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The Strategic Execution Framework:

A Proven Approach to Realizing Your Business Goals – Part Two

In *part one* of this white paper we explored the *strategy-making domains* of the SEF: Ideation, Nature and Vision.

Now we will explore the *strategy-implementation* domains of the SEF: Engagement, Synthesis and Transition.

Engagement: Connecting Strategy to Project Portfolio Investments

The Engagement domain is central to strategic execution. It's where strategy turns into action by engaging in a portfolio of project-based work that will move the business forward. The ability to choose and fund the right projects and programs is based on clarity around goals, metrics and strategy. Without clarity it's easy to veer off course and work on projects that aren't aligned with your objectives and strategies.

Aligning the Components of Engagement

One of two components that constitute Engagement [see Figure 5], **Strategy** is the route an organization lays out to achieve its purpose and goals. The optimal route depends on how the company is organized and how it gets things done. The **Portfolio** is the strategy-based set of projects and programs a company plans to execute, reconciled with the resources required to accomplish them.

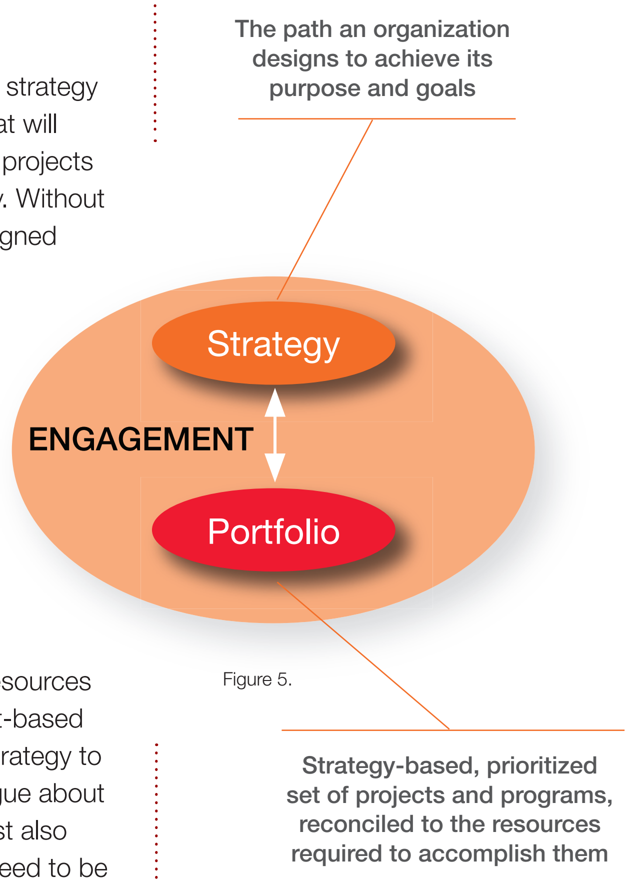

Figure 5.

Success in the Engagement domain centers on the ability to align resources with strategy through the selection and execution of the right project-based work. To accomplish this, organizations must clearly articulate the strategy to leaders and their teams, and enable them to participate in the dialogue about the portfolio in order to make the best informed decisions. They must also identify a process for establishing and managing the portfolio. You need to be able to answer questions like: *Who is the portfolio sponsor? Who will decide which projects to undertake? How will they make these decisions and what*

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decision criteria will be used? Who will identify and assign resources? Who will manage each project and program in the portfolio?

Maintaining alignment requires continuous attention. Tim Wasserman, CLO IPS Learning and Stanford Advanced Project Management (SAPM) Program Director observes, “Portfolio management has traditionally been viewed as a relatively stable process done at set intervals – quarterly, annually, etc. But some of the most successful companies are finding that a more agile approach, revisiting and potentially reshaping the project portfolio frequently to make better, real-time decisions ensures portfolio relevance in today’s dynamic business climate.”

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Driving Key Initiatives

Engagement is where strategy creation Transitions to execution, enabling companies to take action to realize key business initiatives including innovation, performance and scalability. Engagement drives innovation by enabling the organization to prioritize innovation projects and allocate the necessary resources. It optimizes performance by focusing time, energy and attention on projects that directly link to the strategy and desired outcomes. Engagement also has a direct impact on growth and scalability. A 2012 study by McKinsey & Company found that companies that adjust resource allocation across business units based on market opportunities were worth an average of 40 percent more over a 15-year period than those that maintain the same level of resource allocation year over year.

