Improving Strategy Implementation

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Introduction

In a recent conversation with the Strategic Planning Director of a major Australian organisation, I was told that the organisation had recently spent a considerable amount of time and effort in developing its capacity for envisaging the future and devising strategies to realise that future, but that the organisation remained unable to confidently implement its strategy. And in my experience this may be the general situation with many other organisations.

The strategic management literature doesn't help. If you open just about any textbook on strategic management, you'll find that the section on implementation of strategy is very thin and not prescriptive. For example, a recently released text spends 400 pages describing strategy development, and 1 page on implementation which could be summarised as saying it was the responsibility of general management to implement strategy! My own experience acting as the interface between strategists and business leaders on the one hand, and change managers and project managers on the other, is that they have wildly different world views and skill sets, and generally don't understand each other's domains. Which means that senior project management professionals wishing to increase their influence in their organisations really need to understand what happens at the strategic level, and be able to operate at that level. This is a general theme of many recent Conference presentations.

The purpose of this paper is to outline an approach based on my experience in bridging the gap between strategising about change and actually delivering change. I take the view that strategy setting, portfolio management, programme management and project management are elements of an overall approach to effective delivery of strategic change into organisations.

Tactical Project Portfolios

In many organisations, corporate objectives are set and published without reference to the means by which these objectives will be achieved. Business units and individuals within the organisation then seek funding for proposals that advance their own agendas or simply address their operational issues, and attempt to justify the proposed projects by claiming they are somehow 'aligned' with organisational strategy. I believe this is one of the root causes of the difficulty many organisations seem to have in ensuring alignment of their project portfolios with their strategic objectives.

I refer to the resulting grab-bag of projects as a tactical project portfolio, characterised by standalone delivery of projects, open competition for scarce resources and a lack of attention to the delivery of benefits to the organisation. Such tactical project portfolios are unlikely to fully achieve strategic objectives, because the "Means" (the project portfolio) is not justified by, and does not support, the "Ends" (the organisation's strategic objectives).

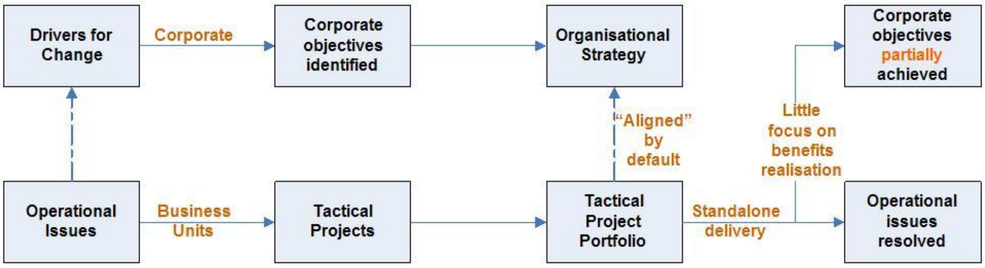

Figure 1 Tactical Project Portfolios

The point I'm making here is that strategists and project management professionals need an integrated approach to developing and implementing strategic change. I would claim that the most important projects in any organisation should derive from its strategic planning process, and that these projects need to be justified on the basis of the benefits that they will deliver to the organisation, not on an unverified claim that a project is somehow strategic.

Strategic Project Portfolios

In my experience with strategic programmes with values up to AUD100Million, a better approach to implementation of strategy would be to introduce a strategic programme management framework.

When I use the word 'strategic programme' in what follows, I use the definition provided by the MSP (4) programme management method: "The coordinated organisation, direction and implementation of a portfolio of projects and activities that together achieve outcomes and realise benefits that are of strategic importance". (An aside: It's interesting to note that the Global Alliance for Project Performance Standards, which is developing global standards for project management competencies, has identified the term 'strategic program' as a distinct project management endeavour, with a current working definition not dissimilar to the definition used in MSP. Refer to www.globalpmstandards.org for more information.)

