Implementing Strategy

The Tactics of Strategy Execution

Norveld

Making your strategy work™

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A Word on Strategy Execution

> Most organizations are faced with more project requests and ideas than resources required to get them done. The difficulty comes from deciding on what the right thing to do is and what should not be done. Developing a strategy is only the beginning, the hard part comes next.

To create a business strategy is to create a framework to guide the selection and prioritization of tactical activities intended on achieving a long-term goal. An organization's strategic plan is only as good as the organization's ability to execute it.

Once the organization's strategy is agreed to, the participants leave the meeting filled with confidence and high expectations of a bright future. However, 60% of the time, these expectations are never realized. Instead, confidence is often replaced with reorganization and the updating of resumes.

"*Strategy execution is a hot topic in management today. In fact, the Conference Board's recent Survey of CEOs revealed that chief executives are so concerned about strategy execution that they rated it as both their number one and number two most challenging issue. For anyone who's tried to execute strategy, this finding should come as no surprise: it's estimated that more than 60% of strategies are not successfully implemented.*"

> What Is Strategy Execution?
> Posting Date: January 07, 2010 By: Ed Barrows
> American Management Association

"*Take, for example, the case of a global consumer packaged-goods company that lurched down the reorganization path in the early 1990s. Disappointed with company performance, senior management did what most companies were doing at that time: They restructured. They eliminated some layers of management and broadened spans of control. Management-staffing costs quickly fell by 18%. Eight years later, however, it was déjà vu. The layers had crept back in, and spans of control had once again narrowed. In addressing only structure, management had attacked the visible symptoms of poor performance but not the underlying cause—how people made decisions and how they were held accountable.*"

> The Secrets to Successful Strategy Execution
> by Gary L. Neilson, Karla L. Martin, and Elizabeth Powers
> Harvard Business Review – June 2008

Decision-making in the world of strategy execution revolves around doing the right things, which is, being effective with the tactics or projects chosen to achieve the objectives of your strategy.

"*There is surely nothing quite so useless as doing with great efficiency what should not be done at all.*"

"*Current tools focus on efficiency. What we need is a way to identify the areas of effectiveness … and a method for concentrating on them.*"

> Peter F. Drucker, "What Executives Should Remember,"
> Harvard Business Review, February 2006

Much has been written about graphic displays for decision-making. For years may information technology research and advisory organizations have promoted some form of quadrant analysis to assist in decision-making. These two-dimensional charts, presented in the form of an X-Y (Cartesian plane), are often promoted with predefined assessment arguments and assessment scoring elements to assist in plotting a tactical proposal.
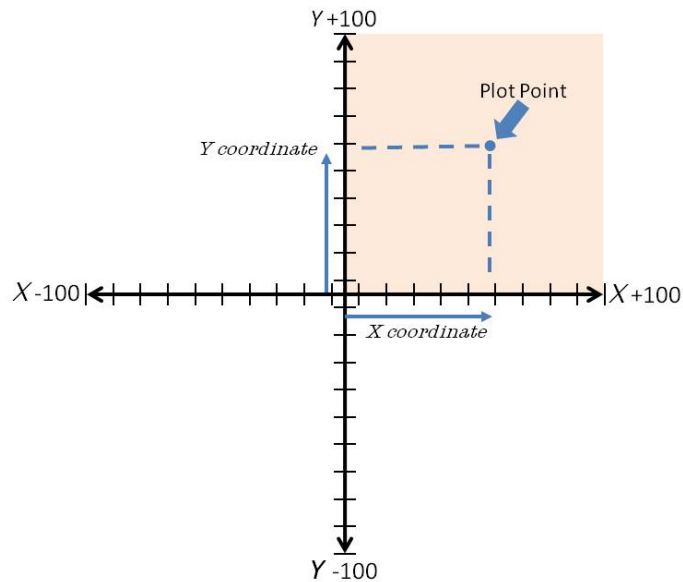

Figure 1: The Cartesian plane example

A second approach is to develop a custom set of arguments and scoring criteria used in creating plot points on the plane. It is common for the leadership teams to discuss and agree on these parameters. This process generally results in a consensus and can be subject to influences such as politics, dominant player, apathetic player, self interests, etc.