Why it Matters: Recognizing What to Do and What NOT to Do

All organizations have limited resources. The key is to direct those resources for maximum advantage. Companies that excel have done the groundwork to design the right strategy for their organization, as well as the hard work to focus their investments on a portfolio of projects and programs that will bring that strategy to life. If your company is a true technology industry leader known for disruptive innovation you’ve likely seen this discipline in action. You assess different opportunities to determine which have the greatest likelihood to propel the strategy of innovation leadership forward – investing in a new hardware category vs. focusing on an incremental update to an existing operating system – and focus your resources there. You direct key personnel,

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money and time toward achieving that goal and put a schedule in place for dealing with other important but less qualified projects.

Organizations that fail to face the harsh reality of scarce resources can get caught in that all too familiar trap of trying to be all things to all people and being mediocre at best. For example, a company that wants to transform itself into a strategic technology provider by providing higher-value software and services, but continues to invest in developing and maintaining its commodity hardware business will never achieve its goals. Without making hard decisions to discontinue certain hardware projects in favor of fueling new software or services projects, resources are spread too thin. Employee motivation suffers, market confusion prevails and bottom line results falter.

The Engagement domain is the most central of the six domains in the Strategic Execution Framework. It's where an organization's purpose, Vision and culture translate into action. Having successfully engaged strategy through the project investment stream, the actualization of that occurs in the Synthesis domain, where aligning project-based work with the portfolio becomes standard operating procedure.

Synthesis: Executing Projects and Programs Mapped to Priorities

The Synthesis domain is where plans turn into reality – where companies ensure their planned portfolio of project-based work maps to the actual projects and programs that are being executed. It is the true test of an organization's commitment to its strategy and ability to execute against it. Any gap between planned and actual reflects a lack of consistency and threatens an organization's ability to achieve its goals.

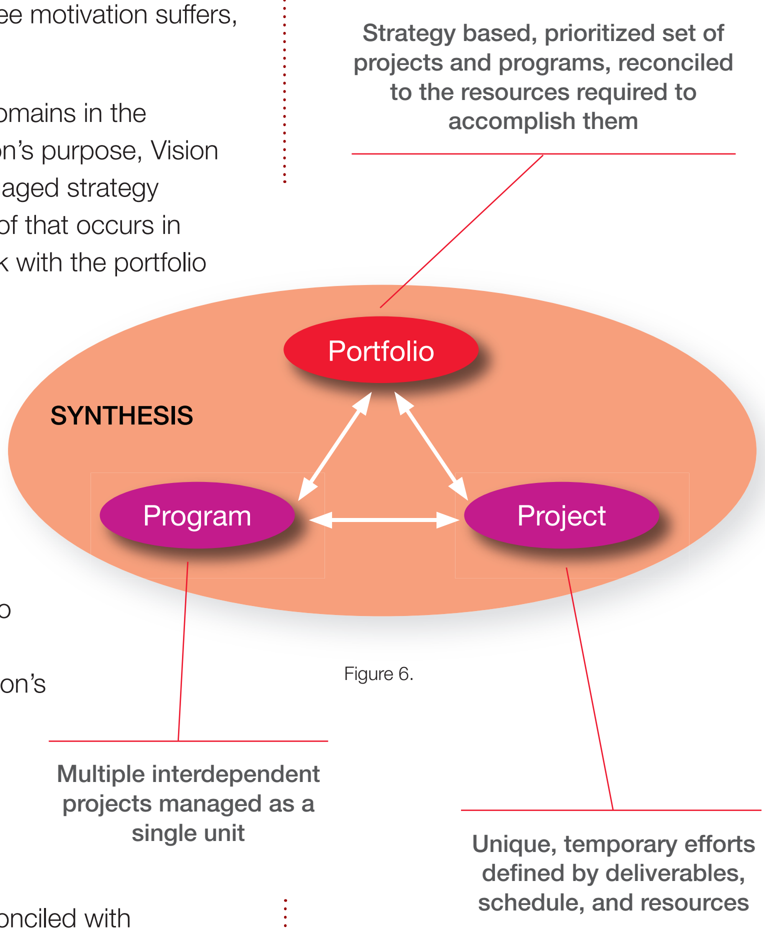

Figure 6.

Aligning the Components of Synthesis

Synthesis consists of three components [see Figure 6]. The **Portfolio** is the strategy-based and prioritized set of projects and programs a company plans to execute, reconciled with the resources required to accomplish them. **Programs** are multiple,

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interdependent projects managed as a single unit. **Projects** are unique, temporary efforts defined by deliverables, schedule and resources.

