



The State of Strategy Execution 2017

The Impact of Project Management Processes
on Executing Strategies

Introduction

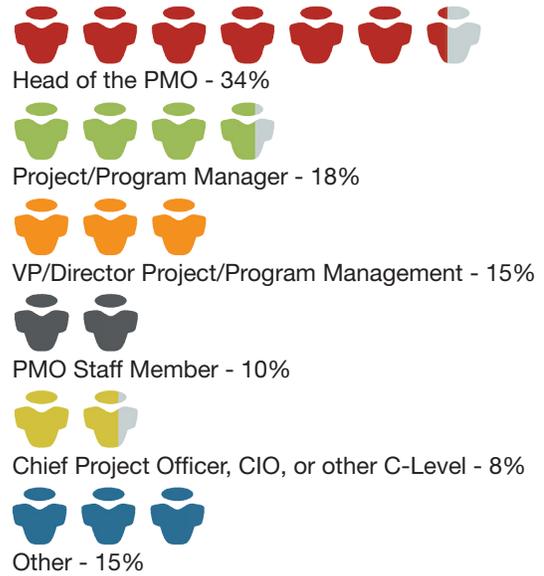
What impacts do project management processes have on the delivery of core organizational strategies? Through a series of research studies spanning a decade, PM Solutions has been working to discover the strategic value of project management process and structure. Previously, we have linked process improvements – such as the establishment of a Project Management Office (PMO), the implementation of Project Portfolio Management (PPM), and the alignment of projects with strategy – to improved organizational outcomes.¹ The objective of *The Strategy Execution Process Benchmark* study was to go deeper. The survey was designed to both determine the state of strategy execution in participating companies, then to identify those processes that make a difference in their ability to execute strategy.

Respondent Profile

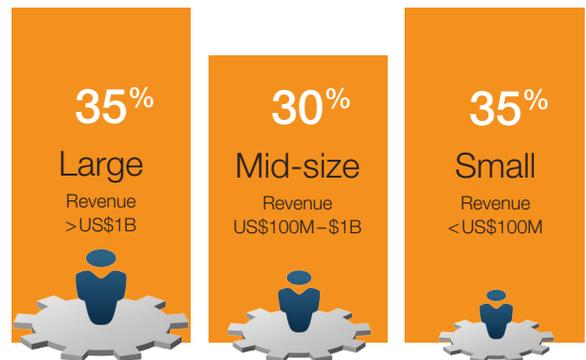
- » Total number of respondents: 187
- » Respondents to the survey are much more likely to be the leader of the PMO than someone holding any other position in the organization. Respondents who are C-level executives are far more likely to come from small organizations. Respondents who are leaders of a PMO are far more likely to come from mid-size to large organizations.
- » Respondents' organizational size is fairly equally divided between small (35%), mid-size (30%), and large (35%).
- » There are significantly more responses from Finance & Insurance and Professional & Technical Services organizations. Respondents from Professional & Technical Services organizations are far more likely to come from small organizations. Respondents from Finance & Insurance companies are more likely to come from large organizations.

1. *The State of the Project Management Office (PMO)*, PM Solutions Research, 2016; *The State of Project Portfolio Management (PPM)*, PM Solutions Research, 2013; *Strategy and Projects*, PM Solutions Research, 2006.

RESPONDENTS BY TITLE



RESPONDENTS BY SIZE OF FIRM



RESPONDENTS BY INDUSTRY



The Strategy Execution Gap

Participants in this survey report that many, if not most, of their organizations have difficulty turning strategy into reality. This isn't surprising but echoes the findings of research done by a wide variety of sources.² Our study revealed that:

- » Organizations are only moderately successful in implementing strategies (3.05 score on a 5-point scale)
- » They also are only moderately successful at completing strategic projects (3.04)
- » Only half of organizations have Project Portfolio Management processes in place for strategic projects (53%)
- » Only 33% of organizations engage in benefits realization management
- » In most organizations, there's little likelihood that employees feel engaged in or motivated by the strategy execution process (2.29)

Managers are not that likely to effectively manage change (2.77). While this paints a somewhat bleak picture, the good news is that the survey also identifies practices and processes that make a dramatic difference in strategy execution. To identify these we looked at five principal process areas that have an impact on strategy execution:

1. Strategy Execution Management
2. Project Portfolio Management
3. Organizational Structure (PMO structure and processes)
4. Benefits Realization
5. People and Culture (roles, skills, training, and staffing practices)

We then compared participants' organizational performance scores (see "How We Measure Performance" below) to the processes and practices they report using. By doing this, we uncovered structures, processes, and practices that improve strategy execution. Read on . . .

