

Overcoming Strategy to Execution Gaps

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Why are we here?

Unfortunately, Strategy Execution Often Looks Like This

- **Conflicting Priorities**
- **Overloaded Resources**
- **Confusion About Direction**



When It Should Look Like This

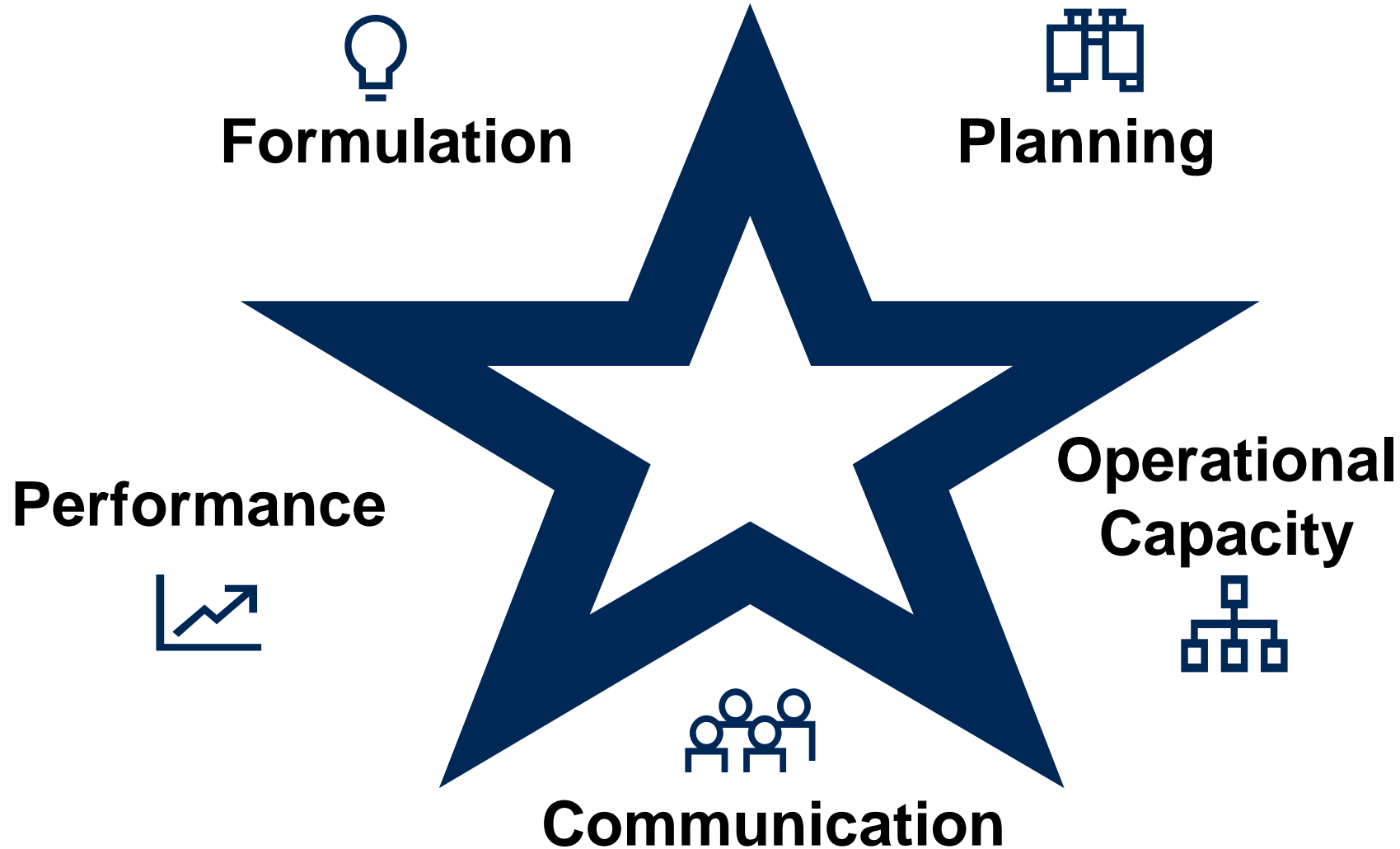
- **Clear and Consistent Priorities**
- **Sufficient Bandwidth**
- **Clear Direction and Purpose**