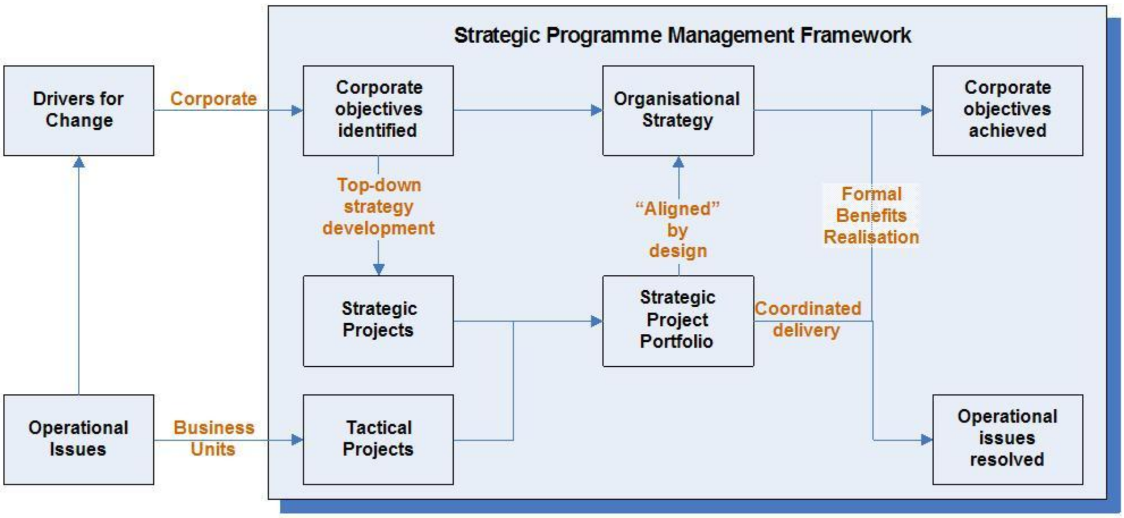

Figure 2 Strategic Project Portfolios

In this approach, strategic projects emerge from the strategic planning process, and the resulting strategic project portfolio is 'aligned' by design. Operational issues still need to be addressed, of course, but tactical projects to do this are clearly differentiated from strategic projects in terms of priority, access to resources, justification requirements and management. Delivery of change is coordinated, and there will be a formal approach to benefits realisation. This is a more reliable approach to achieving strategic alignment, which is not something done after a tactical project portfolio has been defined, but is an integral aspect of project portfolio development. Or as Peter Drucker said: "The best way to predict the future is to create it".

An important point to note: activities at the strategic level are almost never sequential, even if you are using a process model that implies a serial flow. So in this diagram, we would expect to have to return to earlier boxes and rework aspects as new options are identified or the cost of some approaches is found to be unsupportable.

The Balanced Scorecard Approach

Kaplan and Norton (2) developed the Balanced Scorecard (BSC) approach in the early 1990s. It is used to clarify an organisation's vision and strategy and translate them into action. It serves as both a strategic and operational performance management system as well as a measurement system and communication tool. It explains where the organization's performance is now, what its goals are, and what the organization is doing in achieve those goals.

One of the things we seek when developing a project portfolio is some sort of balance. Usually by balance we mean balance between high and low risk projects, long and short term projects, tactical projects that deliver immediate returns and strategic projects that improve the capability of the organisation in the future. The BSC approach takes this to a higher level, by identifying four 'perspectives': Financial, Customer, Internal and Learning & Growth, as a means of ensuring organisations don't focus exclusively on financial measures. The organisation would seek to balance its strategic objectives across these 4 perspectives. And if the organisation has adopted a programme management approach, we should see all of these 4 perspectives reflected in the strategic project portfolio.

Figure 3 Balanced Scorecard Perspectives

More recently, the BSC approach has been reconfigured to recognise the differences between for-profit organisations on the one hand, and governments and not-for-profit organisations on the other. The profit motive is not present in governments and not-for-profit organisations, which generally are more concerned with providing services to clients within budgetary and political constraints. The point here though is that regardless of differences in emphasis in different organisational types, it is still important to maintain a balance of objectives across these perspectives.

Another key element of the BSC approach is the Strategy Map, and extension of the BSC approach developed by Kaplan (3). Strategy Maps are a way of presenting a high-level view of an organization's strategy in a graphical manner, and providing a language in which executives can describe their strategy.