Alignment in the Synthesis domain is defined by how well an organization actually delivers its portfolio of programs and projects. Success depends on:

1. Coherent and transparent translation of strategy into executable work
2. Consistency across planned and actual work driven by a common language and process methodology agreed upon at a high level
3. Active executive sponsorship to help overcome obstacles and ensure investment in the right opportunities so that day-to-day project and program leaders have the support they need to maintain smooth operations

But to truly achieve alignment in the Synthesis domain, it isn't enough to excel in these three areas. Companies must also be agile. In *Executing Your Strategy,* Morgan, Levitt and Malek state, "What makes the Synthesis imperative so challenging is that both the planned portfolio and the actual portfolio are constantly changing in today's business world." The ability to bridge discipline with agility is critical. Managers and sponsors must be able to lead in a fluid environment. Processes must adapt to remain relevant in light of changing business conditions. The planned portfolio itself must evolve transparently to support shifts in strategy. And, ultimately, programs and projects must change to reflect a new reality.

Driving Key Initiatives

Synthesis is where planning meets execution, enabling companies to work on projects and programs to realize key business initiatives including innovation, performance and scalability. Synthesis drives innovation by enabling the organization to invest in and act on innovation projects and overcome obstacles that may get in the way. It optimizes performance by defining and managing the scope, deliverables, schedule and resources of individual projects. Synthesis is also linked to growth and scalability; when project-based work is aligned with strategic objectives, program and project leaders have a direct impact on the company's growth.

A 2012 study by McKinsey & Company found that companies that adjust resource allocation across business units based on market opportunities were worth an average of 40 percent more over a 15-year period than those that maintain the same level of resource allocation year over year.

How to put your money where your strategy is, Stephen Hall, Dan Lovallo, and Reinier Musters, *McKinsey Quarterly*

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Why it Matters: Planning and Executing with Purpose

Companies that excel at Synthesis are disciplined yet nimble, focused yet aware. They continuously monitor and align project-based work with external indicators of strategic relevance as well as internally to make sure that the portfolio of projects and programs is being executed correctly. To be recognized as a successful technology leader you need to be able to strike a balance between delivering innovation projects in anticipation of new market opportunities, while fueling ongoing projects equally important to the running of the business. Perhaps developing a new tablet, while at the same time working to optimize production and reduce manufacturing costs of more established product lines. Having a well-defined, coordinated and transparent process to initiate new projects as strategic opportunities emerge, inject extra resources into critical but lagging projects and cancel ongoing projects that are no longer relevant are all signs that your organization has successfully synthesized planning and execution.

Organizations that don't continuously monitor and align projects with internal and external factors threaten their own success. A recent McKinsey-Oxford study found that the largest contributing factors to project failures are unclear objectives and lack of business focus. We see this all too often in companies with frequent changes in management and strategic direction. Under the guise of agilely positioning themselves for the next great market opportunity – for example, shifting strategies from being a hardware innovator, to an infrastructure provider, to a comprehensive technology solutions provider – they emphasize external factors and neglect internal factors. Failing to recognize and allow for the necessary internal alignments created by shifting gears, the portfolio loses integrity, the actual work being done doesn't match what's planned and companies don't realize their stated objectives.

In the Strategic Execution Framework the Synthesis domain is where companies map project and program execution to priorities. When the actual work being done is aligned with the planned portfolio you're well on your way to successful strategic execution. It then becomes a matter of operationalizing the projects and programs which occurs in the next domain we'll examine: Transition.

What makes the Synthesis imperative so challenging is that both the planned portfolio and the actual portfolio are constantly changing in today's business world.

Executing Your Strategy, How to Break it Down & Get it Done,
M. Morgan, R. Levitt, W. Malek, pg 181.

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Transition: Turning Outputs into Operations

The Transition domain is the ultimate measure of success – moving the results of project-based work into the mainstream of operations. It is where an organization delivers on its goals or not, completing the cycle from strategy through execution.

Aligning the Components of Transition

Transition consists of three components [see Figure 7]. **Projects** are unique, temporary efforts defined by deliverables, schedule and resources. **Programs** are multiple, interdependent projects managed as a single unit. **Operations** are the ongoing processes of the enterprise that deliver value to the customer.

Alignment in the Transition domain is defined by how well an organization hands off its programs and projects to operations. A KPMG report on risk management for the project lifecycle concurs stating, "The biggest challenges faced by organizations in maximizing the value of their projects are often derived from poor execution of change management plans during Transition to business as usual state." This holds true for project-based work that is internally focused, for example the rollout of a new information technology-based system such as an enterprise resource planning tool, or externally focused, such as the development of a new product or service for customers. Success hinges on managing two critical factors:

1. **Organizational implications.** By its very nature project-based work creates change and with change can come challenges. Project leaders and operations leaders must collaborate to minimize any disruptions that Transition can create. To realize the full benefits of any project, smooth, thoughtful and coordinated transfer of the work output to the end users or customers is essential. This requires engaging operations early and often to gain their input and support throughout the process of planning and executing the project even if they aren't directly responsible for the project output until after the hand off.