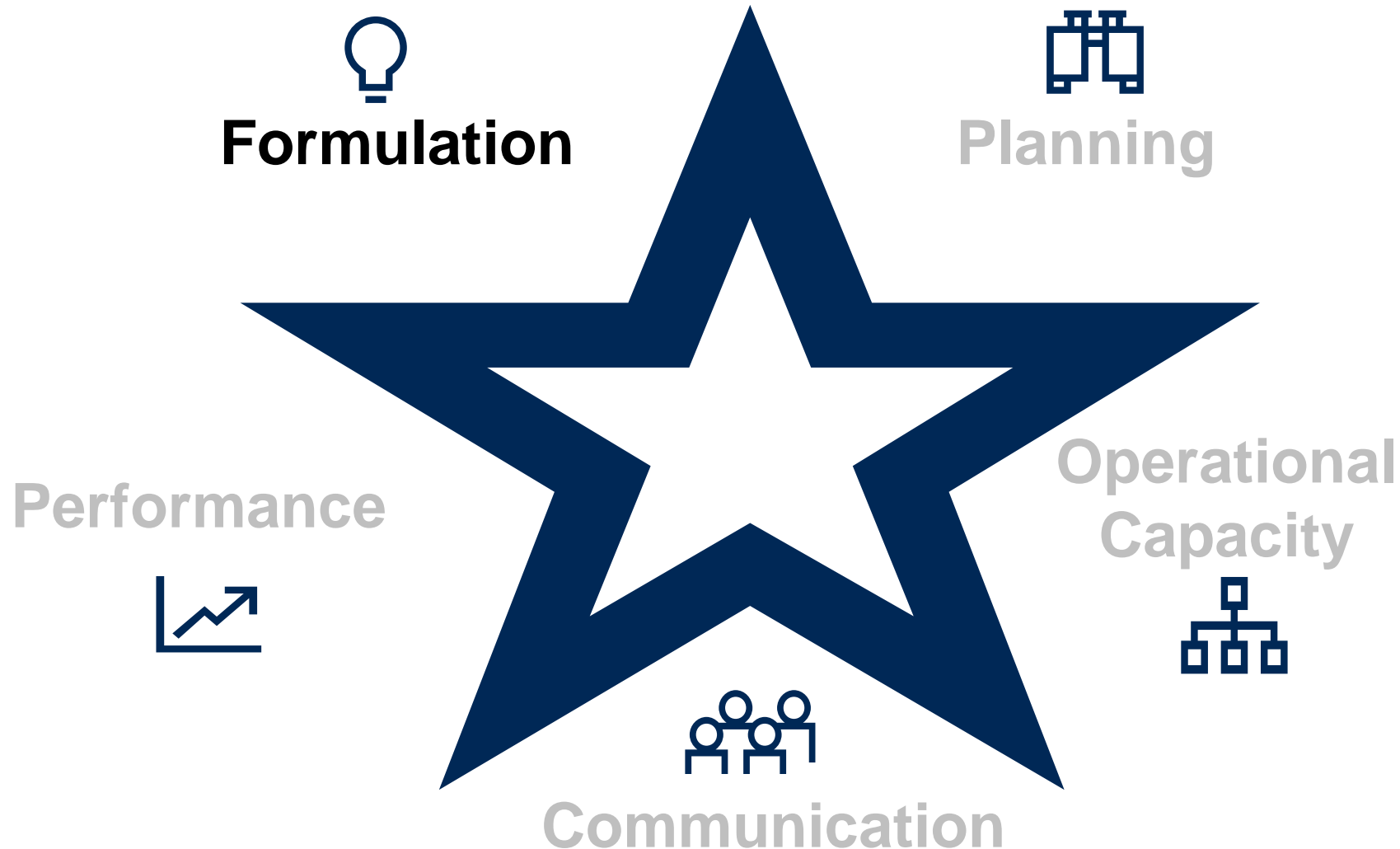
We Must Identify and Fill Strategy Execution Gaps



Great Execution Demands Excellence in 5 Areas



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Strategic Formulation



The process by which an enterprise chooses the most appropriate courses of action to achieve its defined goals.