For these reasons, converting strategy, goals, and objectives into arithmetic based decision-making criteria which will graphically display the project assessments in the form of a Cartesian plane chart continues to be flawed.

Historically, there has been no detailed methodology that can derive the assessment arguments, and the math needed for scoring, which will assure an accurate conversion from a language based plan to an arithmetic based plane representing a true strategy based assessment of project proposals.

Despite the current availability of strategy execution tools, technology research, and advisory company proposals, successful strategy execution remains at below 40%, and the underlying cause – how people made decisions and how they are held accountable – remains.

A Word on Decision-making

Decision-making is regarded as a problem solving activity that concludes when a satisfactory solution is reached. It is a process that is often based on explicit as well as implicit assumptions. However, decision-making in the world of strategy execution should be made using only explicit assumptions that are derived from a predefined strategic plan. The decisions made would result in a series of tactics, or projects, used to execute the strategic plan. These projects would comprise a strategic projects portfolio.

Just as there are several categories of plans, there should also be several categories of project portfolios. For example, an organization's long term strategic plan would result in a strategic projects portfolio. A short term operational or flexible plan would result in an operational projects portfolio. Other plans outside the value chain such as Information Technology and Human Resources would also result in their own project portfolios.

The decision-making process for the strategic projects portfolio will place emphasis on the project value or contribution to the plan and the organizations capabilities, while the decision-making process regarding the operational projects portfolio may place emphasis on elements such as cost, maintenance and replacement schedules. The derived arguments used in the decision-making process could differ from portfolio to portfolio. A common mistake is attempting to consolidating different portfolios to achieve a "one view fits all" scenario. At best this will cause complexity, confusion, and even political posturing. At worst it may result in doing the wrong projects.

The process for conducting an appraisal of a strategic project proposal and deciding on its significance in the portfolio is a scoring process conducted against a series of common arguments that are derived from language in the strategic plan.

The process for deriving the strategic arguments is neither quick nor easy. However, the accuracy of the results and the advantages are huge. These strategic arguments will represent the Y (vertical) axis showing the level or degree of alignment the project proposal has against the strategic plan – the Value of the proposal.

The X (horizontal) axis should represent the difficulty the organization may have in executing the proposal. These arguments would show the level or degree of alignment the project proposal has against the organizations capability to complete the project – the Challenge of the proposal. Again, a process is applied to the organizations strengths, weaknesses, lessons learned information, and project post mortems to derive the challenge arguments.

Flaws in the Current Decision-making Models

Let's start by looking at the difference between "how" to make a decision and actually "making" a decision.

How to make a decision can take a simple form such as

- Flip of a coin
- Survey results
- Role of the dice
- Political compromise

- 3rd Party (expert) recommendation
- Voting

We can add more science to this process by looking at the Vroom-Yetton-Jago Normative Decision Model. Their model involves an analysis of the situation surrounding the need for a decision resulting in a proposed method for how to make the decision. This analysis directs the decision process to 1 of 5 methods ranging from autocratic to group based. However, as mentioned earlier, both the analysis and the decision itself generally results in a consensus and can be subject to influences such as politics, dominant player, apathetic player, self interests, etc. This flaw intensifies as the decision method moves from autocratic through to group based.

