

Executing Strategic Change:

UNDERSTANDING THE CRITICAL MANAGEMENT ELEMENTS THAT LEAD TO SUCCESS

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Business leaders are under constant pressure from stakeholders to comply with their demands while maintaining the organization's competitiveness in increasingly complex markets. As a result, such leaders are striving to continuously formulate new strategies that will help them deliver more value to their customers and other stakeholders.¹

Strategy execution is concerned with: firstly, creating a portfolio of change programs that will deliver the strategy; and secondly, it involves attracting, allocating, and managing all the necessary resources to deliver these change programs.² It is becoming more critical to organizations' long-term success to excel at strategy execution: those that do will outperform their peers by a wide margin.³

The literature offers a range of approaches to the practitioner seeking insight into strategy execution. Many of these approaches share common elements, such as the importance of culture and communication, and promise similar benefits, whereas others focus on specific elements, such as program management or benefits realization. Furthermore, some of these approaches are organization-wide, whereas others offer more functionally focused solutions. A possible consequence of numerous non-integrated approaches is that practitioners may be left in a state of confusion when having to decide which approach is most appropriate for their situation.

The Challenges of Strategy Execution

Successfully executing strategy is a daunting task, if the frequently quoted failure rate of 70 per cent is to be believed.⁴ Other research suggests that some organizations realize only 60 per cent of the potential value of their strategies

due to inadequacies in planning and implementation.⁵ The literature suggests that successful strategy execution is difficult to achieve for five key reasons.

The first reason is the relentless pressure from shareholders for greater profitability, requiring business leaders to redefine their strategy more frequently. Such redefinition is necessary to remain aligned with customers' changing needs and priorities, while continuously generating the necessary profits.⁶ This demands that strategies must be executed successfully within increasingly shorter time-periods.⁷

The second reason relates to the increased complexity of organizations. In many, the activities performed to create products and services cross multiple functional, organizational, and geographical boundaries.⁸ Consequently, any strategic change program is likely to affect the people, processes, structures, technologies, suppliers, and business partners that work both within and across these boundaries. Hence, strategic change programs are becoming highly complex,⁹ resulting in increased risk of failure due to oversight.¹⁰

The third reason is the difficult challenge faced by managers to balance the demands of successfully executing complex change programs with the demands of managing today's business performance.¹¹ In situations where management is strongly tied to reward schemes based on today's performance, it is challenging to achieve active participation for the creation of tomorrow's organization. However, as a result of the relentless pressure from stakeholders for continual high performance, managers cannot afford to dedicate their time, effort and resources to one set of demands exclusively. This balance is particularly challenging during the high-risk period when a business transitions to a new strategy.¹²

The fourth reason is the low levels of involvement of a large number of managers across all functions at an early stage of strategy execution. The mechanics of involving large numbers of people in complex discussions leads organizations to curtail involvement in the quest for urgency. Often managers see these early stages as bureaucratic, unnecessary, and delaying real action. However, such involvement is required to obtain commitment to change and for the development of effective implementation plans.¹³

The fifth reason is the difficulty of securing the required resources to execute the strategy. Often, as a result of the large number of concurrent change programs, many of the organization's resources will already be allocated. Furthermore, as such resources are limited, managers will compete fiercely for them, and, once within their control, will endeavor to "own them" to secure their own goals.¹⁴

Overcoming these challenges posed by the need to successfully and timely execute strategy is difficult. This article describes an integrated framework

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for addressing the above issues and in so doing successfully execute strategic change.

Developing an Inclusive Approach for Strategy Execution

The practice of strategy execution has been thoroughly researched and documented in the past decades by academics and consultants alike. Consequently, there is no shortage of suggested approaches, methodologies, and principles for achieving successful strategy execution. When these approaches are analyzed, ten generic elements can be identified. These cluster around three capabilities:

- *strategic change portfolio alignment*, i.e., the identification and prioritization of an agreed collection of programs that will deliver the strategy;
- *strategic change execution*, i.e., actually delivering the benefits of the strategic change through implementing the programs in the change portfolio; and
- *change capability improvement*, i.e., continually improving the ways in which change programs are identified and undertaken.