Breakdowns	Causes	Actions
Inflated Expectations	<ul style="list-style-type: none">✗ <i>Assumptions about ability to execute may be unrealistic</i>✗ <i>Planning Fallacy</i>	<ul style="list-style-type: none">✓ Educate business/mission on trade-offs and choices✓ Retrospective/post-mortem on past projects
Leadership Conflict	<ul style="list-style-type: none">✗ Divergent management opinions and demands create resource conflicts and unresolved disputes	<ul style="list-style-type: none">✓ Identify 'driving forces' outside your org that will have a major impact on the success of potential initiatives (e.g. technology readiness, customer readiness, operational readiness). Reach out and align as possible
No Shared Understanding of Value	<ul style="list-style-type: none">✗ Analytics is being 'sold' into the mission instead of drawing from Mission/BU strategy	<ul style="list-style-type: none">✓ Create evaluation criteria explicitly from BU/Mission strategy lines

83% of Strategies Fail Due to Faulty Assumptions

Deeper Dive: How Capital Group Simplifies Communication of Architecture Debt

Frame architecture debt as a business decision with costs and benefits to improve project stakeholders' understanding of speed trade-offs.

- Quantify architecture debt only when feasible; tallying dollar amounts often invites questions and doubt.

IMPROVE UNDERSTANDING OF TRADE-OFFS

Conversation Guidance for Architecture Debt

Illustrative



Architectural Debt Case Evaluation

Description: *Mobile Client Billing Tool*

Request: *Design point-to-point interface with system X, which system Z is set to replace.*

Initial Recommendation: *"Bad Debt" would be acquired. Hold project.*

Project Proposal Drivers of Value

<input checked="" type="checkbox"/> Speed to Market	Summary: <i>The proposed timeline will bring the tool to market faster, but it doesn't appear to give us a competitive advantage. Is this true?</i>
<input type="checkbox"/> Competitive Differentiation	
<input type="checkbox"/> Regulatory Compliance	
<input checked="" type="checkbox"/> Other <i>New functionality</i>	

Project Proposal Drivers of Cost and Risk

<input type="checkbox"/> Redundant Capability	Summary: <i>The same issues with usability and data retrieval we've had with system X will persist and likely worsen.</i>
<input checked="" type="checkbox"/> Difficult Integration	
<input checked="" type="checkbox"/> Data Quality Weakness	
<input type="checkbox"/> Other _____	

Alternative Design Plan

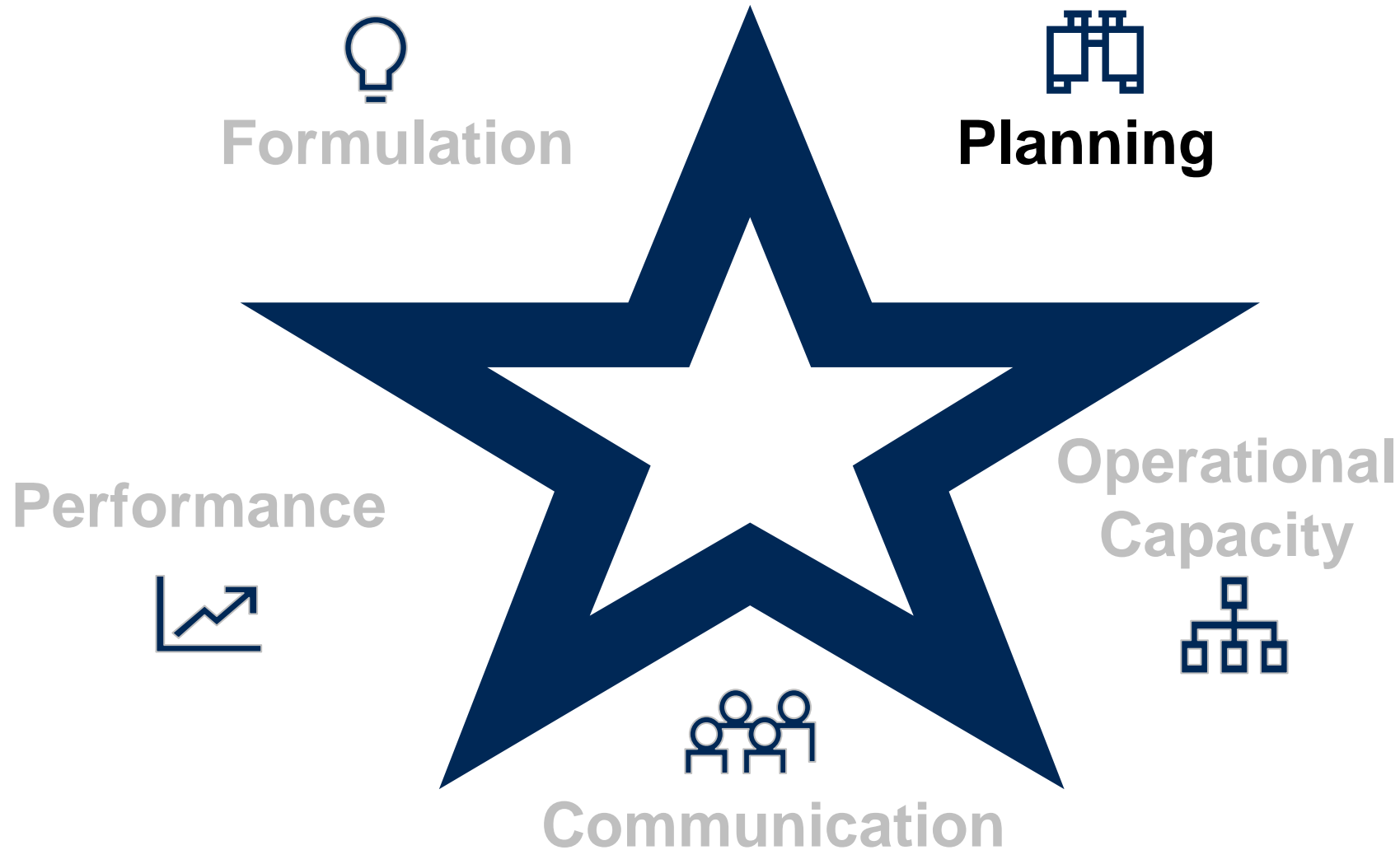
Creation of a new project timeline that completes all non-integration work in time for arrival of system Z