2. "New Research Study: How Do Project/Program Processes Impact Strategy Execution?" PM Solutions Strategy & Projects Blog, June 28, 2017, <http://www.pmsolutions.com/blog/view/new-research-study-how-do-project-program-processes-impact-strategy-executi>

How We Measure Performance

High-performing organizations are defined by the extent they realize their organizational goals. Respondents rated their companies on a score from 1 to 5, where 1=to no extent and 5=to a very great extent on how well they met eight measures of organizational performance: strategy execution, shareholder satisfaction, financial success, schedule/budget performance, customer satisfaction, resource allocation, strategic alignment, project prioritization. High performers rank in the top 25% in overall performance. Low performers rank in the bottom 25%.

Summary Findings

- » Although organizations find enterprise strategy execution to be important, they are only somewhat to moderately successful in executing their strategy.
- » A C-level executive is responsible for strategy execution management in roughly two-thirds of organizations.
- » Organizations that have project portfolio management processes in place are much more likely to execute their strategies successfully than those that don't.
- » Organizations that have a PMO manage their strategy execution are more likely to execute their strategies successfully than those that don't.
- » Only one-third of organizations engage in benefits realization management.
- » Roughly three-quarters of high-performing organizations have PPM processes in place to manage their strategic projects.
- » Roughly two-thirds of high-performing organizations provide leadership training to help employees execute their organization's strategies.
- » Sixty percent of organizations use contracted resources to help manage their strategic projects/programs.

Strategy Execution Management

BEST PRACTICES

Strategy execution has the appropriate C-level attention

Strategic projects receive the appropriate senior-level sponsorship

Strategic projects have objectives that are aligned to the strategy of the organization

Organizations have a well-defined strategy

The survey sought to determine both how much focus is placed on strategy execution as well as how successful organizations' efforts have been. Overall, although organizations find enterprise strategy execution to be important (4.08), they are only somewhat to moderately successful in executing their strategy (3.04).

Cross-referencing strategy execution success with other process areas, we found that organizations with a strategic PMO are more likely to find strategy execution to be important (4.45 vs. 3.78) as well as have a higher success rate than those without (3.24 vs. 2.88). Organizations that have PPM processes in place are more likely to find strategy execution to be important (4.37 vs. 3.73) as well as have a higher success rate than those that don't (3.30 vs. 2.74). High-performing organizations rate the importance of strategy execution considerably higher than low-performing organizations (4.48 vs. 3.67) and have a much higher success rate (3.74 vs. 2.24). Roughly two-thirds of the respondents (64%) say that a C-level executive (or committee of C-level execs) is primarily responsible for strategy execution management.

When we look at the impact of strategy management processes on the execution of strategic projects, we find that organizations successfully complete strategic projects to only a moderate extent (3.04). Those with a strategic PMO are more likely to successfully complete strategic projects than those without (3.27 vs. 2.87). Organizations that have PPM processes in place are more likely to successfully complete strategic projects than those that don't (3.35 vs. 2.69). And, not surprisingly, high-performing organizations are much more likely to successfully complete strategic projects than low-performing organizations (3.85 vs. 2.29).