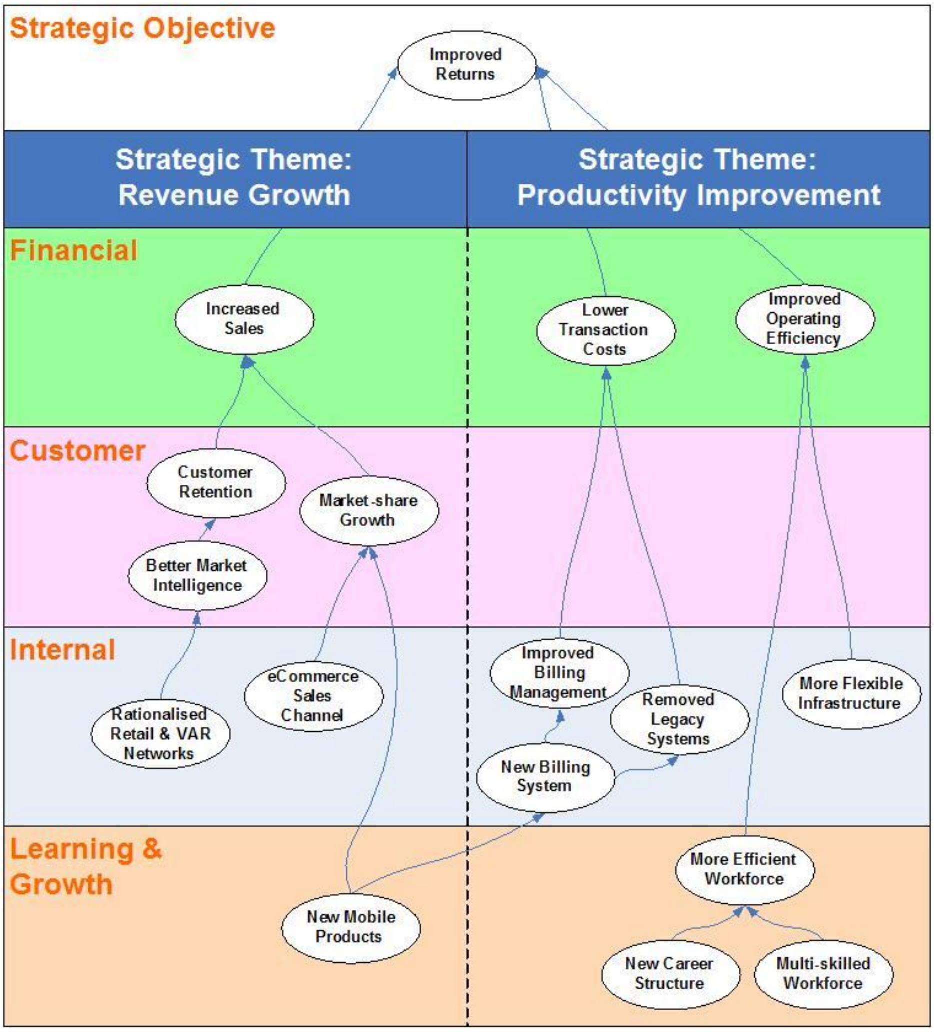

Figure 4 Strategy Map

In Figure 4, the 4 BSC perspectives are shown as horizontal colour bars. I've also shown two themes – Revenue Growth and Productivity Improvement – supporting an overall strategic objective of Increased Revenue. Within each theme, there are many objectives, arranged according to the BSC perspective to which they most closely relate. So we can graphically check for balance across the perspectives, and validate the logic chain implied by the links between objectives.

The BSC approach then proceeds by associating with each objective on the Strategy Map, a series of measures and targets, and by identifying the initiatives that relate to this objective. Finally, the BSC approach cascades objectives and measures down to business units, teams and even individuals.

