Accelare's Strategy to Execution Process

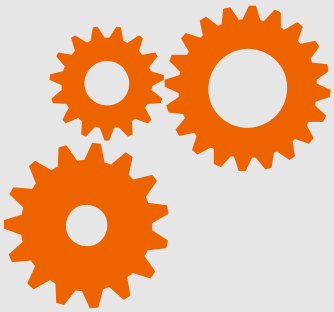
An adept leader knows how to apply and enhance the organization's capabilities to deliver more value

– directly to customers or indirectly through supporting activities.

While most leaders know what they want their organizations to do, they struggle to translate their vision into focused and effective action.

As their strategies move across and down the organization, strategic intent becomes distorted, diluting business impact and wasting resources.

Executives need a well-defined process to manage the translation of their vision and strategy into targeted, synchronized execution – a strategy to execution process. Organizations that implement this process see dramatic performance improvements.



This report offers a framework for creating crisp, clear strategies, identifying the capabilities required for strategy realization, and identifying the work that maximizes value for the organization.

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Strategy Diffusion Squanders Valuable Resources

Most companies hold strategy discussions once a year, typically at a time when everyone is ready to understand the direction and get moving. Teams spend little time on reflection and refinement of strategies, and strategy documentation is minimal, often consisting of a summarized set of broad goals. Given the short amount of time spent on strategy development and the sparse documentation used to support it, it is easy to see how those involved walk away with varying interpretations. Consider the scenario of a CEO with eight direct reports developing their corporate strategy. If each participant accurately interprets 97% of the discussion, the group as a whole walks away from the table with a common view of only 76% of the strategy (3% x 8 people = a 24% loss of strategy cohesion).

As managers translate strategy down and across the organization, it loses even more of its original intent. As each lower level manager translates the strategy to fit their accountabilities, they unwittingly (and sometimes quite knowingly) interprets the strategy to fit their own interests. This loss of strategy fidelity increases as the strategy moves through the organization, greatly diminishing the clarity of the original idea. Given that this process occurs independently in each business unit, it is no surprise that less than half the organization ends up with a cohesive view of the original strategy. And what about the other half? They are undoubtedly working hard - just not on activities that support the strategy.

The Strategy to Execution Process

The Strategy to Execution (S2E) process provides a structured approach to clarifying, communicating, implementing, and managing strategy. The goal of this process is to ensure the organization focuses on developing high-value capabilities and making investments that optimize value. Implementing the S2E process ensures that executive intent is translated throughout the entire organization consistently and results in focused, coordinated, and synergistic action. Follow these six steps to focus the entire organization on executing the intended strategy:

Step 1: Clarify Strategy

Most executives see their accountability as creating and communicating corporate strategy, leaving the implementation to others. Unfortunately, corporate level strategy loses much of its original intent as managers translate it down and across the organization, resulting in the company making investments in activities that are not aligned with the original strategic intent and often in conflict with one another. To create high-fidelity strategy:

Be more explicit. Elaborate each strategy by creating a structure to clarify intent and give the organization a better sense of what it needs to do. A typical structure consists of:

- Vision: an aspirational view of the organization after it has realized its strategy.
- Goals: qualitative results that define vision attributes and set a target for the strategy.
- Approach: a course of action that creates the boundaries for strategic action.
- Objectives: quantitative, measurable results that define strategy attainment milestones.

Focus on differentiators and significant changes. Tightly targeted strategic statements maintain organizational focus more effectively than a broad range of objectives. Reserve strategy crafting for the things that differentiate your organization from its competitors and create value for the company. Unpack the strategy into an explicitly defined set of target value and experience attributes for each of 3 key constituent groups (customers, employees, and shareholders). How will the updated strategy impact each of these constituents from a value received and experiential perspective? How will they experience the strategy in action – what will be different? Cast operational improvement objectives as company-wide initiatives rather than strategies.

