

Making Strategy Execution A Sustainable Competitive Advantage

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Organizations of all types have an opportunity to create competitive advantage and move away from their competition. How? By developing a new approach to managing and executing strategy. A research study, sponsored by Cognos and performed by Dr. David P. Norton and his colleagues at the Balanced Scorecard Collaborative/Palladium, showed that while 90% of organizations fail to execute their strategies, the 10% that do achieve dramatic benefits, typically measured in the billions of dollars. A database of over 70 successful organizations from both private and public sectors and from all parts of the world was used to identify the management practices used by these exemplars. A set of longitudinal case studies was used to understand how these organizations evolved over time.

While a clear profile of Strategy Execution best practices emerged, the study focused on the issue of sustainability – How can organizations make Strategy Execution a sustainable competitive advantage? The conclusion – In order to succeed, organizations must break through four barriers.

#1. The Executive Leadership Barrier

Executing strategy means executing change at the highest level of the organization. These changes can only be empowered and led by the executives. The problem is that most executives don't understand that managing strategy requires a different management process – one that doesn't currently exist in their organizations. The study recommends that (1) executives understand and embrace this new way of managing, (2) the governance process be redesigned to incorporate these new processes and (3) an Office of Strategy Management be created to provide the leadership and resources required by this new process.

#2. The Structural Barrier

The structures of most organizations were designed to meet the needs of mass production in a product-driven economy. Organizations are structured around centralized functions and/or decentralized around products or regions. These structures are at odds with new economy strategies that require cross-functional, cross-business approaches to manage strategies that include outsourcing, customer centricity and intangible assets. The study recommends that organizations translate their strategies into several (3-5) *strategic themes* around which the processes of resourcing, accountability and management take place. This allows a "virtual organization" built around strategic priorities, to cross the traditional silos without requiring a reorganization.

#3. The Process Barrier

Strategy management must be linked to operations management (i.e., budgets, HR, customer management) if a sustainable Strategy Execution process is to be created. Unfortunately, a majority of organizations are unable to create this linkage – strategy and operations are structurally incompatible processes that have different architectures and different host organizations. The study accepts the need to keep these processes separate and distinct but makes two recommendations. First, linkage should be created between three distinct management domains: (1) strategy management, (2) resource management and (3) key process management. Secondly, these processes should be linked through specific process attributes, including (1) target-setting, (2) funding mechanisms, (3) cross-functional initiatives and (4) cause-effect analytic models.

#4. The Technology Barrier

Technology is an essential enabler of effective strategy, resource, and key process management, but the technology must follow the process. This appears to be the general practice at present. One survey of strategy management professionals showed that while only 25% currently had an integrated CPM platform to support their management, 75% indicated they would eventually have such a platform. Case studies of successful companies confirmed this observation. Their use of technology tended to follow an evolutionary approach, beginning with simple spreadsheets, evolving to networks and ultimately to an integrated CPM platform. This technology was driven by the maturity of the management processes, rather than limitations in the technology itself. The study makes three recommendations. (1) Develop technology solutions to support the three management domains – strategy management, resource management and key process management. The technology solution should be tailored to the sophistication of the management process rather than vice versa. (2) Provide linkages among the three domains using the process attributes defined above. (3) IT solutions should be designed with cross-functional features that help eliminate the barriers presented by organization silos.

Getting Started

Successful strategy management and execution is a journey, not a project. Organizations are committing to a new way of managing. For some, executive education is the starting point – executives need to understand the potential and requirements of this new approach. For others, a detailed inventory of existing structures, processes and technology provides the foundation. Either way, organizations should assess where they are today and build a roadmap to go forward. Strategy execution is a core competency for organizations, similar to the quality management movement of the 1980s. It has high potential rewards but can't be learned overnight. The sooner the journey begins, the greater is the advantage.