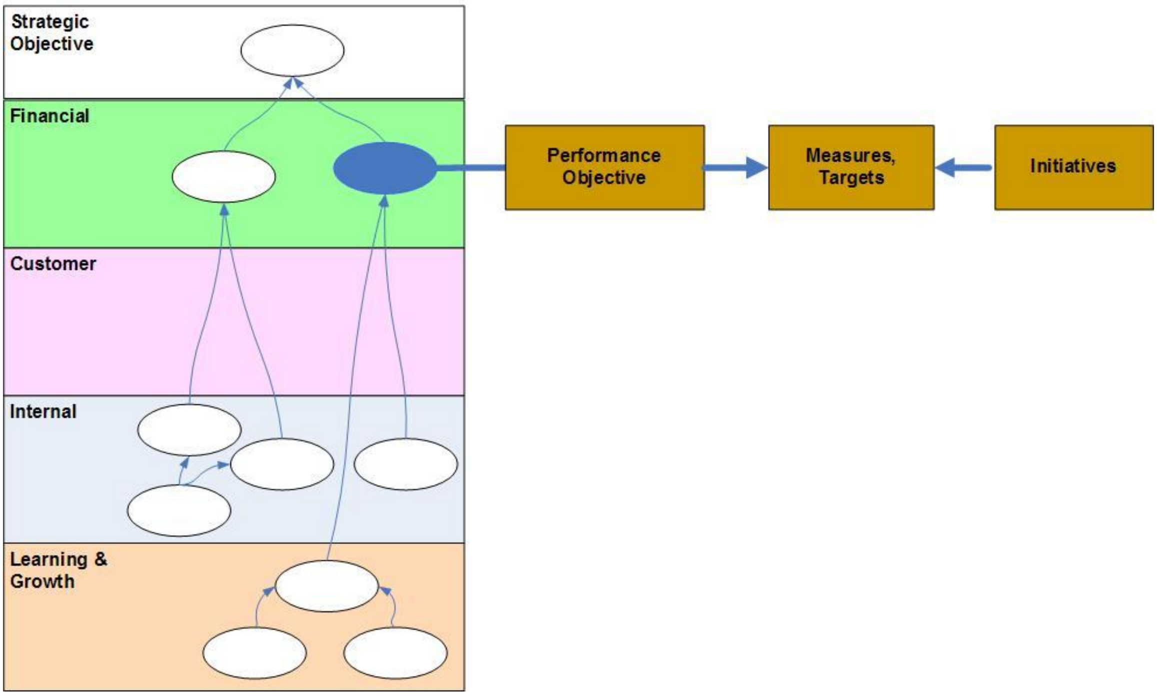

Figure 5 Strategy Map and Implementation

So now we have a better picture. The balanced scorecard approach starts with a set of strategic objectives which an organization must achieve in order to succeed. Supporting each strategic objective are goals called performance objectives that must be met in order to achieve the desired results. Associated with these objectives are performance measures – what is measured to determine success or progress in each performance objective. And the initiatives provide the link into the domain of project management professionals.

Following from the mantra “if you can’t measure it, you can’t manage it”, the BSC approach provides executives with increased confidence that each of objectives on the Strategy Map is achievable and can be managed.

What we don’t know is the relative contribution of each initiative to the objective. If our measurements show we’re missing targets, the Strategy Map may not be of help in causal analysis. And we can’t use the Strategy Map for impact analysis – for example if we decide to cancel one of the initiatives, what is the impact on the overall strategic objective? And it remains unclear how the measures, targets and projects can be guaranteed to ensure achievement of strategic objectives, given the way these elements are developed in practice.

This is why I was motivated to think about better ways of integrating strategy development with implementation planning, and generally reflecting progress towards achievement of strategic objectives. Which brings us neatly to the concept of Benefits Models.

Benefits Models

The paradigm that says that if a project is managed properly then business benefits will automatically accrue is fundamentally wrong. In the real world, benefits do not materialise unless you understand and proactively manage the process to achieve them. Which is why a well-run project can still be regarded as a failure by senior management if the organisation can't achieve a return on its investment in the project.

This dilemma, which relates also to the conflict in world views between senior managers and project managers, has prompted at least three separate approaches:

- Benefits Models first emerged as Results Chains in the method developed by John Thorp and others with the DMR Consulting Group (now Fujitsu Consulting) from the early 1990s.
- They also appeared as Benefits Dependency Networks in the work of John Ward and his colleagues at the Cranfield School of Management in the UK from the late 1990s.
- The MSP programme management method was developed by the UK Office of Government Commerce and originally released in 1999, with a third release due next year. It is a robust framework that is now used world-wide. MSP uses benefits as the thread bringing together all of the work of programme management. A central element of the MSP method is the Benefit Map.

