different processes and templates across your strategic initiatives, innovation and product pipelines to cater for different project types and business unit needs.

Importantly, for large enterprise deployments, you should ensure you can freely mix and match processes to support a diverse range of projects

Get the best ideas to value faster, better, cheaper:

- Focus on best projects
- Workflow support
- Multiple processes
- Agile, Stage gate, Full, lite, express, DMAIC

MULTIPLE PROCESS MODELS
- Full, xPress, lite, custom
- Across BUs with different processes

GATE MANAGEMENT
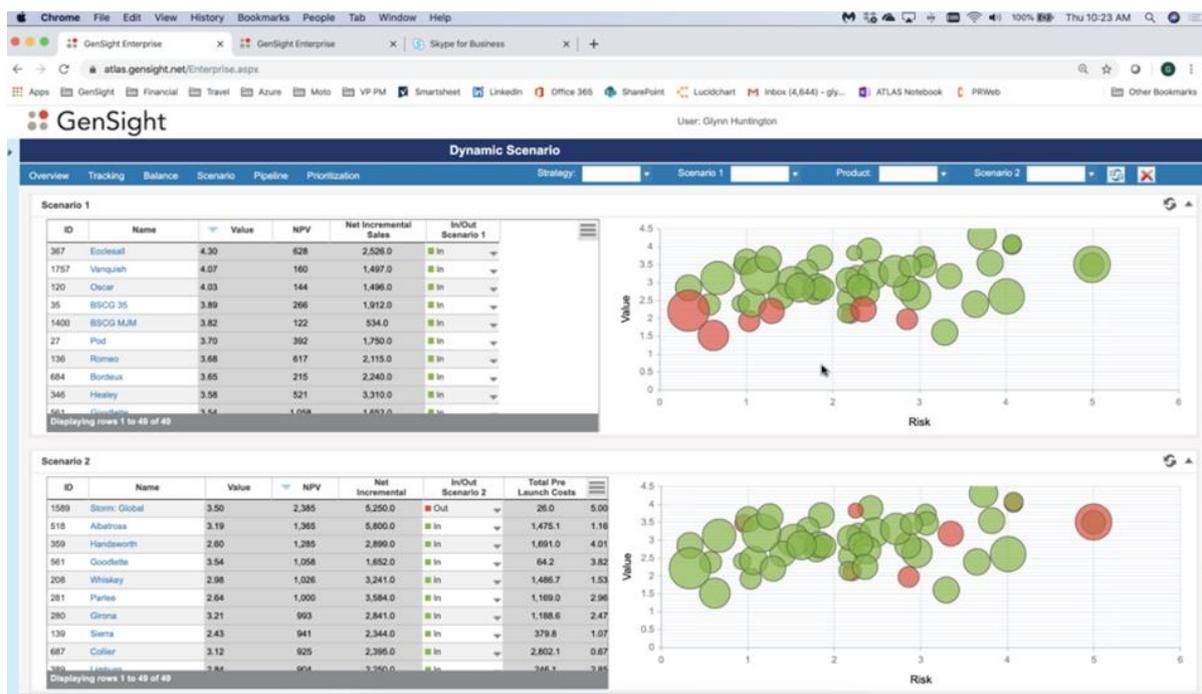- Deliverables, workflow
- Checklists, mandatories, governance

PROCESS WORKFLOW MANAGEMENT
- Cross functional
- Collaboration

SINGLE SOURCE OF TRUTH
- Enterprise wide solution
- Shared repository, documents

Portfolio Management

Flexible and powerful tools ensure you can make more informed decisions, at gate meetings and portfolio reviews. These tools bring objectivity to what can otherwise be a diffuse and cloudy task.

And, there are very few decisions that are more important than prioritization. From individual projects to the whole portfolio, the projects you decide to select today will determine the shape and prosperity of the business in the future.