Most decision support applications that use plotting on a Cartesian plane try to combine the "how" with making the decision itself. The objective of plotting on the Cartesian plane is to create plot points using two significant parameters in order to compare multiple options intended on solving a problem. Often, this process is used to assess and select project proposals when there are more proposals than resources. These two parameters are generally

- The value or the proposal assessed against a strategic plan
- The risk assessed against the difficulty or challenges of executing the proposal

After the value and challenge arguments have been answered and scored the plot point should clearly indicate which is the best option. See figure 2 below – The Value – Challenge assessment
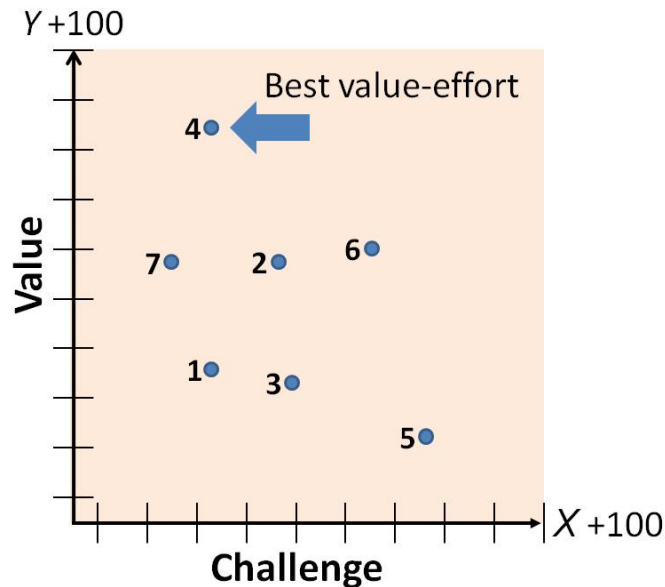

Figure 2: The Value – Challenge assessment

This assessment process can be applied to the Vroom-Yetton-Jago Normative Decision Model which would identify who should be involved with the assessment process.

However, developing the parameters for the X and Y planes, which includes the arguments and the scoring methods and measures, has traditionally been poorly developed by using a simple voting method or by attempting to reach a consensus within the leadership team. A persuasive individual can often diminish the quality of arguments, or scoring methods and measures, by introducing a consistent and long lasting bias. This can sway a team in favor of decisions that are less than optimal.

Neutralizing the Flaws in Decision-Making

Neutralizing the flaws in decision-making begins with removing influences such as politics, dominant player, apathetic player, self interests, etc. in developing the arguments, scoring methods, and scoring measures used in the assessment process.

The value elements should be derived from the strategic plan. The time for negotiation is during the development of the strategic plan where the focus is on the organization as a whole and not directed at a single or specific project. Too often the strategic plan is forgotten when making a decision regarding a specific project proposal. In fact, the strategic plan may well have been forgotten except for an annual review. Remember, "… successful strategy execution remains at below 40%, and the underlying cause – how people made decisions and how they are held accountable…". Keeping the organization's strategy out in front of the leadership team is crucial to effective decision-making.

The challenge elements should be derived from the organization's history regarding internal skills and capabilities as well as external influences such as Political, Economic, Social, Technological, Legal and Environmental (PESTLE) factors.

A similar process can be applied to a single plane for assessing project execution priority. The factors used to develop priority arguments, scoring methods, and scoring measures would be unique to current conditions affecting the organization. These conditions could change often and result in changes to project execution priority.

Once several projects have been approved, the result is a projects portfolio where strategic projects can be tracked and continually monitored.

In all three planes some negotiation may occur during the scoring process. However, the business case should clearly state the expectation and establish accountability.

A New Decision Model

Defining the Portfolio Arguments

An argument is an attempt to persuade someone of something. It results in a reason or evidence for accepting a particular conclusion. Project portfolio management is concerned with three distinct classes of arguments:

- Value to the organization (alignment to the strategy)

- Challenge to the organization (alignment with capability)
- Priority within the organization (alignment with schedule importance)

For each argument class, several specific arguments may exist. Collectively, the specific arguments within each argument class will answer three explicit questions about a project proposal and should do so in the following order:

1. Should we do it? (Value)

2. Can we do it? (Challenge)

3. When do we do it? (Priority)

The real difficulty in answering these questions is reaching an unbiased assessment that can achieve consistency and transparency in the decision-making process. Biased input to the process can cause problems leading to imprudent decisions and potential conflict among the leadership teams.