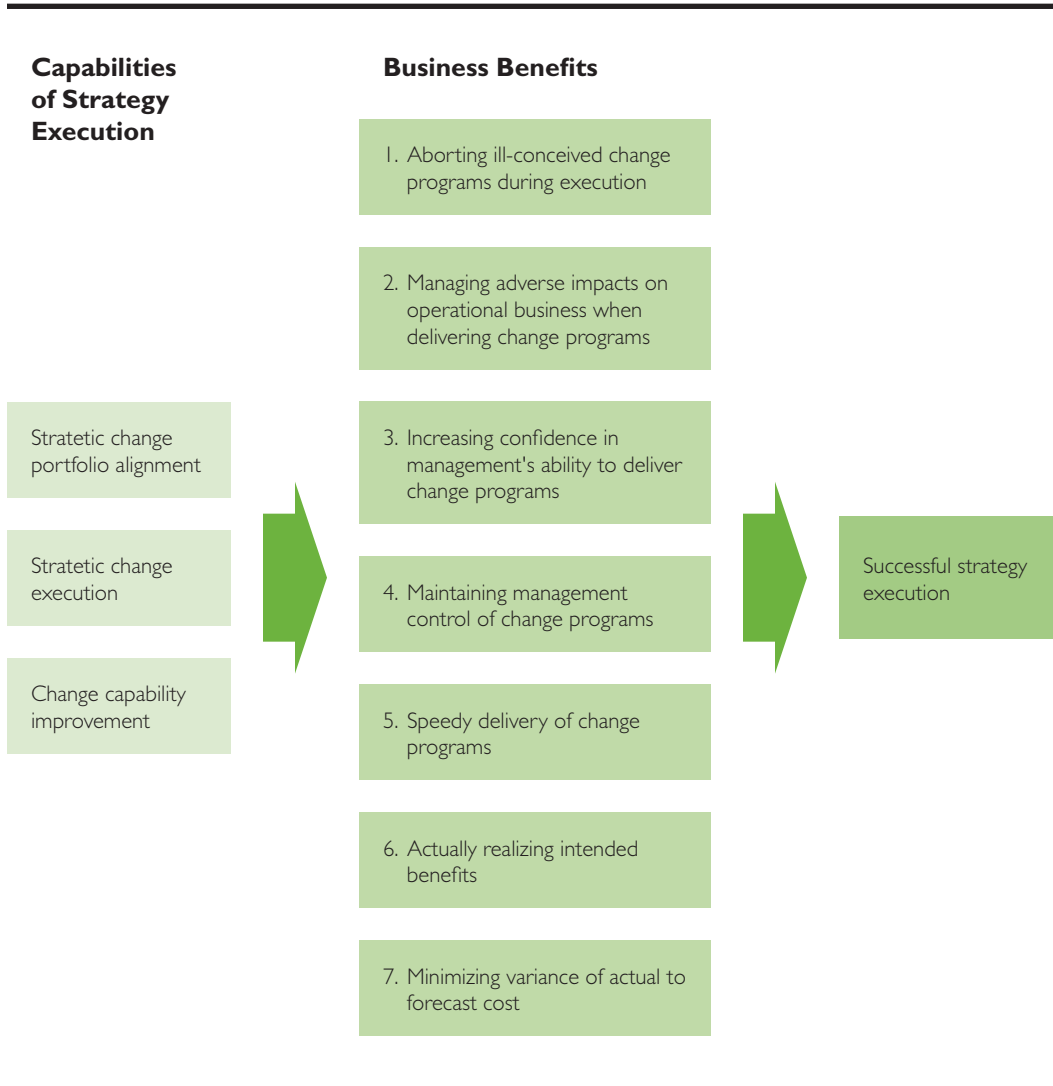
Furthermore, seven business benefits can be identified that could be realized if the elements within these three capabilities are performed effectively. These capabilities and the business benefits are listed in Figure 1. The ten elements identified from the literature are summarized in Figure 2, which also indicates the capability to which they contribute.