So what does a Benefits Model look like? Figure 6 shows a benefit model as it might be developed during programme definition activities under the MSP method.

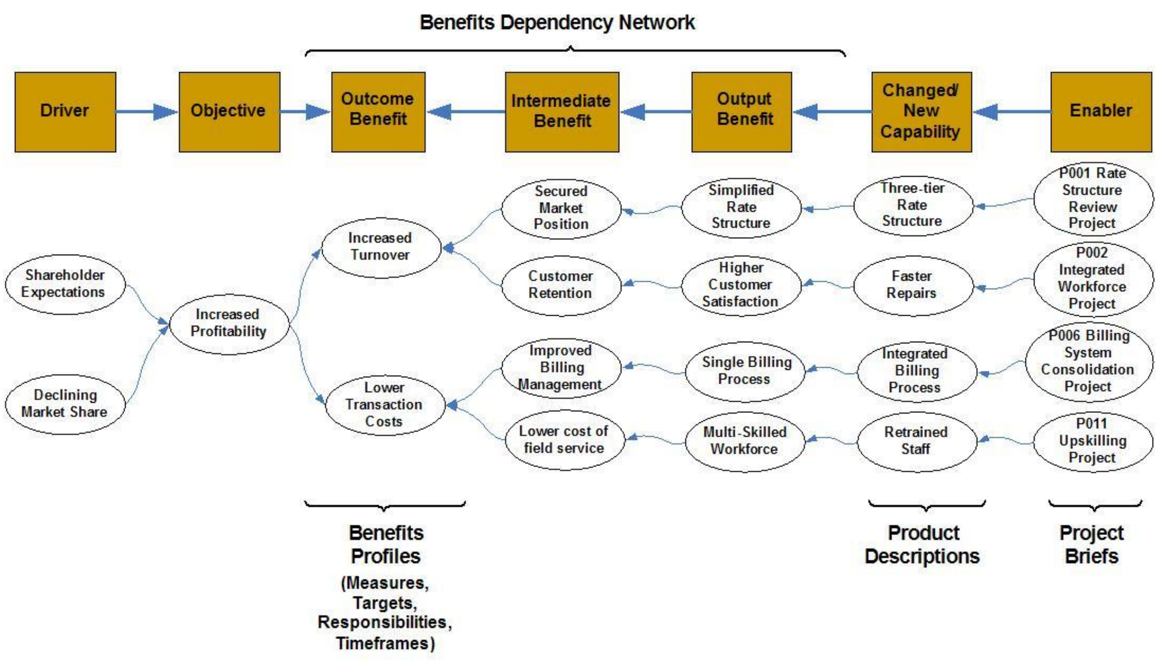

Figure 6 A Benefit Model

We can see a flow from strategic drivers on the left, through objectives to the outcome benefits that will be used to justify the programme in its business case. We see a network of intermediate and output benefits arising out of the operational use of the capabilities delivered by enabling projects and other initiatives. (Note the use of John Smyrk's 'output' and 'outcome' terminology.)

The MSP method moreover provides greater clarity than is supported by a Strategy Map. Each of the key outcome benefits is defined in great detail in a document called a Benefit Profile, which includes not only the relevant measures and targets, but also assigned responsibilities, activities and timeframes required for operational realisation of the benefit. Each key capability to be delivered by the enabling initiatives is defined in a Product Description. Each enabling project is defined in a Project Brief. The method requires consistency between all of these definitions. The contribution of each of the initiatives to outcome benefits and to overall objectives is also determined or at least agreed.

Like a Strategy Map, the Benefits Model provides senior management with greater confidence that the programme will deliver the things that they are really interested in – namely benefits – potentially before they approve commencement of any projects under the programme. And in fact, senior management is provided with greater confidence that their overall strategy is achievable before they publicly commit to it.