There are two process elements needed to support consistency and avoid bias:

- Specific weighted arguments within each argument class
- Scoring methods and measures for each specific argument

An accurate method for developing these process elements is to derive them from the organization's documentation, such as the strategic plan. This is a unique method developed by Norveld Business Systems, Inc. that converts the language in the documentation to specific weighted arguments and scoring methods and measures for each class of argument. The resulting arithmetic is used to calculate the value, challenge, and priority of a project proposal against the organization's documented strategy (or objectives), capabilities, and priorities, thus ensuring the organization of both consistency and transparency in the process of selecting projects for the portfolio. Additionally, this method will help to validate the plan itself. If any specific or important variables change, a recalculation of the decision-making elements can be quickly made.

Defining the Weighted Arguments

Value Arguments

Each Value Argument is a statement that can be measured by the predicted outcomes contained in a proposal. Value identifies what opportunities or projects would prove most beneficial to growth or progress against the organization's strategic plan.

Each Value Argument is weighted between one and 100. The total weight of all Value Arguments must equal 100.

Challenge Arguments

Each Challenge Argument is a statement that can be measured by the predicted efforts and obstacles (including risk) required to execute the proposal. Challenge identifies what level of difficulty would be involved in the execution of a specific opportunity or project.

Each Challenge Argument is weighted between one and 100. The total weight of all Challenge Arguments must equal 100.

Priority Arguments

Each Priority Argument is a statement that can be measured by the need for immediacy of the predicted outcomes contained in a proposal. Priority identifies the execution sequence or primacy from a list of approved projects.

Each Priority Argument is weighted between one and 100. The total weight of all Priority Arguments must equal 100.

Defining the Scoring Methods and Measures

Scoring methods and measures are used to assign specific scoring values to all of the derived arguments. The scoring method creates cohesiveness in a scoring list of attributes that are assigned to each argument. The scoring measure creates cohesiveness in the arithmetic value assigned to each scoring attribute.

Scoring Method

The scoring method is a categorization scheme used for developing scoring outcomes. Each Argument must use only one of three scoring methods:

- Ordered inclusive
- Ordered exclusive
- Exclusive

An ordered inclusive list means that all properties of a scoring measurement will be passed from its predecessor element to its successor element. The value increases as the order of the list progresses. For example:

1	0 to 5 percent increase in...
2	6 to 10 percent increase in...
3	11 to 15 percent increase in...
Etc.	

List item 3 above includes the values of items 1 and 2.

An ordered exclusive list means that every element in the list contains a defined value. The value will increase as the order of the list progresses. Each list element may or may not include the value of some other element. For example:

1	Bronze
2	Silver
3	Gold
Etc.	

List item 3 above is better than items 1 and 2 but does not include items 1 and 2.

An exclusive list means that properties of each of the list items are exclusive but with each list item chosen, the value of the collective elements increases. For example:

•	Reduces error rate	
•	Reduces operational cost	√
•	increases production	√
•	improves branding	
•	increased integration	√
Etc.		

Three selected items are better than one or two selected items. The more items selected the higher value.

Scoring Measure

The scoring measure is the type of scale used to create value in the scoring method. Each Argument must use one of three scoring measures:

- Quantified
- Qualified
- Compounded

Quantified means a scale can be precisely measured and defined. For example, if the scale is measured using percentages, dollar amounts, number of units, or anything using specific verifiable values, the scoring measure is quantified.

Qualified means a scale that is not precisely measured and defined. For example, if the scale is measured using terms such as, "moderate," "significant," or any language descriptor to provide measurement, the scoring measure is qualified.

Compounded means a scale that mixes both qualified and quantified measures. For example, if the scale uses terms such as "significant increase in delivery speed to over 50% of the customer base," the scoring method is compounded.