Organizations are more likely to engage in strategy execution governance best practices (3.21) than to have good strategy execution management processes in place (2.48). The best practices they are most likely to engage in include:

- » Strategy execution has the appropriate C-level attention (3.45). Organizations with PPM processes in place are much more likely to engage in this practice (3.74). High-performing organizations are very much more likely to engage in this practice (4.11).
- » Strategic projects receive the appropriate senior-level sponsorship (3.42). Organizations with PPM processes in place are much more likely to engage in this practice (3.78). High-performing organizations are very much more likely to engage in this practice (4.19).
- » Strategic projects have objectives that are aligned to the strategy of the organization (3.41). Organizations with PPM processes in place are much more likely to engage in this practice (3.75). High-performing organizations are very much more likely to engage in this practice (4.30).
- » Organizations have a well-defined strategy (3.39). Organizations with PPM processes in place are much more likely to engage in this practice (3.74). High-performing organizations are very much more likely to engage in this practice (4.00).

- » A list of current strategic projects (active, proposed, on-hold) is documented (3.39). Organizations with a strategic PMO are more likely to engage in this practice than those without (3.83 vs. 3.03). Organizations with PPM processes in place are much more likely to engage in this practice (3.79). High performers are very much more likely to engage in this practice (4.02).

STRATEGY EXECUTION SUCCESS RATE



Looking at the best practices that organizations are least likely to engage in identifies possible areas for improvement:

- » When strategy changes, there is a process for making necessary adjustments to objectives and metrics (2.41). Organizations without PPM processes in place are much less likely to engage in this practice (1.98), high performers are very much more likely (3.15).
- » A documented strategy execution plan guides strategy execution efforts (2.43). Organizations with a strategic PMO are more likely to engage in this practice than those without (2.80 vs. 2.14). Organizations without PPM processes in place are much less likely to engage in this practice (1.94). High performers are very much more likely to engage in it (3.26).
- » As strategy cascades down the organization, strategic objectives and performance measures are established at each level to link up with the strategic performance expectations of the organization (2.51). Organizations without PPM processes in place are much less likely to engage in this practice (2.19). High-performing organizations are very much more likely to engage in this practice (3.19).

What Sets High Performers Apart

High performers are much more likely to engage in strategy execution governance best practices than low performers (3.91 vs. 2.50). For example, it's much more likely that their strategic projects receive the appropriate senior-level sponsorship (4.19 vs. 2.44); that their strategic plans cascade down from enterprise strategy to business unit strategy to portfolio, program, and project strategy (3.83 vs. 2.18); and that their strategy is communicated clearly to those developing portfolio and program/project plans (3.94 vs. 2.29).

High performers are also much more likely to have strategy execution management processes in place than low performers (3.22 vs. 1.83). In particular, they're much more likely to have strategy execution processes that are used to execute the organization's strategy (3.64 vs. 1.82).

High performers are also much more likely to engage in best practices regarding their strategic projects than low performers (3.99 vs. 2.42). In particular, they're much more likely to understand the impact of projects on the creation and implementation of strategy (3.87 vs. 2.20) and appropriately prioritize their strategic projects (3.89 vs. 2.22).

Project Portfolio Management

Project Portfolio Management is a crucial enabler of strategy execution. Yet only half of organizations have PPM processes in place. The PPM process plays a role in ensuring that the right people are involved in strategy management. Of those organizations that have PPM processes in place, 80% have corporate-level executives involved in the project portfolio management of their strategic projects. And many more high performers have executive involvement than low performers (91% vs. 55%).

Organizations, on average, only moderately engage in portfolio management best practices. The best practices include:

- » Standardized, documented, and enforced portfolio governance processes are instituted (3.28). Organizations with a strategic PMO are more likely to engage in this practice (3.48). High-performing organizations are very much more likely to engage in this practice (3.67).
- » Information is disseminated across the enterprise to targeted stakeholder groups (3.14). Organizations with a strategic PMO are more likely to engage in this practice (3.36). High-performing organizations are very much more likely to engage in this practice (3.62).
- » The enterprise review board sets portfolio decision-making criteria that align with enterprise strategic goals and objectives (3.11). Organizations with a strategic PMO are more likely to engage in this practice (3.32). High performers are very much more likely to engage in it (3.82).