Explicitly phrase uncertainties in the evaluation as questions rather than statements of fact.

Connect previous technology failures to current design proposals as context for recommendations.

Source: Capital Group; CEB analysis.

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Planning Traps and Execution Barriers

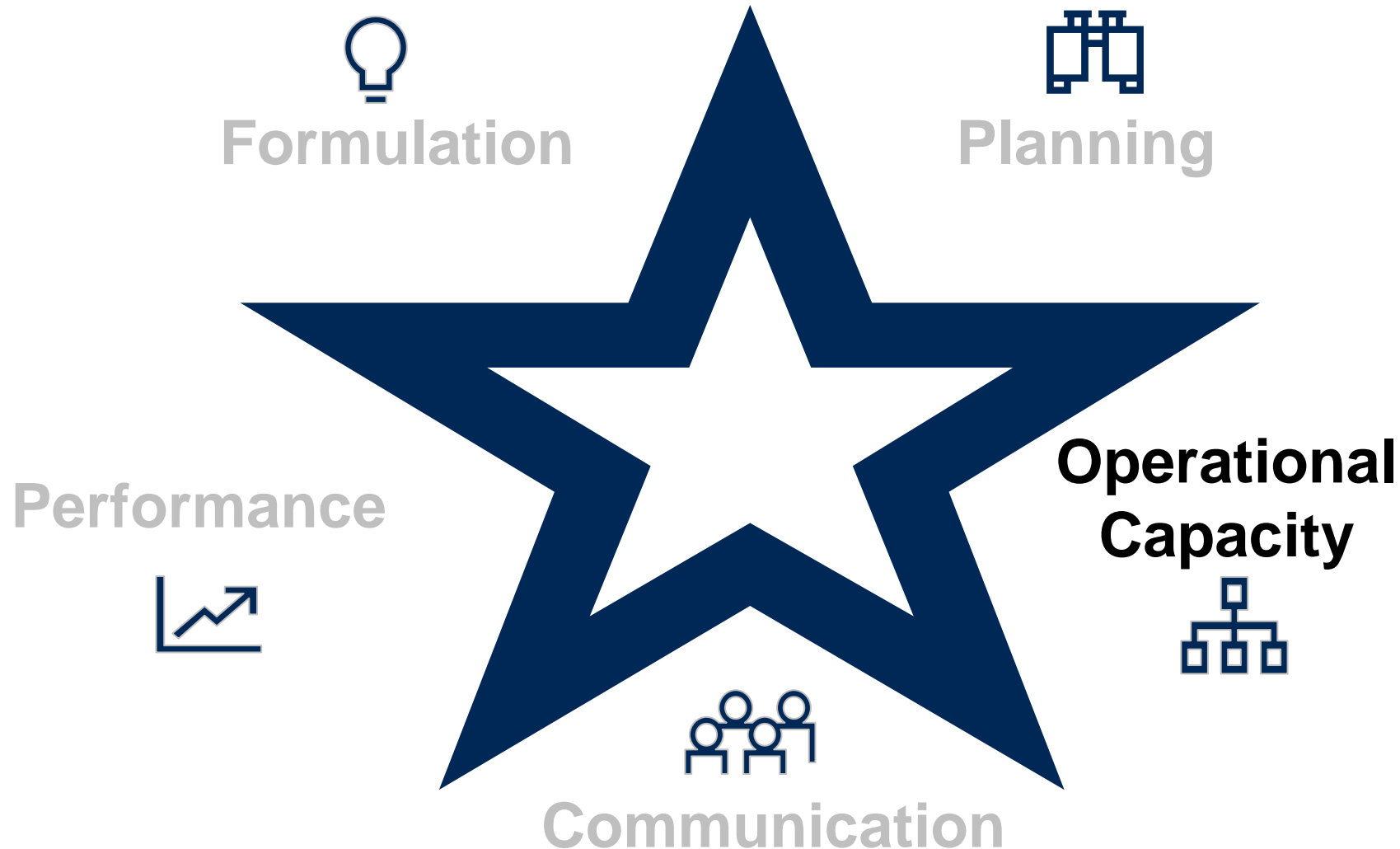


Process of outlining the activities required to achieve strategic choices and desired results

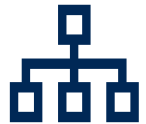
Traps	Causes	Actions
Functional Misalignment	✗ Competing divergent demands overload the org	✓ Organize capabilities into mission options to guide executive decision-making. Collect demands into natural groupings to synthesize priorities
Vague or Unclear Strategy	✗ Executives cascade mission statements and high-level objectives that don't easily translate into specific actions	✓ Translate mission / statement of purpose into evaluation criteria