Once the scoring measure is determined, a scoring list of attributes can be developed adhering to the scoring method and measure.

Each scoring attribute is assigned a value between zero and 100.

Putting It All Together

Here are the process elements for one value argument.

Value Argument	Weight	Method	Measure	Attribute	Score
Revenue Increase	26	Ordered Inclusive	Quantified	Increase 1 to 4%	9
				Increase 5 to 8%	23
				Increase 9 to 12%	58
				Increase 12 to 16%	85
				Increase greater than 16%	100

Process Elements for One Hypothetical Value Argument

Developing Specific Arguments

All specific arguments are derived from a process of language decomposition beginning with all available pertinent documentation relating to each class of argument. For example, the value arguments would be derived from documents such as a strategic plan, vision statement, mission statement, a list of outcome expectations resulting from the successful execution of the strategic plan, etc. The challenge arguments would be derived from historical documentation such as project post mortems, lessons learned, industry risk factors, etc. The priority arguments would be derived from organizational commitments, legal / regulatory requirements, project interdependencies, etc.

It is important to note that current and unpredicted conditions can have a significant influence on prioritization. Consequently, project prioritization can change frequently while strategy seldom changes. The need to monitor and adjust priorities without changing value is critical to good portfolio management.

The Value Arguments

Determining the value arguments and weights is a language decomposition process beginning with key word and phrase analysis of the strategic documentation to filter out superfluous language such as policy statements, performance demands, project proposals, or statements more appropriate for scoring.

A Value Argument must be

- Answerable by a scaled result, not a simple Yes or No
- Applicable to a proposal for a new project or significant effort to be undertaken by the organization

The Value Argument must NOT be

- Transferable across all proposals. (Describe)
- A clear policy statement. (Describe)
- A specific measurement statement. (Describe)
- A "trump" or threshold statement. (Describe)

Once the value arguments are determined, the remaining steps are:

1. Determine the value argument weights.
2. Determine the scoring method for each value argument.
3. Determine the scoring measures for each value argument.
4. Determine the scoring attributes for each value argument.
5. Determine the scoring values for each attribute.

The Challenge Arguments

Determining the challenge arguments and weights is a language decomposition process beginning with key word and phrase analysis of the recent historical documentation. It is important to note that while Value arguments tend to be forward looking, Challenge arguments take a historical perspective.

The recent historical documentation collected should contain any difficulties encountered during the execution of the project and any problems with the operation of the completed product. These difficulties should be relevant to the internal capabilities of the organization as they apply to the following list:

- Resources: Has the availability, skill, or commitment of resources been a source of difficulty or failure with prior projects?
- Technology: Has the technological environment been a source of difficulty or failure with prior projects?
- Funding: Has the availability for funding been a source of difficulty or failure with prior projects?
- Organizational: Have personal agendas, inconsistent decision-making, slow decision-making, changing requirements, or poor communication been a source of difficulty or failure with prior projects?
- Time: Has scheduling, estimating, or planning been a source of difficulty or failure with prior projects?
- Complexity: Have complex processes, applications, or products been a source of difficulty or failure with prior projects?
- Disruptive factors: Have other unrelated business activities, projects, or priorities been a source of difficulty or failure with prior projects?

Additionally, industry risk information should be included for analysis of external factors such as Political, Economic, Sociological, Technological, Legal, and Environmental (PESTLE).

Once the challenge arguments are determined, the remaining steps are:

1. Determine the challenge argument weights.
2. Determine the scoring method for each challenge argument
3. Determine the scoring measures for each challenge argument.
4. Determine the scoring attributes for each challenge argument.
5. Determine the scoring values for each attribute.

The Priority Arguments

Most assessment methods and theories fail to make the distinction between value and priority. A strong relationship may exist between value and priority, it is a gross oversimplification to combine them into a single category. A project may show a high alignment with an organization's strategy (high value), but its priority for execution may be low. This could be the case when the project is triggered by an external event that has not yet happened and the project is in a wait state. More common is the reverse where strategic value is low but priority is high. This could be the case where regulatory requirements or social responsibility drive the execution requirement creating a project with high priority and low strategic alignment (value).