Create clear guardrails. Defining strategy is as much about what the company is *not* going to do as what it is. Strategy definitions should explicitly state the implementation implications – not just the desired results – and include the approaches that are aligned with intent. For example, the strategy statement: "We will grow our services business 25 percent by acquiring smaller regional organizations." drives very different behavior than: "We will grow our services business 25 percent." An even better statement would be: "We will grow our services business 25 percent by acquiring smaller regional organizations and reduce our organic growth targets from twelve percent to eight percent. We will not explore mergers of equals or acquisitions outside our current geography for the next three years."

Step 2: Identify the Needed Capabilities to Execute the Strategy

Capabilities encapsulate the organization's ability to act through its people, processes, and technologies. Capability-managed organizations shift their focus from functional optimization to overall value chain effectiveness through capability improvement. Every organization – no matter how large or small – requires a set of capabilities to execute its business model or mission successfully, but few have clearly identified and organized them into an actionable model. To apply a capability lens to change management and achieve your organization's full potential:

Create a core capability model for the business. Capabilities at the enterprise level help executives and corporate strategists focus their attention on big-picture, strategic topics and avoid getting bogged down in operational, how-the-organization-works details. Value is delivered, and experiences are staged through the capabilities (combinations of people, processes, and technology) of the firm, it suppliers, and partners. Start with "What" first and leave the "How" for later.

Extend the core capability model identify the unique capabilities for major lines of business (LOBs). Defining LOB and departmental capability models creates a common business language that allows clear and productive cross-functional discussion on topics of mutual interest. Organizations use models at this level to identify common problems, implement best practices and recognize opportunities for consolidation and leverage.

Create capability models for support organizations. Every organization has a capability model. Operational units such as information technology, human resources, and finance, can employ capability models to express how they support business units more clearly. Even smaller organizations and teams find value in articulating the capabilities required to fulfill their mission.

Step 3: Assess Capability Performance

While capability models provide a common framework for strategic discussion and creating shared understanding, their real value is in illuminating opportunities for organizational improvement. A capability assessment creates a structure for prioritizing investments and allocating resources against the backdrop of business value and strategic alignment. High-quality capability assessments focus on the relative importance of individual capabilities as well as their overall performance. To assess capabilities effectively:

Determine value contribution first. All capabilities are not created equal. Some contribute more to strategy execution and value creation than others. A value contribution assessment provides a weighting factor for the performance assessment of each capability. Accelare's S2E framework assesses capabilities for customer and financial impact, using the results to categorize a capability in one of four value contribution categories:

- **Advantage:** capabilities that create distinction in the customers' eyes and drive financial results.
- **Strategic support:** capabilities with high customer value but little financial impact.
- **Essential:** capabilities that drive financial performance but not customer value.
- **Business necessity:** necessary capabilities that are not seen as creating customer value or driving financial performance.

Then, assess capability performance. This assessment measures each capability's performance regardless of its importance to the organization. Accelare's S2E framework focuses on two major performance categories:

- **Effectiveness:** the degree to which the organization is getting the result it wants when this capability is applied regardless of cost.
- **Efficiency:** the degree to which the application of this capability is expending an appropriate level of resources for the results produced.

When properly executed, this cross-functionally executed performance assessment provides management with a consensus view of high-value, high-need areas for improvement.

Step 4: Identify Gap Closures

The next step is to uncover root causes driving capability performance gaps. Savvy organizations avoid jumping directly to technology solutions, process improvements, and organizational redesign without thoroughly understanding the underlying issues. Multiple techniques support effective root cause analysis, including the five why analysis, tree diagrams, and change analysis. These techniques are designed to distinguish problem symptoms from core issues. The root cause of capability gaps should be stack ranked using the following categories:

People. A wide range of issues can cause people gaps, some of which are difficult for managers to acknowledge. These include lack of leadership, poor management discipline, ineffective performance plans, dysfunctional culture, lack of resources, and lack of skills.

Process. Process problems most often result from lack of process clarity but can also stem from misalignment with organizational structure, lack of tools, and poor integration with external suppliers and customers.

Technology. Technology related capability gaps are most often driven by low data quality, systems integration issues, lack of systems agility, and functionality that doesn't meet business needs.