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McKinsey on Finance, Number 45, Winter 2013, page 30.

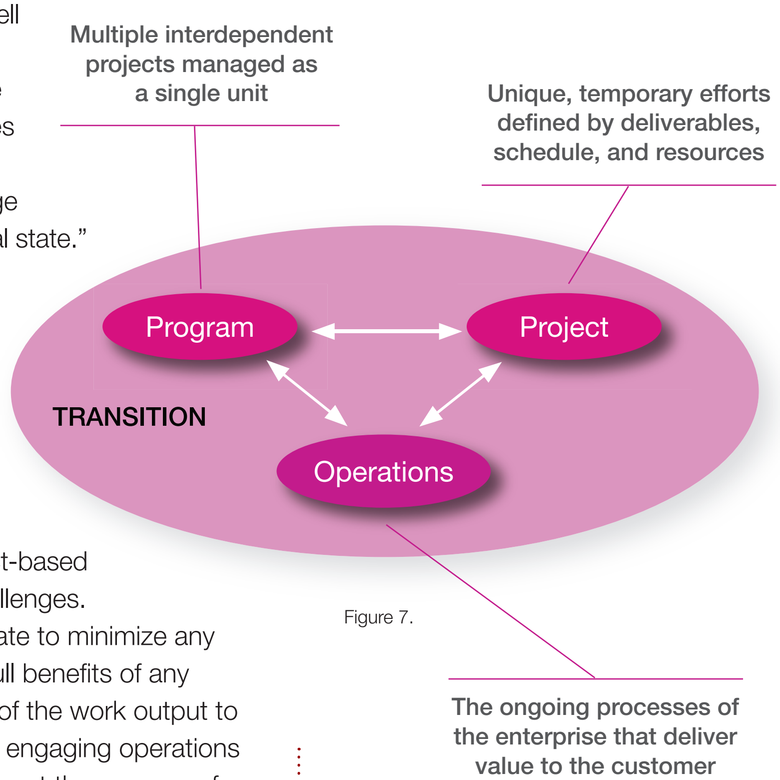

Figure 7.

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2. **Metrics consistency.** The metrics established at the outset, when the organization defines its goals and strategy in the Vision domain, must map to the metrics used in actual practice when the project is operationalized. Conflicting or unclear metrics hamper performance and ultimate success. Collaboration between project and operations leaders is also important here to help ensure desired outcomes.

Tim Wasserman, CLO IPS Learning and Stanford Advanced Project Management (SAPM) Program Director, sums it up by stating, "While it's important to focus on how the project supports the strategy, it is equally important to understand how it creates or adds value. Looking at this bigger picture helps teams from stumbling as they cross the finish line, ensuring alignment and success for the effort."

Driving Key Initiatives

Transition is where project outputs are implemented, enabling companies to reap the strategic benefits that projects and programs were designed to achieve and, ultimately, realize key business initiatives including innovation, performance and scalability. Transition makes innovation a reality by delivering innovation projects into the mainstream. It optimizes performance with a feedback loop that aligns goals and metrics from strategy creation to strategy execution. Enabling companies to bring process improvements and breakthroughs to fruition, Transition is essential to reach growth and scalability goals.

Why it Matters: Declaring Project Success

Whether a project involves adopting a new operational system or launching a new product or service, companies that excel at Transition engage in collaboration from the start. They implement organization-wide processes for continually collecting and sharing lessons learned throughout the lifecycle of the project-based work – not just at the end – and adjust the work as needed. For example, if your company is an industry leader known for successfully introducing new products that change the way clients get work done, more than likely you have a strong, established product development process that includes a focus on Transition. Successful Transitions include having the right tools and processes in place to ensure the entire company is aware of the

As part of efforts to mitigate critical risks, management should target specific focus areas at the junction between deployment and project close-out.

Risk Management and the Transition of Projects to Business as Usual,
KPMG Financial Services Advisory

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new product, the logistics are in place to get the product to market and the marketing program is timed to make prospects aware of the product as it comes to market. By addressing pivotal processes in advance, you ensure that a new product *project* successfully Transitions to a newly available *product* in the marketplace.