Element 1: Engendering and Reinforcing an Organizational Culture of Continuous Change

It is essential that those responsible for strategy execution, as well as those affected by the resulting changes, understand the underlying reasoning and urgency. This understanding is required so that a desire and willingness to pursue change can be maintained among employees and other stakeholders. To achieve this requires inspirational communication by the leadership team to persuade others to accept and support the organization's new direction, and it requires creating a culture conducive to change. Carrying out this task, however, entails more than just broadly communicating the need for change. Because change is uncomfortable for many, the strategic leadership team must use all possible means of involvement and continuously motivate people to embrace change and make it happen. Ultimately, this means changing people's behaviors so that these are supportive instead of resistant. As people within the organization take their cue from those at the top, the strategic leadership team must continuously lead by example and communicate the change message in order to convince others to follow, and maintain an organizational culture conducive to change.¹⁵

The literature suggests that succeeding with this first element contributes to the realization of all seven business benefits shown in Figure 1. In particular,

FIGURE I. Relating Capabilities, Business Benefits to Successful Strategy Execution



it increases the confidence employees and other key stakeholders have in management's ability to deliver change programs, because the link between leaders' words, behaviors, and commitments is explicit. Additionally, when people are comfortable working in an environment of continuous change, they will be in a better position, and be motivated, to manage adverse impacts on operational business when delivering change programs.¹⁶

Element 2: Understanding the Drivers and Content of Each Change Program at an Early Stage of the Lifecycle

Given the complexity of many organizations and the pace with which their business environments evolve, strategic leadership teams alone are often not in a position to identify and effectively define the change programs that will

FIGURE 2. Elements of Strategy Execution

<p>Strategic Change Portfolio Alignment</p>	<p>1. Engendering and reinforcing an organizational culture of continuous change</p> <ul style="list-style-type: none"> • Understanding the existing culture and the organization's state of change readiness • Communicating the vision of continuous change, the underlying reasons and urgency • Communicating the implications and motivating staff <p>2. Understanding the drivers and content of each change program at an early stage of the lifecycle</p> <ul style="list-style-type: none"> • Understanding the strategic goals, success criteria, drivers and urgency for each program at an early stage of the lifecycle • Defining the initiative outline, overviewing the scale of benefits and resources involved <p>3. Aligning and filtering programs in relation to the strategic goals, thus creating the change portfolio</p> <ul style="list-style-type: none"> • Understanding the capacity for change, change funds, people availability, skills and culture • Filtering programs in relation to the strategic goals • Creating a change portfolio of strategically aligned programs <p>4. Harmonizing the strategic leadership team to support the change portfolio</p> <ul style="list-style-type: none"> • Identifying and motivating a strategic leadership team to support and communicate the portfolio of change programs
<p>Strategic Change Execution</p>	<p>5. Developing the detailed business case and obtaining approval/refusal for each change program</p> <ul style="list-style-type: none"> • Understanding in detail the vision, benefits, costs and process changes of each change program • Defining the projects that will deliver the business changes required • Obtaining approval/refusal; allocating responsibilities and resources <p>6. Establishing accountability and governance of each change program</p> <ul style="list-style-type: none"> • Creating governance bodies for each change program (i.e., steering committees) • Clarifying roles and accountabilities • Monitoring ongoing progress of programs against the business case <p>7. Executing each change program and realizing the intended benefits</p> <ul style="list-style-type: none"> • Planning detailed change execution • Delivering each change program • Undertaking benefits realization <p>8. Managing the ongoing change portfolio, conflict resolution, resources and interdependencies</p> <ul style="list-style-type: none"> • Control ongoing programs, including conflict resolution, resources and interdependencies • Balancing resource allocation vis-à-vis ongoing operation <p>9. Coordinating the elements of the change capability</p> <ul style="list-style-type: none"> • Ensuring the effectiveness of information sharing during each step of the change process
<p>Change Capability Improvement</p>	<p>10. Reviewing, learning and improving the change capability</p> <ul style="list-style-type: none"> • Ongoing assessment of the effectiveness of the change capability • Reviewing, learning and implementing improvements