67% of key functions are not aligned with BU and corporate strategies

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Operational Capacity Traps and Barriers

 The enterprise's ability to harness all its skills, capacity, and resources in order to gain competitive advantage and achieve its goals

Breakdowns	Causes	Actions
Incoherent operations	✗ Each team creates operational practices and resource plans independently	✓ Define an I&T&D&A operating model aligned to ambition, conduct gap analysis and migration plan
Capacity Bottlenecks	✗ <i>Hidden tasks and commitments undermine ability to execute</i>	✓ Identify and resolve critical capacity constraints at the individual contributor level
Operational Breakdowns	✗ Business constraints make it unable to absorb and apply strategic solutions	✓ Improve collaborative design capabilities and collaborate early to break down barriers.

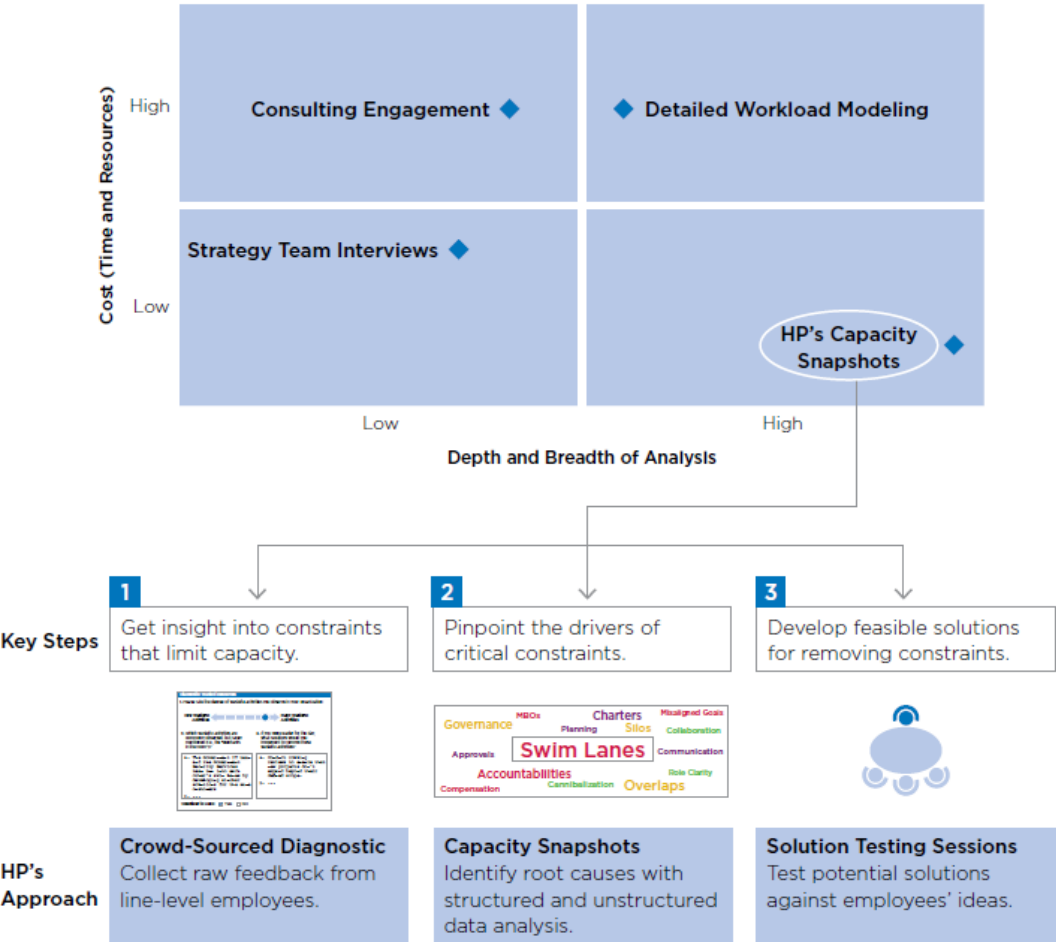
76% of employees report they lack the necessary tools and capabilities