• Multiple criteria
• Objective analysis/ranking
• Financial and strategic
• Value vs Risk
• Assess innovation profile
• Align to strategy
• Accelerate best projects

PRIORITIZATION

- Scorecards, weights, utility
- Qualitative and quantitative
- Financial rankings

VALUE VS RISK

- Financial and strategic value
- Commercial and technical risk
- Probability of success

STRATEGIC BALANCE

- Buckets
- Themes
- Gap Analysis

Interactive analytics enable you to understand the balance of the portfolio from multiple dimensions and ensure the portfolio will deliver the strategic goals of the organization. Time based models enable you to measure, plan and track the portfolio over time against criteria such as value, risk, innovation and other key portfolio indices

Strategy

There really are two distinct areas to this. Connected intrinsically but very distinct in purpose. The first is your strategy formulation process. The tools for this are many – SWOT, PESTLE, porter 5 forces competitive advantage – and have been written and researched exhaustively elsewhere, so we will not dwell on the detail here. The usage of these tools is essentially analytical - to come up with the desired direction for the overall enterprise, and for individual businesses. This analytical view then needs to be captured into a set of goals and objectives – which can steer the ongoing strategy realization process. These goals provide the steering by acting as a set of values, the basis of prioritization for ongoing dynamic management of strategy execution.
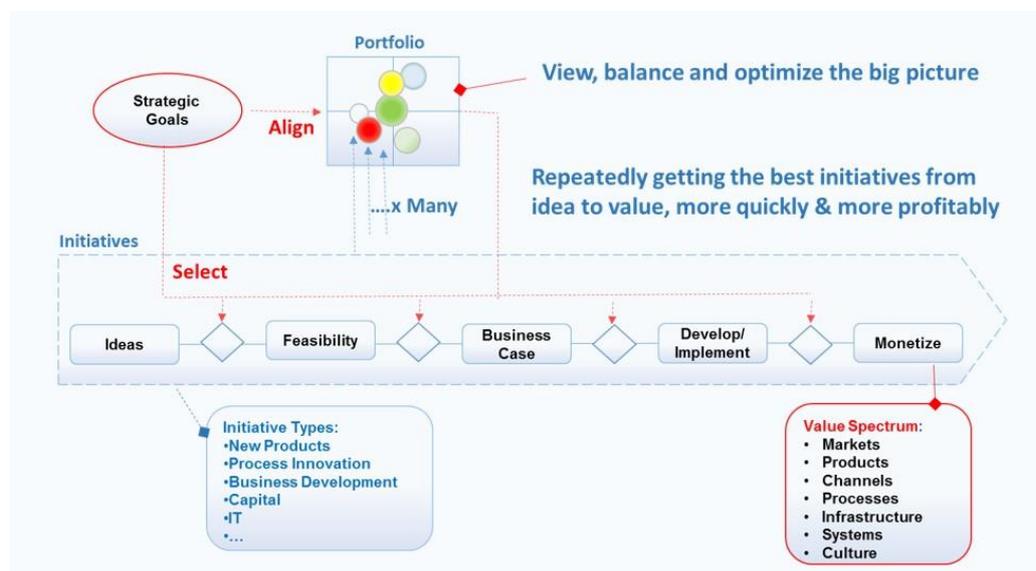
Investment Model

Strategy realization requires sophisticated yet easy to use financial modelling matched to the innovation process. Costs need to be estimated according to the development stages and milestones of each initiative/project to produce a cost model. Next, the incremental sales, profit and/or net benefit are estimated and risk adjusted. From that you can then see the business case for each project (NPV, ROI, payback etc.). The right tools will help you to build a robust sales and profitability plan. Typically, upfront costs are linked to milestones in the development plan, and revenue and operating costs are pinned to the launch dates.