Again, looking at which best practices companies are least likely to engage in points to the areas where improvement can be made:

- » Project value formulas are defined and maintained at the enterprise level (2.57). High-performing organizations are much more likely to engage in this practice (3.09).
- » Portfolios that exceed risk tolerance levels invoke actions that are documented in the required Portfolio Risk Management Plan (2.40). High performers are much more likely to engage in this practice (3.00).

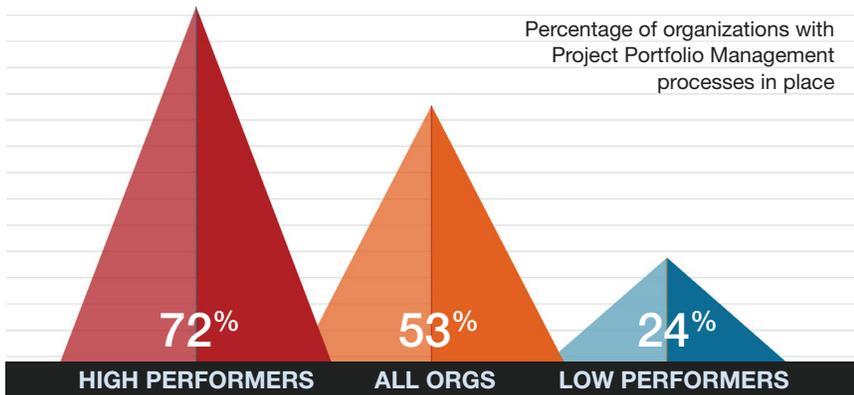
BEST PRACTICES

Standardized, documented, and enforced portfolio governance processes are instituted

Information is disseminated across the enterprise to targeted stakeholder groups

The enterprise review board sets portfolio decision-making criteria that align with enterprise strategic goals and objectives

ORGS WITH PPM PROCESSES IN PLACE



What Sets High Performers Apart

High-performing organizations are far more likely to engage in PPM best practices than low-performing organizations (3.28 vs. 2.03). In particular, they are far more likely to be required to propose and execute corrective actions for projects that are performing outside acceptable control limits (3.38 vs. 1.64), to have standardized and documented performance management processes instituted across the enterprise (3.29

vs. 1.55), and to have an enterprise portfolio review board that has ultimate authority in funding decisions (3.29 vs. 1.73).

Organizational Structure (PMO)

Only 44% of organizations have an organizational structure that is responsible for managing strategy execution (what we've termed a strategic PMO). More organizations with PPM processes in place have a strategic PMO (61%). Many more high performers have a strategic PMO in place than low performers (49% vs. 29%).

Yet even organizations that have strategic PMOs only moderately engage in best practices for managing strategy execution. They are more likely to use strategy execution management best practices (3.29) but least likely to use people and culture best practices (2.38). The best practices they are most likely to engage in include:

- » The PMO facilitates strategic governance or steering committees (3.35). Organizations with PPM processes in place are more likely to engage in this practice (3.51), high performers very much more likely (4.09).
- » The PMO raises strategic issues to the highest levels of the enterprise in order to facilitate effective decision making (3.34). Organizations with PPM processes in place are much more likely to engage in this practice (3.51), high performers very much more likely (3.96).
- » The PMO is responsible for the portfolio management of the organization's strategic projects (3.22). Organizations with PPM processes in place are more likely to engage in this practice (3.49), high performers very much more likely (3.83).

The best practices that organizations are least likely to engage in include one recently singled out as a primary culprit in organizations' inability to execute strategy: the reallocation of strategic project budget and resources when necessary.³ Organizations in our study scored only 2.36 on this practice. Organizations with PPM processes in place are much more likely to engage in it (2.87), high performers very much more likely (3.04).

Other best practices underutilized by organizations include:

- » The PMO collaborates with the HR department to make sure that project team compensation and personal objectives are aligned to the enterprise strategy (1.92). Organizations without PPM processes in place are less likely to engage in this practice (1.50), and high performers are less than moderately likely to engage in it (2.35).
- » The PMO manages the implementation of changes to organizational culture that support strategy execution (2.47). Even high performers are less than moderately likely to engage in this practice (2.87).