Deeper Dive: HP Surveys Employees to Uncover Hidden Capacity Constraints

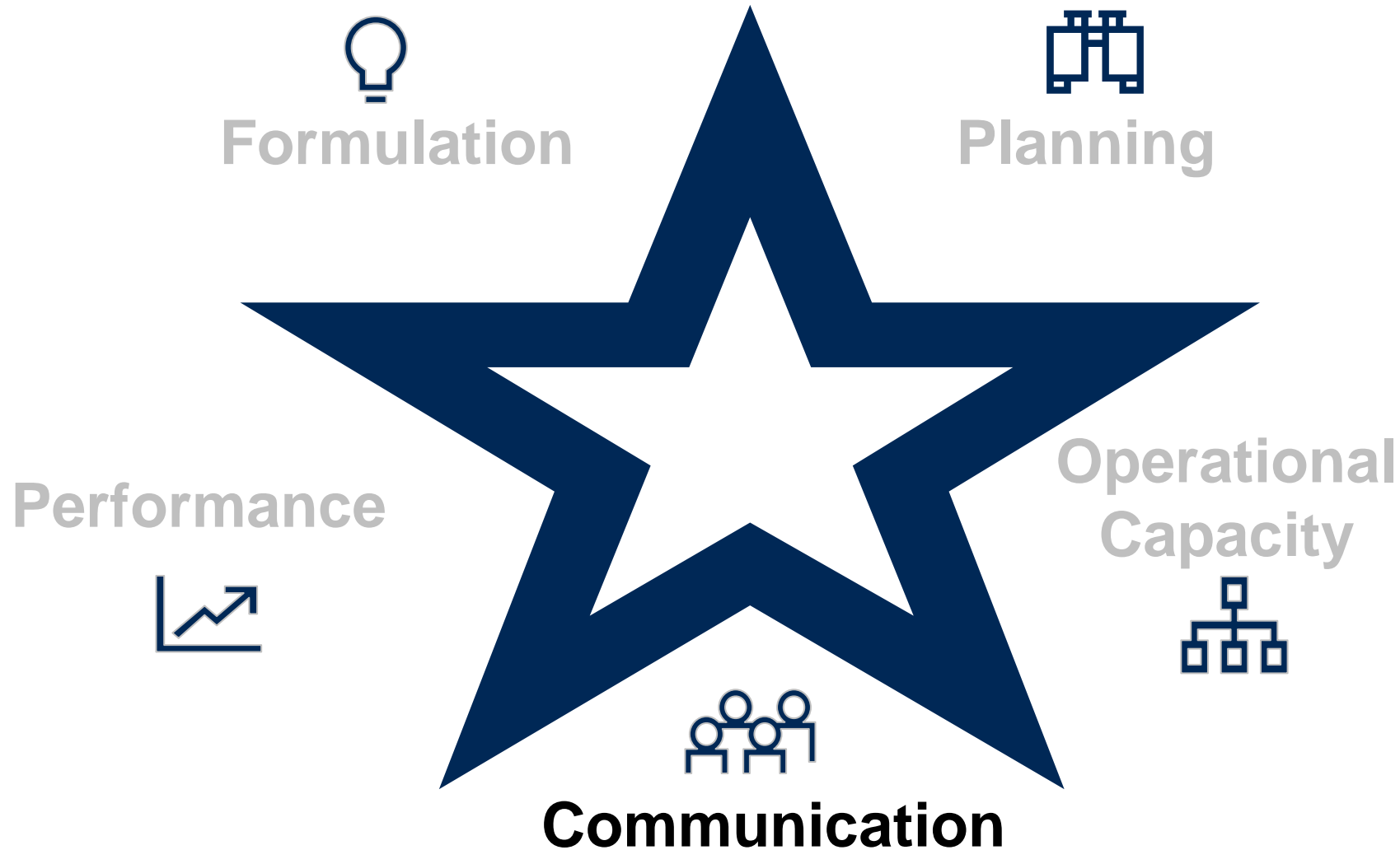
LOOKING BENEATH THE SURFACE



Approaches to Uncovering Hidden Capacity Constraints