Often, it will require a combination of coordinated work efforts in each of these categories to effectively close the capability performance gap. The root cause analysis ensures that you do not prematurely define the performance problem through the language of the proposed solution or current system – a problem that has become endemic in many companies.

Step 5: Construct Gap Closing Projects

With high-value, high-need capability performance gaps clearly identified, now you can focus on the "How" to close those – and *only* those – gaps. Look objectively within and outside your organization to find the solutions you need to deliver the target value and experiences of your strategy. Don't limit your strategic project portfolio to what you can afford or do within the year. Define *all* the work you need to realize your strategy through the improvement of your high-value, high-need capabilities. You can pare back the plan once you understand its full magnitude. Allocate funding and resources to the work that creates the most value by:

Using capability roadmaps to integrate and sequence projects. Organizations rarely implement strategies within a yearly budget cycle. Develop roadmaps to sequence capability evolution appropriately over time. Use the roadmaps to structure projects into more manageable increments and consumable packages of capability delivery.

Building investment pools. Organize discretionary spending into investment pools (financial and human) based on strategy contribution. This action will send a clear message to the organization about what is important and ensure less important projects do not compete for the same resources as those needed to enable strategy. It will also help you eliminate the "destructive multitasking" of having key people being over assigned to both "work in the system" and "work on the system" project efforts. Doing fewer things faster may actually deliver more strategic value to, and be more rewarding for the firm.

Creating a high hurdle for non-strategic projects. Every organization will encounter a set of projects developed outside of the S2E process. Some are necessary for functional improvements, but many are not. Implement a capability-based governance process to ensure that these projects demonstrate a high return-on-investment on the capabilities that matter most. Don't divert precious resources from more strategic efforts.

Step 6: Monitor Strategy Progress

The last, and most important step, is ensuring that the strategy-to execution work is getting done. Strategies represent broad, long-term, cross-organizational initiatives. They can rarely be contained within a single project or even a well-defined Program. Strategies are also implemented through management directives, goal setting, policy changes, hiring decisions, and organizational modifications. Senior managers erroneously believe that once a strategy is defined, the organization will automatically support it, but this is rarely the case. Research shows that as much as 50 percent of implementers don't fully understand the strategy they are

trying to implement. In addition, there are always those who ignore the strategy because they don't agree with it as well as a few who actively oppose it.

Carefully monitoring the results of early strategic activities can provide critical guidance for the design of follow-on projects or strategy revision. The four essential metrics for effective strategy management are:

Strategy impact. As strategy unfolds and the organization integrates it into its operating model, the strategy impact metric reports the strategy's bottom line success. It answers the question: "Is this strategy delivering the originally envisioned results?"

Organizational buy-in. Organizational buy-in reflects the degree to which individuals are taking action to support the strategy. It answers the question: "Does the organization understand and resonate with the strategy"?

Investment roadmap status. This metric looks across the entire set of strategy implementation projects to assess their on-budget, on-time, on-function statuses. It answers the question: "Are we making progress on the strategy implementation plan?"

Project effectiveness. Project effectiveness metrics tie project outcomes to strategy realization milestones. They answer the question: "Are our strategy implementation projects moving us forward providing use with the needed capabilities to achieve our vision?"

The Bottom Line

Every organization has more project proposals and funding requests than it can accommodate, leading to bottom up prioritization approaches that tend to favor functional optimization over value creation. Strategy to execution management presents a new approach to investment planning and strategy realization. Implementing the S2E process identifies the work that matters most to ensure the organization's new investments and day-to-day activities align with strategic intent and build value.

Accelare is a unique products & services strategy-enablement company. Through a combination of our innovative Strategy to Execution™ process and WorkFit™ business architecture software, we enable organizations to identify the investments and activities that will create the most value for them and their customers. We then help put the processes and technology in place to make those investments pay off. The result is a well-structured business architecture that creates a focused, collaborative agenda for building stronger business capabilities that dramatically improve performance.

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