deliver the strategy. To undertake this successfully requires the involvement and contributions of knowledgeable middle managers who will ultimately be tasked with making the many changes happen. To effectively use the limited window of opportunity in which the strategy must be executed, these managers must be involved early in the strategic leadership team's diagnosis of the business environment. Through this joint diagnosis, a shared assessment of the company's problems and opportunities will be developed as well as a broader understanding of the organization's strategic drivers, goals, and critical success factors. By achieving this, the organization is in a better position to identify and outline potential change programs that could deliver the strategy. Furthermore, an extended involvement in this process increases the size of the group for communicating the need for change and the way in which the organization will move forward. This is important for creating and sustaining the momentum for change within the wider organization and the speedy delivery of change programs.¹⁷

Element 3: Aligning and Filtering Programs in Relation to the Strategic Goals, thus Creating the Change Portfolio

Organizations have limited time and resources that they can devote to executing strategic change; hence, it is critical that change programs are prioritized. This requires an effective aligning and filtering process, as the number of suggested change programs is typically too great for an organization to pursue. Clear communication of the prioritized change programs that are to be funded, and why, is important as it displays clear management thinking and consistency, thereby increasing stakeholders' confidence in management's ability to deliver change.¹⁸

Both our own experience of working with organizations as well as the literature suggest that relatively few organizations have completely mastered this task of prioritization and creating a focused change portfolio that is aligned with the organization's strategy. Often, large organizations have a vast number of change programs active at any given time, which are often uncoordinated, not clearly prioritized, and without any transparent alignment with the strategy. The result is program overload that wastes resources and distracts the organization from effectively responding to its environment.¹⁹

Organizations that have mastered filtering and prioritizing typically have only a relatively small number of major change programs active at any one time, each clearly linked to the strategy. Such organizations are better at allocating their limited resources, establishing accountability and governance of change programs, managing the transition to the new strategy, and realizing the intended benefits. Furthermore, clear prioritization underpins faster delivery of key programs.²⁰

Element 4: Harmonizing the Strategic Leadership Team to Support the Change Portfolio

The strategic leadership team needs to internalize and collectively demonstrate commitment to the agreed change portfolio to avoid sending "mixed"

messages to stakeholders. This entails the need to collectively lead by example as well as jointly removing obstacles that block the implementation of the selected change programs. Not jointly agreeing how to address significant obstacles, sometimes because the decision that needs to be made is uncomfortable, can undermine stakeholders' confidence in management's ability to deliver change initiatives. Likewise, if the strategic leadership team appears to be divided over the way forward in word and/or action, stakeholders' confidence will decrease. The resultant loss of stakeholder commitment can threaten the success of strategy execution.²¹

On the other hand, a harmonized, decisive, and focused strategic leadership team, constantly reinforcing what is important and what is not, will ensure through their words and actions that ill-conceived change programs are truly aborted and higher priority programs progressed.²²

Elements 5: Developing the Detailed Business Case and Obtaining Approval/Refusal for Each Change Program

Effective execution of the first four elements will provide both those responsible and affected by the implementation of strategic change with a clear understanding of the need for the change and the outlined programs that will move the organization towards its goals. This places the organization in a well-informed position to define each change program in detail. From this detailed understanding, organizations are able to develop business cases for implementation and present these for approval.

A business case needs to demonstrate how the program will contribute to the achievement of particular strategic goals. This includes:

- clear definition of the benefits that the proposed program will deliver,
- identification of the necessary organizational changes,
- resource requirements, timescales and cost information, and
- identification of individuals who will be responsible for implementation and delivering the benefits.²³

The business case is a critical thinking and communication document, rather than simply being a request for capital or a bureaucratic hurdle to be overcome in the organization's investment approval process.