Illustrative



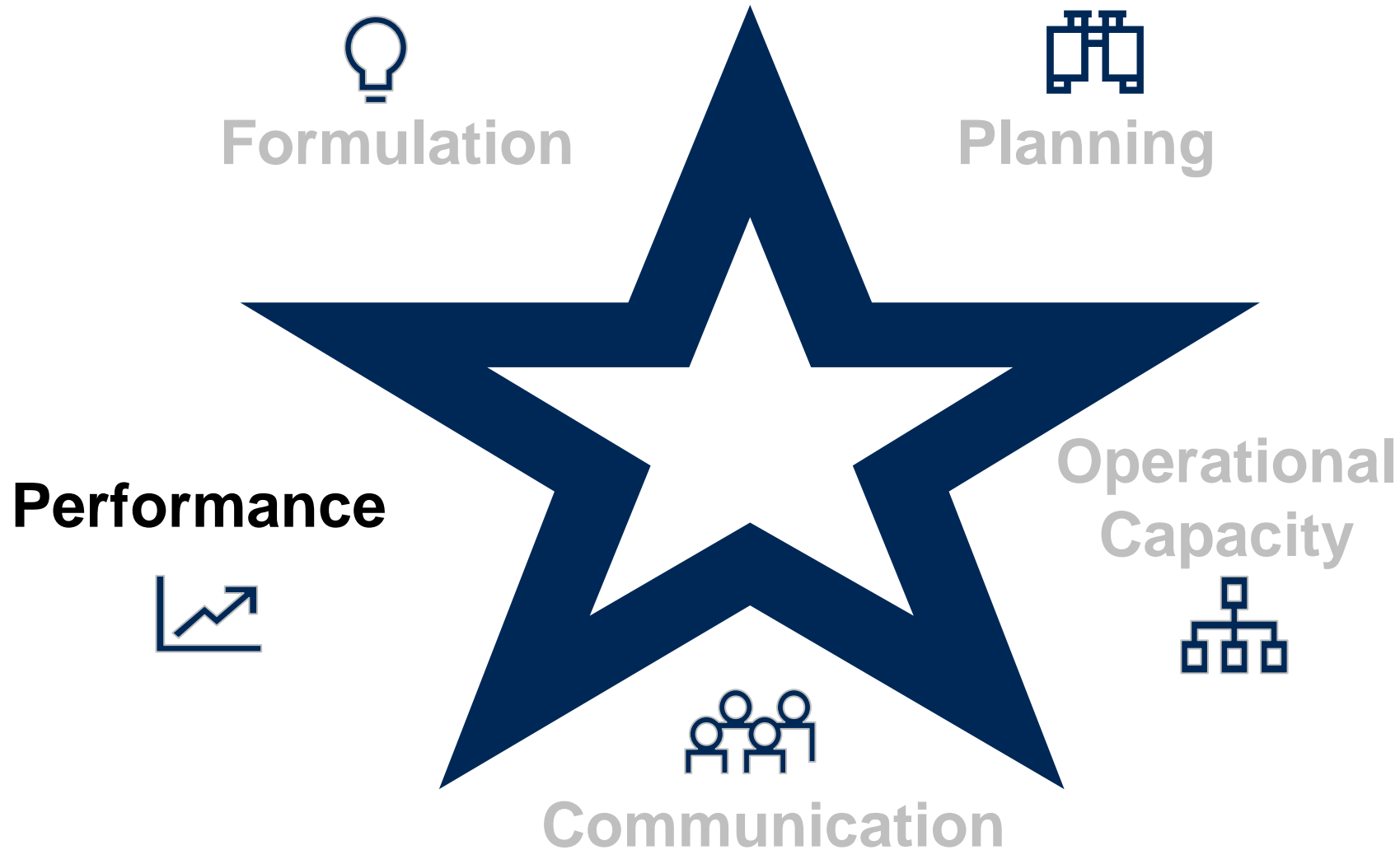
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Communication Traps and Execution Barriers