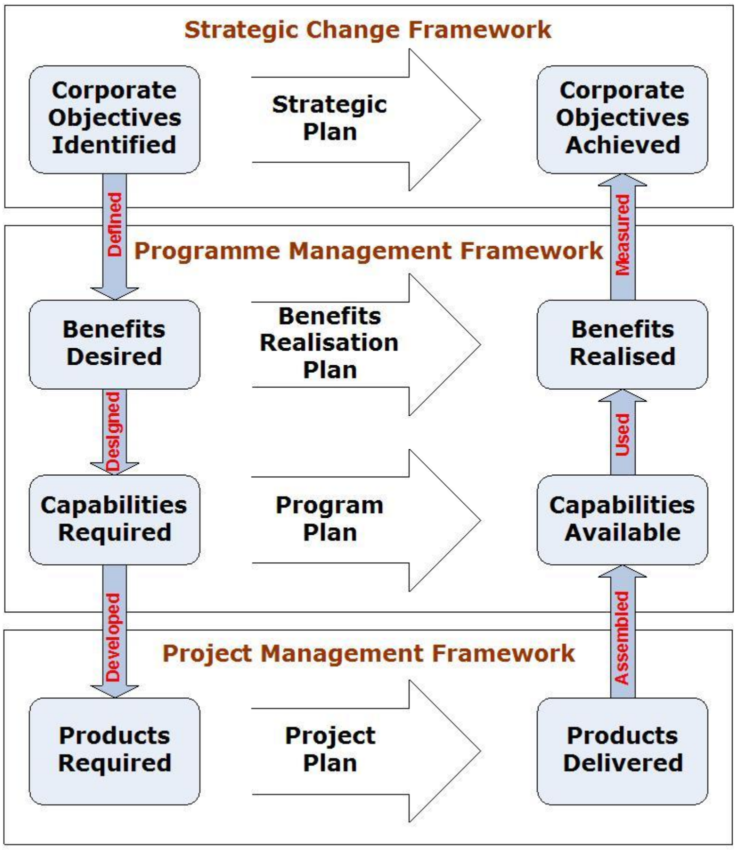

Figure 7 Stepwise Refinement

So now the question arises, how do we develop the benefits model and identify projects in a top-down manner?

Figure 7 illustrates how this is done under the MSP method through a process of stepwise refinement. Once corporate objectives have been identified, we can think about the benefits that will need to be realised along the way, the new or changed capabilities that will be required in operational environments to underpin these benefits, and the projects that will be required to deliver these capabilities.

The steps down the left leg of the diagram encourage organisations to take the time to surface and discuss issues and options, to develop knowledge around these options and alternative approaches, and to build consensus around the selected approaches. Organisations that jump straight from their strategic objectives to a project portfolio without taking the time and putting in the effort to go through this process risk implementing a tactical project portfolio that may not achieve organisational objectives.

Overall, we would have had to do more in the way of upfront analysis to generate the detail required in the set of interlocking plans shown, but our payoff is that we will have greater understanding of the 'what', 'how' and 'when' aspects of strategy implementation. Once the implementation programme has been approved, we can proceed up the right hand leg.

And I make the point again that in reality this process of stepwise refinement is unlikely to be sequential. As options are evaluated and rejected, or new or better approaches are thrown into the mix, we'll be going back over previously developed elements, potentially at every stage until all of our strategic objectives have been achieved.

Integrating Strategic Planning and Implementation

Now I want to position the previous considerations within the context of a strategic change framework and build up a model for integration of strategic planning and strategic programme implementation. Figure 8 provides the skeleton of such a framework, identifying the high level phases used in many organisations, and the state descriptions that are developed.

Most organisations start out by assessing where they are and what opportunities are available to them, then working out where they want to be at some time in the future. As implementation progresses through high-level planning and the cascading of plans and measures to lower levels of the organisation and greater levels of detail, senior management will periodically evaluate the current status and reassess current approaches to reaching their goals. These activities are represented at a high level by the row of boxes along the top of Figure 8. This seems simple enough, but as they say, "the Devil's in the detail." So let's drive down a level to consider the sorts of activities that might be undertaken during each phase.