What Sets High Performers Apart

No surprise here: High performers are more likely to engage in strategic PMO best practices than low performers (3.39 vs. 2.04). High performers are particularly good at engaging in best practices in strategy execution management (3.97), and low performers are particularly poor at engaging in best practices related to people and culture (1.79).

3. "Silos Stymie Strategy, So Why Do We Build Walls?" PM College Blog, July 8, 2016, <http://www.pmcollge.com/blog/view/silos-stymie-strategy-so-why-do-we-build-walls>

BEST PRACTICES

The PMO facilitates strategic governance or steering committees

The PMO raises strategic issues to the highest levels of the enterprise in order to facilitate effective decision making

The PMO is responsible for the portfolio management of the organization's strategic projects

Benefits Realization Management

BEST PRACTICES

Standardized, documented, and enforced portfolio governance processes are instituted

Information is disseminated across the enterprise to targeted stakeholder groups

The enterprise review board sets portfolio decision-making criteria that align with enterprise strategic goals and objectives

Benefits Realization Management is a set of core practices that allow organizations to determine if, and how successfully, strategies are being executed. Only 36% of organizations in the study engage in benefits realization management. That number rises to 53% of organizations that have a strategic PMO, 49% of organizations with PPM processes in place, and 60% of high performers.

Although organizations find benefits realization management to be important to organizations (3.77), they are only moderately successful in measuring the performance of their strategy (2.95). Benefits realization management is far more important to high performers (4.21), and they are far more successful in measuring the performance of their strategy (3.46).

Organizations only moderately engage in benefits realization management best practices. They are more likely to use benefits realization review best practices (3.24) and least likely to use benefits realization governance best practices (2.80). Other findings include:

- » Strategic project progress is reported to key stakeholders (3.60). High performers are much more likely to engage in this practice (4.25).
- » Executives review strategy execution performance and outcomes in regular strategy review meetings (3.31). High-performing organizations are much more likely to engage in this practice (3.82).
- » The enterprise monitors key performance indicators (KPIs) and business results to measure progress against strategic objectives (3.15). High performers are much more likely to engage in this practice (3.71).

Focusing on areas where companies can improve the most, the best practices they are least likely to engage in include:

- » The enterprise monitors the full spectrum of the value strategic projects deliver, including intangible benefits (2.71). Organizations without PPM processes in place are much less likely to engage in this practice (2.29). High performers are much more likely to engage in this practice (3.71).
- » Benefits realization management roles and responsibilities are assigned (2.62). Organizations without PPM processes in place are much less likely to engage in this practice (2.06). High-performing organizations are much more likely to engage in this practice (3.07).
- » There is an owner for ongoing benefits measurement after the project has been delivered (2.68). Organizations without PPM processes in place are less likely to engage in this practice (2.12). Even high performers are less than moderately likely to engage in this practice (2.96).

What Sets High Performers Apart

High performers are much more likely to engage in benefits realization management best practices related to strategy execution than low performers (3.52 vs. 2.04). In particular, high performers are far more likely than low performers to have corrective action plans put in place when a high priority strategic benefit target is forecast less than expected (3.79 vs. 1.86) and to have benefits revised based on changes that affect the business (3.75 vs. 1.86).

People and Culture

Unfortunately, there's little likelihood that employees, at any level of the organization, feel engaged in and motivated by the organization's strategy execution process (2.29). It's better in organizations with a strategic PMO (2.48) and in organizations with PPM processes in place (2.64).

Regarding strategy execution roles, organizations are most likely to have an E/PMO director/manager (45%) or project portfolio director/manager (34%). Organizations with a strategic PMO are much more likely to have someone in these roles (E/PMO director/manager: 71%; project portfolio director/manager: 42%).

In terms of the skills required to execute strategy, organizations are more than moderately likely to have executives with the skills needed (3.28). Organizations with PPM processes in place are more likely to have executives with the needed skills (3.52).

Only 15% of organizations offer training in strategy execution management. But a majority of organizations offer leadership training (55%) to support their efforts in strategy execution management.