The literature suggests that high-quality business cases play a significant role in ensuring resources are devoted to delivering the most valuable change programs, thereby enhancing the likelihood of benefit delivery. Furthermore, realistic statements of benefits, time, resource requirements, and costs enable the subsequent minimization of cost variance, monitoring of progress, and the management of interdependencies between change programs within the portfolio.²⁴

Element 6: Establishing Accountability and Governance of Each Change Program

The literature consistently advocates the need for clarity regarding accountability and decision making. Such governance aspects tend to be

incorporated into formal program and project management methodologies such as PRINCE2 and PMBOK. In practice, however, accountability for the definition and delivery of program benefits are often surprisingly absent even though the need is intuitively obvious. The causes of this poorly defined accountability can often be traced back to a lack of a real commitment to change, program overload, and limited desire by senior managers to make tough decisions and follow through on them.²⁵ Consequently, governance of change programs tends to be unclear and fragmented, which means that management control of such programs is weak and thus impacts the delivery of benefits.²⁶

Element 7: Executing Each Change Program and Realizing Intended Benefits

This element involves applying good program, project, and change management practices. While many programs succeed in delivering aspects of change, a consistent weakness that has been identified is the actual realization of the intended benefits.²⁷

The primary reason appears to be that organizations perform the previous six elements ineffectively. Consequently, those tasked with delivering the change programs may be working with only a partial understanding of the purpose of the change, incomplete benefit statements, and the reasoning underpinning the chosen way forward. This lack of clarity tends to lead programs to focus on deliverables, timescales, and costs, rather than the realization of benefits. Furthermore, when organizations continue with non-beneficial programs then the execution of highly beneficial ones is delayed, as the necessary resources for them will be committed elsewhere.

The most frequently cited advantages of effectively managing this element are increased control of costs against those planned, and the delivery of the intended benefits. Additionally, stakeholders' confidence in management's ability to deliver change increases when stakeholders observe demonstrable improvements in business performance arising from the realization of benefits.²⁸

Element 8: Managing the Ongoing Change Portfolio, Conflict Resolution, Resources, and Interdependencies

The purpose of this element is to manage the ongoing implementation of programs in the change portfolio and to resolve any conflicts arising from the interdependencies between these programs. Such conflicts are inevitable as approval is often on a business-case-by-business-case basis whereas the change resources are shared. Even the best-planned programs will require continuous review due to the dynamics of the organization and the business environment in which it operates. Additionally, conflicts are likely to arise from the interaction between managing today's operational activities and creating tomorrow's organization. Effective execution of this element therefore ensures that management's focus is maintained, that corrective interventions are timely initiated and executed, and that the link with the strategy is maintained.²⁹

This element provides several benefits. By continuously monitoring and reporting on progress of change programs in the portfolio, conflicts can be identified earlier and more clearly understood. As a result, relevant management interventions can be carried out earlier, thereby minimizing any adverse impact on operational business, while ensuring that the focus on delivery of only the most critical programs is maintained. Furthermore, by ensuring that the management of the change portfolio is effective and transparent, confidence in management's ability to control and deliver change programs is increased.³⁰

Element 9: Coordinating the Elements of the Change Capability

At the core of the aforementioned eight elements is the organization's ability to coordinate the elements of strategy execution via information sharing. For example, the information required in the third element to develop the initial change portfolio informs multi-functional teams developing the detailed business cases (fifth element), which then informs the subsequent governance of each change program (sixth element).

Sharing information across management levels and functional boundaries can be challenging, particularly for large organizations. This issue is compounded further when an organization's processes for managing change are poorly coordinated or not integrated, which is not uncommon from our own experience. For example, the production of a portfolio may be supported by a specific software tool, yet people produce business cases using word-processing or spreadsheet applications that are not integrated with the tool. Often, the results are duplication of effort, compromised management control, and inefficiency, which reduces stakeholders' confidence in management's ability to deliver change.³¹

Element 10: Reviewing, Learning and Improving the Change Capability

If an organization can perform the foregoing elements effectively, it will be in a strong position to successfully execute its strategy. However, the environment in which organizations operate is far from stable. For organizations to remain competitive, they must not only have the capability to successfully execute strategy but also to continuously review and learn how to enhance that capability. This requires an ongoing assessment of the effectiveness of the organization's current change capability as well as developing and implementing necessary improvements.³² In other words, this element essentially creates and updates the other nine elements and hence contributes indirectly to all the previously mentioned benefits.