Value will sometimes influence priority. This influence is generally dealt with by creating one priority argument that addresses the project's value. The priority argument for value would be weighted and scored along with other priority arguments. Its weight and score would determine the influence a project's value has on priority.

Possible Priority Arguments could be:

- Financial importance
- Customer / constituent demand
- Legal / regulatory requirements
- Schedule driver requirements
- Moral, ethical, or social requirements
- Project interdependency
- Immediate realization of customer benefits
- Strategic alignment

Once the priority arguments are determined, the remaining steps are:

1. Determine the priority argument weights.

2. Determine the scoring method for each priority argument.

3. Determine the scoring measures for each priority argument.

4. Determine the scoring attributes for each priority argument.

5. Determine the scoring values for each attribute.

Determining the priority arguments, weights, methods, measures, scoring attributes, and scores is an ongoing process based on changing internal and external conditions.

Displaying the results

After entering project details and completing the assessment (scoring) activities, the portfolio of projects can be displayed in a dashboard. Norveld Business Systems provides an application called eCision^{TM} which provides a method that will select, prioritize, and track all portfolio proposals. eCision's dashboard is shown below.

Welcome L. Weber User Guide | Logout

Dashboard New Opportunity Master Plan Administration Reports

Portfolio

Benefits Horizon

Term	Number	Total Benefit	Cost	Net Benefit
Near	5	$4,575,000	$2,050,000	$2,525,000
Mid	2	$4,400,000	$1,280,000	$3,120,000
Long	2	$9,000,000	$1,850,000	$7,150,000
Totals	9	$17,975,000	$5,180,000	$12,795,000

Term	ID	Name	Total Benefit	Cost	Net Benefit
Near Term	1	Accounts Payable and Purchasing	$650,000	$350,000	$300,000
	2	Outsource IT Support Services	$800,000	$400,000	$400,000
	4	HR Management System	$300,000	$175,000	$125,000

Term	ID	Name	Total Benefit	Cost	Net Benefit
Mid Term	5	Supply Chain Restructuring	$1,700,000	$1,100,000	$600,000
	8	West Coast Operations	$2,700,000	$180,000	$2,520,000

Term	ID	Name	Total Benefit	Cost	Net Benefit
Long Term	3	Vertical Marketing Development	$4,200,000	$900,000	$3,300,000
	7	Product Branding Campaign	$4,800,000	$950,000	$3,850,000

Expand

Status

ID	Name	M	P	Phase	Action	Driver	Status Date	Performance	Cost	Schedule	Functional Area	Owner
1	Accounts Payable and Purchasing		6	Status	Approve	Cost	02 Aug 2012	Not Meeting	On	On	Operations	L. Weber
2	Outsource IT Support Services		5	Status	Approve	Schedule	02 Aug 2012	Meeting	On	Behind	Outbound Logistics	M. Addario
3	Vertical Market Development		1	Status	Approve	Performance	02 Aug 2012	Exceeding	On	Ahead	Sales & Marketing	T. Blanchard
4	HR Management System		7	Status	Approve	Schedule	02 Aug 2012	Meeting	Over	On	Operations	J. Santa-Coloma
5	Supply Chain Restructuring		4	Preliminary Approval	Rework	Schedule					Inbound Logistics	B. Gentile
6	Upgrade Payroll System	Y	8	Status	Approve	Cost	02 Aug 2012	Meeting	On	Behind	Operations	P. Friedlander
7	Product Branding Campaign		3	Charter	Approve	Performance					Sales & Marketing	L. Weber
8	West Coast Operations		2	Status	Approve	Schedule	02 Aug 2012	Meeting	On	On	Sales & Marketing	M. Addario
9	Northeast Distribution Facility			Analysis							Outbound Logistics	

eCision Dashboard