The linkage of individual program and initiative plans through to the overall corporate financial plan is crucial. This requires that any changes in scheduling are automatically fed through to the overall financial calendar
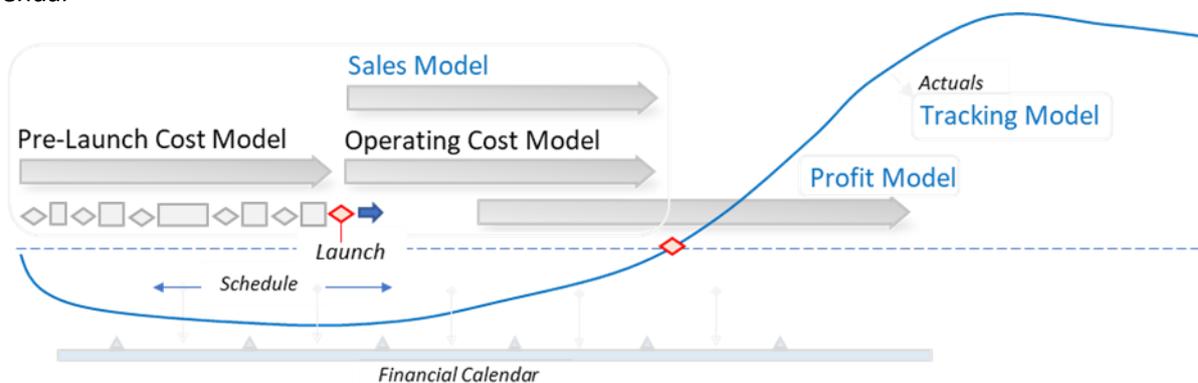
Project Management

All project information should be stored centrally. You can benefit enormously from secure shared environments that holds the latest information. This acts as a gateway to encourage and facilitate cross functional collaboration, and high-quality information collection. Project managers and team members should be able to easily get the latest view from role-based dashboards, maintained and updated in real time.

A fully integrated solution will mean that information captured from project teams is automatically aggregated and analyzed to feed into high level reports and analytics. This ensures that the view from the top is always based on reality, and that decisions and priorities on the innovation and strategic pipeline can be cascaded seamlessly into project plans

For global enterprises, multiple processes will be required to cater for widely varying process methods between different business units. The right solution will offer flexibility so that you can have different processes for different types of project, including being able to determine loose or strict governance rules, mandatory and optional criteria for gates, resource profiles etc. An integrated solution should incorporate best-practice workflow, templates, checklists and tools to leverage proven methodologies.

Resource Management

A resource planning model enables you to forecast and manage the resource requirements of your projects. The model should be flexible, and cover planning by role and/or individual named resource. Analysis by role should be adapted to suit the roles/functions in your business. The resource planning model covers both the supply and demand side of managing resources, over time, so you can manage capacity requirements

In addition to planning, is the need for a resource allocation workflow model – spanning the stages of request, assign and schedule - according to your specific business needs. These functions should link with the resource planning model. It's all about flexibility, so you can deploy the right tools as you need them.

SUPPLY VS DEMAND PLANNING

- Role/skill based capacity planning
- Multiple time periods
- Shortfall analysis

ALLOCATION

- Named resource allocation
- Generic/shared resources
- Allocation workflow

TRACKING

- Time and cost recording
- Planned vs Actual
- R&D Tax Credit Reporting

Business Intelligence

Interactive reports and charts can deliver rich and focused information on all projects in the portfolio. Reports should cover all the vital KPIs, financial, categorization and status type information. Visualization formats that prove insightful include portfolio bubble chart, waterfall, pie chart, line, bar, Gantt, pipeline chart and many others.

The use of interactive dashboards to track and manage the portfolio is highly recommended. They provide an informative visual summary of KPIs across the portfolio. You can drill down to detail, get numeric tabular reports, slice and dice the data. With an extensive suite of visual options you can get the most effective visual display of information.

Implementation – How to Build and Enhance your Strategy Realization Capability

The key here is to look at the maturity level of your existing processes and capabilities, and to set out a sequence of priorities to address and build the most critical capabilities first. Don't try to do it all at once.

Conclusions

We are in an amazingly complex and surprising world. Strategy must be brought into the realm of doing. It seems so obvious, but the hard bit is accomplishing it.

The brave new offerings of Strategy Execution Management tools offer promise, though many of these prove to be quite simplistic in nature. Often not much more than communication tools to cascade the strategy ideas to a larger number of corporate people. In this paper we have argued the need to take a bolder approach.

Craft the tools and processes you need so that real strategic insight and action can become an intrinsic part of the fabric of the enterprise.

And, last but not least…. be Enzo Ferrari not Mr Ford.