Business Benefits

We have mentioned the business benefits that the literature suggests will be realized when the elements are performed effectively. As shown in Figure 1, these seven benefits are:

- aborting ill-conceived change programs during execution,

- managing adverse impacts on operational business when delivering change programs,
- increasing confidence in management's ability to deliver change programs,
- maintaining management control of change programs,
- speedy delivery of change programs,
- actually realizing intended benefits, and
- minimizing variance of actual to forecast cost.

Rarely, however, does the literature provide a detailed insight into the relationships that exist between successful strategy execution, these seven business benefits and the previously discussed management elements. Hence, it is unclear which of the potentially many management interventions should be pursued to secure a particular business benefit.

Collecting Data

In order to gain insight into the relationships between successful strategy execution, the business benefits and the elements of strategy execution, we developed a questionnaire to investigate the matter further. This questionnaire consisted of 50 questions, organized in three sections. The questions in the first section were concerned with gaining a background of the responding business, including the classic sectoring questions. The second section ascertained the organization's current performance in relation to the execution of strategic change in terms of the seven business benefits. The third section sought to gain an understanding of the organization's performance concerning the ten elements. This questionnaire was piloted with 10 organizations to ensure the questions would be interpreted correctly and the relevant data obtained. Descriptors of each element were provided to ensure clarity and consistency. These are included in Figure 2. Following this, the questionnaire was sent to organizations previously known to us, which resulted in 93 responses of fully completed questionnaires from predominantly large organizations in a variety of industry sectors.

Subsequently, we organized focus group meetings in which 40 senior managers participated with the aim of exploring the initial findings and providing supporting insights. The results of these meetings also informed the discussion for organizations seeking to improve their ability to execute strategy.

Determining the Relationships Between Elements and Business Benefits that Lead to Success

Statistical analysis of the survey data revealed that achieving successful strategy execution is strongly associated with the realization of four business benefits, namely:

- aborting ill-conceived change programs during execution,

- increasing confidence in management's ability to deliver change programs,
- speedy delivery of change programs, and
- minimizing variance of actual to forecast cost.

As shown in the top line of Table 1, the influence of each of these business benefits is significantly greater than each of the other three benefits:

- maintaining management control of change programs,
- managing adverse impacts on operational business when delivering change programs, and
- actually realizing the intended benefits.

To understand which elements of strategy execution contribute to the realization of each business benefit, we analyzed the relationships between the benefits and elements. The results of this analysis are shown in Table 1 by means of relative influence indices, which highlight those elements with the strongest influence on the realization of each business benefit. This does not mean that elements with no or low scores are irrelevant: merely that they are less relevant than the ones with high scores.

From Table 1, it appears that the following four elements play a key role in achieving successful strategy execution:

- engendering and reinforcing an organizational culture of continuous change,
- managing the on-going change portfolio, conflict resolution, resources and interdependencies,
- establishing accountability and governance of each change program, and
- harmonizing the strategic leadership team to support the change portfolio.

Each of the seven business benefits is dependent for its realization on at least one of these four elements. Moreover, the relative influence of these elements in securing each business benefit is typically greatest. It is further notable that the element "harmonizing the strategic leadership team to support the change portfolio" plays a role in the realization of the four business benefits most strongly associated with successful strategy execution. This might suggest that, in effect, it is the harmonization of the strategic leadership team that makes the fundamental difference between success and failure. The accounts by highly acclaimed CEOs such as Bethune (Continental Airlines), Bossidy (Allied Signal), Gerstner (IBM), Pottruck (Charles Schwab), and Welch (GE) appear to support this notion.³³ Similarly, it agrees with the explanation detailing the failings of companies such as Compaq under Eckhard Pfeiffer or IBM under John Akers.³⁴

It is important to note that the four elements contain significant behavioral aspects and are not solely driven by any formal methodology. Therefore, a strong adherence to and mastery of, for example, a formal program and project management methodology without the capability to effectively perform the four key elements will not lead to successful strategy execution.