Finally, most organizations do not leverage the skills of contracted resources or consultants to help them improve their strategy execution. Only 45% of organizations use contracted resources to manage their strategic projects/programs. This climbs to 60% among organizations with a strategic PMO. Similarly, just 40% of organizations use consultants to help with their strategy execution processes.

What Sets High Performers Apart

Employees in high-performing organizations are more likely to feel engaged in and motivated by the strategy execution process (2.94). High performers are much more likely to have executives (4.08) and managers (3.67) with the skills needed to execute strategy. High performers are more likely to offer training in leadership (68%), project portfolio management (51%), and strategy execution management (28%). Significantly more high performers are likely to use contracted resources (60%) and consultants (51%).

BEST PRACTICES

The PMO facilitates strategic governance or steering committees

The PMO raises strategic issues to the highest levels of the enterprise in order to facilitate effective decision making

The PMO is responsible for the portfolio management of the organization's strategic projects

TOP 5 STRATEGIC SKILLS OF EXECUTIVES AND MANAGERS

1	Display an understanding of their marketplace and competition
2	Possess business acumen
3	Hold a strategic perspective
4	Ensure that their customer's needs are met and well-served
5	Clearly communicate their organization's strategy

How Organizations Can Improve

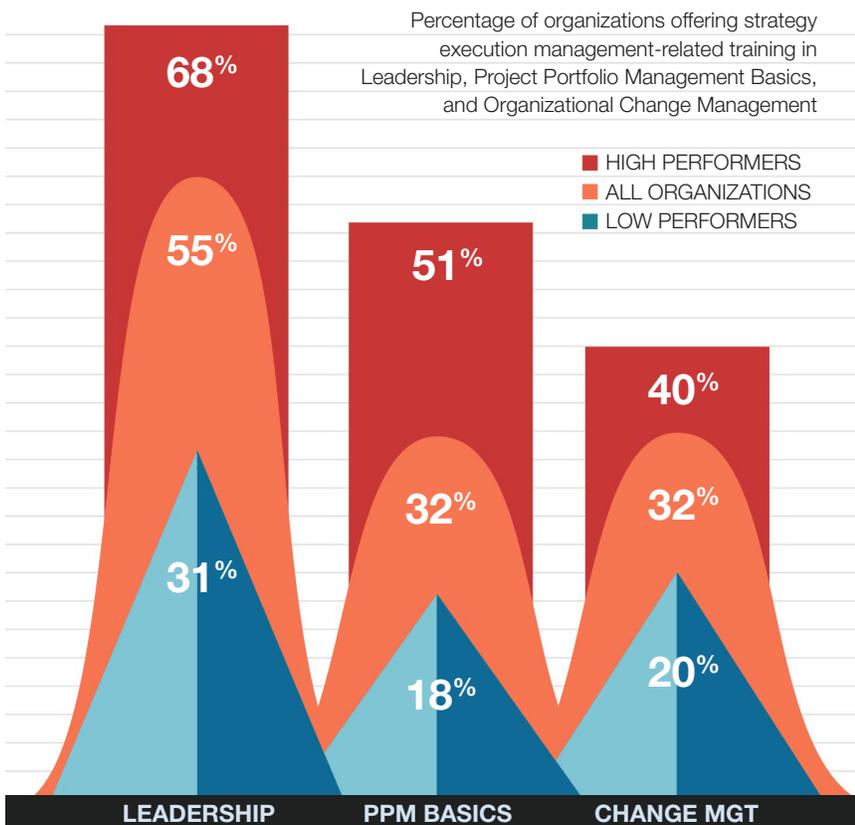
There appear to be two critical success factors in executing strategy.