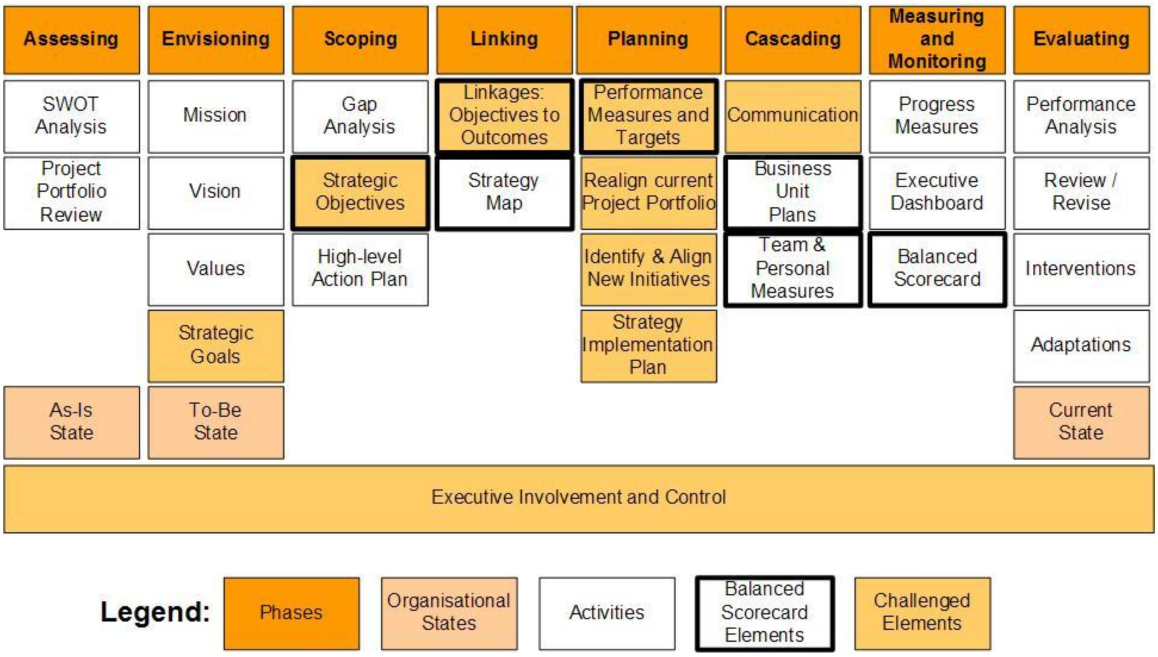

Figure 8 Strategic Change Framework based on BSC

At the left, we see the familiar SWOT Analysis and Vision/Mission development activities of strategic management texts, as well as implementation and oversight activities which tend to be glossed over in many of these texts.

Now let's start to weave together the threads I've introduced so far. We can see the elements of the BSC approach introduced earlier (outlined in bold boxes): objectives, Strategy Map, measures and targets, as well as the cascading plans and responsibilities. Now we see the primary value of the BSC approach: it provides a high level road map and control structure across the strategy implementation 'desert' of strategic management texts. The Strategy Map reflects the outcomes of strategy planning, and the Balanced Scorecard itself acts as a means for tracking progress.

A recent survey identified four aspects of strategic management as being most often troubled (highlighted in yellow in Figure 9):

- Establishing realistic goals in terms of objectives and timeframes
- Aligning projects to the overall strategy
- Ensuring executive involvement
- Communicating mission and purpose to the wider organisation

These aspects to some degree reflect my previous observation: that too little time is spent in ensuring that the overall strategy is realistic and implementable before the strategy is published. This reflects limited management time commitment, implicit disagreement on priorities and an ineffective implementation management regime.

Again, many texts on strategic management say that implementation is the most difficult part of the process, and the fact that most of the boxes in the implementation phases of the framework are highlighted simply reinforces this. Also, notice that there is no guidance given on <u>how</u> to go about identifying and aligning new initiatives. Again, the risk is that you'll end up with a tactical project portfolio.

Now we can bring in the elements of a strategic programme management framework. I've superimposed the key programme identification and definition elements of the MSP method (the green boxes in Figure 9 below) over the strategic change framework we've just developed. (Note: I haven't shown the portfolio management and benefit management aspects of MSP)

There are some interesting features to be noted:

- The information flow and control aspects afforded by the BSC approach are supported by the benefits thread MSP model, which begs the question: do we need both approaches?
- The yellow arrows indicate that there is a high level of integration between the strategic visioning and scoping elements and the programme scoping and defining elements. This ensures that the programme as a whole is aligned with strategy.
- Alignment of the project portfolio is not an issue – because under MSP, alignment is a natural outcome of the process of project portfolio development.
- During programme definition and implementation, executives are involved in oversight at a high level, or in governance roles at a lower level.