TABLE I. The Relationships between Successful Strategy Execution, Business Benefits, and the Elements of Strategy Execution

Elements (ranked)	Business Benefits (ranked)						
	1. Aborting ill-conceived change programs during execution	2. Increasing confidence in management's ability to deliver change programs	3. Speedy delivery of change programs	4. Minimizing variance of actual cost to forecast cost	5. Maintaining management control of change programs	6. Managing adverse impacts on operational business when delivering change programs	7. Actually realizing intended benefits
Successful Strategy Execution (composite)	26	20	19	19	6	6	4
1. Engendering and reinforcing an organizational culture of continuous change	28	44		68		28	21
2. Managing the ongoing change portfolio, conflict resolution, resources & interdependencies		18	25		30	46	
3. Establishing accountability and governance of each change program	6	25	13		46	3	
4. Harmonizing the strategic leadership team to support the change portfolio	40	3	11	32			
5. Executing each change program and realizing the intended benefits							79
6. Reviewing, learning and improving the change capability	8		44		24		
7. Understanding the drivers and content of each change program at an early stage of the lifecycle	5	10				9	
8. Coordinating the elements of the change capability	13		7				
9. Aligning and filtering programs in relation to the strategic goals, thus creating the change portfolio						14	
10. Developing the detailed business case and obtaining approval/refusal for each initiative							

Note: All numbers (except for ranks) represent the relative influence index (out of 100).

Business Benefit 1: Aborting Ill-Conceived Change Programs during Execution

As shown in Table 1, the realization of this business benefit is dependent on the effective performance of the elements. Of these, “harmonizing the strategic leadership team to support the change portfolio” and “engendering and reinforcing an organizational culture of continuous change” are the most influential.

What this combination of elements suggests is that those who are accountable for the delivery of particular programs can and do recommend aborting their programs when it emerges that these have lost their strategic relevance or appropriateness, and they enjoy the support of the strategic leadership team when doing this. So, in essence, to realize this business benefit, there must be an organizational culture in which accountable managers balance their optimism and motivation with realism and are candid about true performance. The strategic leadership team must encourage and support such behavior, and it must be prepared to act decisively in eliminating non-viable programs.

Realizing this benefit is difficult to achieve, as was exemplified by the comments from many of our respondents and focus group participants. For example, a manager within an aerospace company remarked that many of their programs are initiated by senior managers without any rigorous appraisal or alignment with strategic goals. When the assigned program manager realizes that the program is not going to deliver any significant benefits, this is often disguised in their reporting for fear that failure will affect their career. Hence, ill-conceived programs continue. A second example concerned a director of a large construction company who remarked that in his organization “people tend to be too nice to each other and don’t want to upset someone when it is obvious that their program should be cancelled.” He attributed this behavior to his CEO’s weak leadership.

From these findings it is clear that one of the issues to be addressed when considering aborting ill-conceived or non-viable programs is that of the “sunk cost trap,” i.e., the non-rational escalation of commitment to an investment that is no longer recoverable in order to avoid the perception of failure. One approach for addressing this issue is to have an independent group of experts regularly review programs and assess their ongoing viability.³⁵ As a senior portfolio manager from a global pharmaceutical company remarked, his organization achieved this by introducing “HealthChecks” or Interim Program Reviews, which are conducted independent of the normal monthly and milestone reviews. As he explained, the HealthChecks were introduced along with a number of other changes to Portfolio Management and Program Appraisal processes to enable management to be more responsive to changing business priorities and revise investment plans to maximize success in terms of benefits delivered. The primary purpose of these HealthChecks is to determine whether expected benefits have changed, if they can still be realized, to evaluate any emergent risks and their impact, and to agree any remedial action if necessary. To avoid the paying of lip service to this process for fear of failure, the HealthChecks were introduced with the clear message that they are intended to provide program