1. Project Portfolio Management

While overall, only 53% of organizations in the study have PPM in place, when it comes to high-performing organizations (those that score in the top 25% on an array of organizational performance measures), 72% have PPM. Other findings that support the role of PPM as a key strategy execution success factor are:

- » 80% of organizations with PPM in place have C-level executives involved in the portfolio management of strategic projects. Many more high performers have executive involvement than low performers (91% vs. 55%)
- » 49% of organizations with PPM perform benefits realization management (compared to 33% overall).
- » One area where even high performers have room for improvement in PPM is resource management. Overall, survey participants score 2.49 on a 5-point scale in the practice of using RM processes that are standardized, documented, and put to use across the enterprise. High performers are little better, at 2.85.

STRATEGY EXECUTION-RELATED TRAINING



2. Strategic PMO

For nearly all measures in the study, organizations with a PMO at the enterprise or strategic level perform better at executing strategy:

- » Only 44% of the organizations in the study have a strategic PMO in place, which may account for the poor scores on strategy execution
- » Most of the organizations with PPM, a key process for executing strategy, have a PMO in place (61%)
- » 53% of organizations with a strategic PMO have benefits realization management in place (compared to 33% overall)
- » Organizations with a strategic PMO score higher in employee engagement with strategy execution processes

TOP 5 BEST PRACTICES OF HIGH-PERFORMING ORGANIZATIONS

1	Strategic projects have objectives aligned to the strategy
2	Strategic project progress is reported to key stakeholders
3	Strategic projects receive the appropriate senior-level sponsorship
4	The PMO facilitates strategic governance or steering committees
5	Executives have skills needed to effectively execute the strategy

- » Some of the strategy execution best practices that PMOs implement, manage, or promote include:
- Facilitating strategic governance or steering committees
 - Raising strategic issues to the highest levels of the enterprise in order to facilitate effective decision making
 - Taking responsibility for the portfolio of strategic projects
 - Utilizing contracted resources to successfully perform strategic projects (high performers are significantly more likely to employ this practice than low performers: 60% vs. 27%)

Follow the Leaders: Best Practices for Strategy Execution Excellence

Looking at the practices that the organizational performance data from the study show to be most effective in contributing to strategy execution excellence, we find that:

- » The best strategy execution performance occurs when strategic projects are optimally aligned to the organization's business strategy (3.08) and when stakeholders receive the information they need to execute strategic projects effectively (3.01). Having strategic projects optimally aligned to the organization's business strategy is even better in organizations with a strategic PMO (3.33).
- » The best organizational performance occurs when the organization is socially responsible (3.64) and when it's customers are satisfied (3.32).

In contrast, those companies that focus on processes related to budget and schedule compliance score lower on strategy execution success. The time to lift our gaze from project-specific performance metrics and leverage project management processes to drive strategy execution is here. The practices of high-performing organizations in this study provide a roadmap.



About PM Solutions

PM Solutions is a project management services firm helping organizations apply project management and PMO practices to improve business performance. We are the leader in applying project and portfolio management processes and practices to drive operational efficiency for our clients.

Founded in 1996 by J. Kent Crawford, PMP, the former president and chair of the Project Management Institute (PMI®), PM Solutions delivers expert project management solutions and services to help organizations and their people perform to maximum potential. Comprehensive offerings include:

- » PMO transformation
- » Project portfolio management process improvement
- » Program and project management resources
- » Corporate training and competency development delivered through our training division, PM College®

PM Solutions' PMO Practice

For over 20 years, PM Solutions has been well-known as a leader in PMO design and practice, bringing its clients the expertise and tools needed to help create and sustain a value-driven PMO. We regularly work with clients to deploy a new PMO, operate a PMO, or optimize and enhance an existing PMO to meet a set of evolving challenges, functions, and services. Our processes are scalable and fit PMOs at any level of the organization (enterprise, divisional, departmental, etc.) at any level of PMO maturity.

PM Solutions' highly experienced consultants (15 years on average) have deployed and actively managed PMOs for both commercial and government organizations. We've worked in most industries, including manufacturing, IT, financial services, and healthcare.

PMO structure and process are only part of the overall picture. It takes people to adapt to the cultural shifts that result and embrace PMO operations. Because we have our own training division, the PM College, we incorporate training, professional development, mentoring, and coaching, which are integral parts of making a PMO "stick" and become a valued organizational entity to the business.

For More Information

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