Breakdowns	Causes	Actions
Hidden Resistance	<p>✗ Teams do not buy-in so they undermine and block execution (e.g. hiding projects, false alignment, unwillingness to pause or drop activities)</p>	<p>✓ Conduct one-on-ones to understand points of view on readiness: resource constraints, impact on business, unwillingness to change</p> <p>✓ Be introspective and willing to pivot on execution points while unwavering on mission outcome</p>
Miscommunication	<p>✗ People are unclear on what to do, how to change (e.g. what, exactly, should I do differently?)</p>	<p>✓ Assemble leadership to agree on desired <i>behavioral</i> outcome of communication, messaging and communication channels</p>
Skepticism	<p>✗ Individuals do not believe in the strategy so they disengage.</p>	<p>✓ Small group strategy review sessions, share paths not taken, capture tough questions that can refine strategy.</p>

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Performance Traps and Execution Barriers

 Process to monitor and evaluate the performance of strategic choices against defined strategic goals and objectives

Breakdowns	Causes	Actions
Mismatch Between Metrics and Strategy	<ul style="list-style-type: none">Standard analog financial and operational metrics fail to capture benefits of the strategy.	Build KPIs and LPIs to measure strategic objectives such as performance of products and services
No Initiatives are Terminated	<ul style="list-style-type: none">Funding is rigid so resources cannot be redeployed based on conditions<i>No process for termination</i>Poor visibility on long-standing projects	Incorporate forced investment / divestment decisions in review process. Flexible contracting vehicles and platforms
Mismatch of IT strategy and Mission strategy	<ul style="list-style-type: none">Poor balance of following and showing opportunities.	Involve mission partners in KPI selection and rating.
No Pivoting After Failure Signals	<ul style="list-style-type: none"><i>Lack of time-bound specific metrics.</i><i>Perverse incentives.</i>	Create time-bound, specific metrics for KPIs. Align performance measures with outcome progress and efficiency.

58% of organizations lack sufficient process to monitor strategy

Deeper Dive: ADP Strategic Initiative Audit

ADP asks executives to consider all growth initiatives as candidates for either acceleration or reassessment.

- Instead of ranking projects, ADP implements a process that focuses on the next steps for initiatives. The strategist delineates only two categories for projects: Accelerate or Assess.
- For projects in the Accelerate category, general managers must decide in each case whether to fully fund immediately or stagger funding as the more risky initiative proves successful.
- For projects in the Assess category, general managers must decide whether to halt funding or move a project back into the Accelerate category depending on whether the project appears to provide minimal return or to lack strategic fit.

NO MIDDLE GROUND



Growth Initiatives				
Category	Accelerate		Assess	
	Are We Appropriately Funded?	Analyze, Prove, Accelerate	Should We Delay or Stop?	Should We Be in This Category?
Initiatives	<ul style="list-style-type: none">Established initiatives, gaining scale, high confidenceIncludes four initiatives equal to approximately 41% of fifth-year-out revenue	<ul style="list-style-type: none">Early in life cycle, higher risk of volatilityIncludes five initiatives equal to approximately 29% of fifth-year-out revenue	<ul style="list-style-type: none">Different levels of risk and opportunityAdditional 28 initiatives equal to approximately 30% of fifth-year-out revenue	
FY 2013 Revenue	\$xx	\$xx	\$xx	\$xx
FY 2013 NOI	\$xx	\$xx	\$xx	\$xx
FY 2013 Investment	\$xx	\$xx	\$xx	\$xx
FY 2017 Revenue	\$xx	\$xx	\$xx	\$xx
FY 2017 NOI	\$xx	\$xx	\$xx	\$xx
FY 2017 Investment	\$xx	\$xx	\$xx	\$xx
Key Outcome	In-Depth Review of Initiative Leadership Completed		100-Day Review Cycle Established	
			Several Initiatives Delayed; Funds Reallocated	

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Source: CEB, CEB Strategy Leadership Council, 2008

**“In preparing for battle
I have always found
that plans are
useless, but planning
is indispensable”**

Dwight D. Eisenhower