- The concept of stepwise refinement from strategic objectives, through programme benefits and capabilities, to projects, ensures traceability and affords greater confidence that objectives are achievable.
- Because MSP is a mature, robust method, I would claim that there are no challenged activities in the implementation phases. The main challenge that remains is the setting of strategic objectives (“what should we do”) not in any aspect of “how should we do it”. And provided strategy development and programme development proceed in parallel, senior management should be provided with more and better information to improve their selection of strategic objectives.

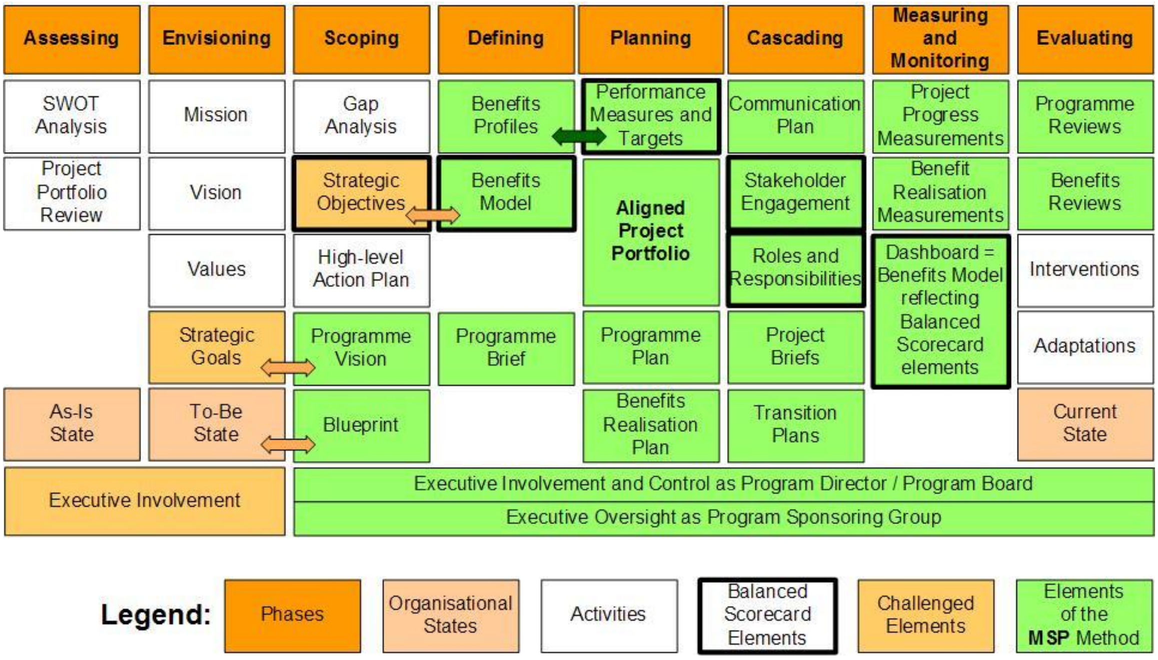

Figure 9 A Strategic Change Framework based on MSP

Again, I point out that Figure 9 shouldn’t be taken to mean that I’m implying a mechanistic process for strategy development or implementation planning. Senior managers expect that there will need to be vigorous debate and discussion, supporting organisational learning along the way, and hard tradeoffs and compromises. Which means that we may find ourselves repeating aspects of the model many times. The plus side however is that this approach will be able to handle the concept of “emergent strategy” – strategy that emerges over time as organisations proceed slowly down the path of trying to understand the uncertainty and ambiguity of their changing environments and developing flexible responses.

Conclusion

There are sufficient overlaps between the Balanced Scorecard approach used by a majority of large organisations, and the MSP strategic programme management method, to believe that the world views of business leaders and strategic planners on the one hand, and change managers and project managers on the other, can be reconciled. The general failure of strategic management texts to address implementation issues can be addressed by adopting a strategic programme management method such as MSP, and replacing Strategy Maps and Balanced Scorecards with Benefit Models, the associated Benefits Profiles and other information-rich artefacts supported by the MSP method.

References

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