Organizations that don't involve the right players to the right degree at the right time, lack the support and input necessary for project Transition success. A new product may get to market only to arrive too late to make an impact, a logistics glitch could mean a lack of sufficient supply despite customer demand or perhaps a lack of coordination with marketing means excess inventory due to lack of marketplace awareness. These are just a few of the things that go wrong, when the operationalization of projects isn't given the proper forethought. All of which negatively impacts an organization's ability to achieve success and free up resources for new projects.

In the Strategic Execution Framework the Transition domain is where companies operationalize projects and programs. With an approach to anticipate and close gaps encountered during the transfer of project-based work to operations, you can safely – and proudly – claim strategic execution success.

Strategic Execution Framework (SEF)

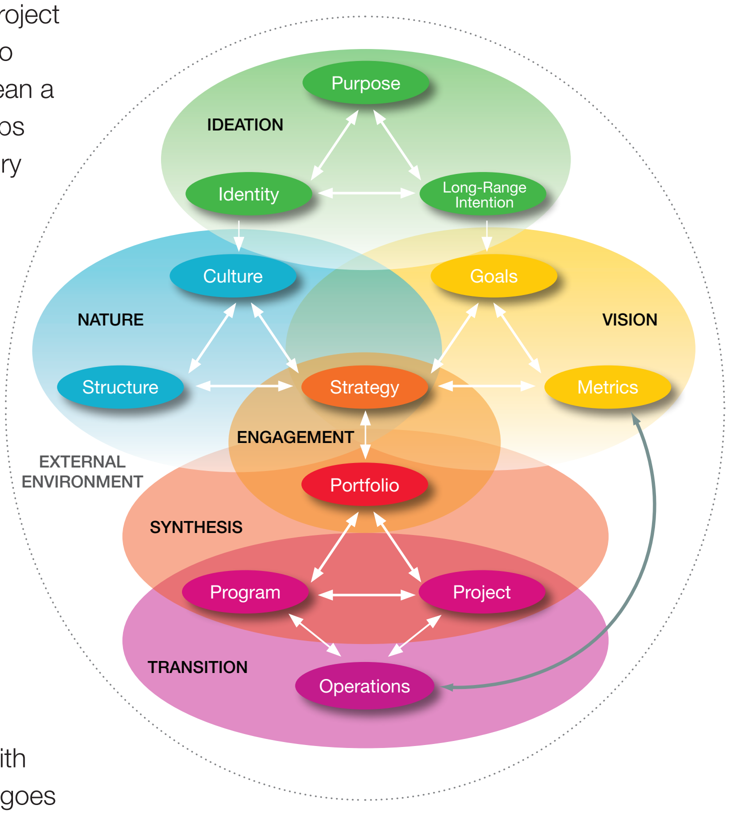

Figure 8.

Conclusion: Enabling Transformation

The Strategic Execution Framework [see Figure 8] has been proven to help companies stay on track, aligning projects with key initiatives to achieve desired outcomes. The framework goes beyond a typical checklist to address a more holistic and, therefore, more effective approach to moving the business forward with an eye on the big picture.

Each of the domains presents opportunities for improvement. The framework helps you identify disconnects and barriers to successful strategic execution and can be adapted depending on your company's strengths and weaknesses. Some companies know exactly who they are and what they

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want to be but don't have the structure to support it. Others may tend to focus on the tactical and veer away from the portfolio to engage in fire-fighting projects. And still others may have particular difficulty making the final step to embracing and institutionalizing the results of the project.

No matter which domains of the framework are more relevant for you, or what your key business initiatives may be, the Strategic Execution Framework provides a common language and way of understanding how businesses successfully execute, innovate, change and grow. You can assess your organization within this context and make necessary adjustments to create a foundation for balanced strategic execution. When combined with our proven, innovative techniques, all managers leading project-based work can transform themselves – and their organizations – into true business leaders.

To learn more about the Strategic Execution Framework or how to assess and enhance your organization's ability to achieve Engagement, contact an IPS Learning expert at +1 866.802.1152 or info@ipslearning.com.

While it's important to focus on how the project supports the strategy, it is equally important to understand how it creates or adds value. Looking at this bigger picture helps teams from stumbling as they cross the finish line, ensuring alignment and success for the effort.

Tim Wasserman, CLO IPS Learning and Stanford Advanced Project Management (SAPM) Program Director

The Strategic Execution Framework (SEF) was developed by the Stanford Advanced Project Management program, a partnership between IPS Learning and the Stanford Center for Professional Development. The SEF is described in detail in the book *Executing Your Strategy: How to Break It Down and Get It Done* (2008, Harvard Business School Press).