managers assistance, advice, and guidance, not to find fault and allocate blame. Further, HealthChecks sessions, which typically last only about an hour, are performed in front of a group of experienced but independent peers. Although initially perceived as an additional burden to their workload and therefore accepted reluctantly, HealthChecks are now welcomed by program managers as they have proved to be very helpful. Additionally, they are also starting to see these sessions as an opportunity to showcase their skills and achievements. This led to the unexpected benefit that HealthChecks can serve to transfer lessons from experiences to others. Furthermore, by independently reviewing programs in light of changing business conditions and against strategic goals, any decision to abort a program is made objectively and is no reflection on the individual program manager's ability—the emphasis is on the quality of the decisions made, not the quality of the outcome as this is subject to external influences beyond the program manager's control. Moreover, this approach has enabled the identification of previously overlooked and new benefits, allowing the organization to nearly double its average return from IT investments because of the benefits actually delivered since the introduction of HealthChecks.

Although the HealthChecks approach is still evolving in this company, it appeared from the comments of other focus group participants and survey respondents that it is one of the few organizations with a supportive culture and a well-managed approach for objectively eliminating non-viable programs in support of beneficial ones.

These examples demonstrate the strong influence the strategic leadership team's behavior and organizational culture have on an organization's ability to abort ill-conceived change programs during execution.

Business Benefit 2: Increasing Confidence in Management's Ability to Deliver Change Programs

This business benefit is unique in that it is the only one out of the seven business benefits that is dependent for its realization on the effective performance of all four key elements of strategy execution. Of these four elements “engendering and reinforcing an organizational culture of continuous change” has the greatest relative influence (see Table 1).

The element that has the second greatest relative influence on the realization of this particular business benefit is “establishing accountability and governance of each change program.” This finding emphasizes the need for clarity in responsibility and the effectiveness of governance groups like the change management steering committee and the IT steering group.

Organizations that appear to perform these two elements well are those for whom rapid change sits at the core of their business. For example, a consultant from a global technology solutions provider remarked that people in her organization expect change on a regular basis and hence welcome new programs rather than resist them. She added that to enable this, her organization has a dedicated change management organization, is strong on planning, and makes sure that strategic goals and objectives are aligned, clearly articulated, and

broadly communicated. Further, those accountable for change understand their responsibilities and this is communicated to and understood by others.

As this last example shows, the result of creating a culture conducive to change, with associated clear accountability, is that people are confident in management's ability to deliver change happening. This contributes substantially to achieving successful strategic change.

Business Benefit 3: Speedy Delivery of Change Programs

As shown in Table 1, the "speedy delivery of change programs" is dependent on the effective performance of five elements. Of these elements, the influence of "reviewing, learning, and improving the change capability" is greatest, followed by "managing the ongoing change portfolio, conflict resolution, resources, and dependencies." The first element demonstrates the importance of performing post-implementation reviews, capturing lessons-learned and feeding these back into new programs so that the same mistakes are not repeated and valuable insights are exploited.

Many respondents and workshop participants indicated that their organizations are weak on these elements, particularly reviewing performance and transferring the lessons-learned. As a manager of a large transportation company remarked, few program managers are willing to open themselves up to criticism by reviewing a failed program. A director of a professional services firm echoed this comment by saying that people are often pleased to see the end of a program and do not want then to relive the pain. In other cases, it was suggested that program managers are often urgently needed on the next program, leaving them with little or no time to document their insights and share these with others.

In some organizations, program offices provide active support to senior management to enable them to manage the ongoing portfolio and review and learn. However, a health insurance organization reported that they have seven "program offices," each with differing methods, making it very difficult for management to manage the total portfolio.

What is clear from the comments of both respondents and focus group participants is that the same mistakes are often repeated as ego and fears of embarrassment prevent an objective and honest appraisal of performance. These comments highlight the fact that organizational culture impacts the performance of the elements key to realizing the speedy delivery of change programs.

Overcoming these barriers to performance is possible but requires leadership. As a senior IT manager from a global chemical company explained, since top management had started to reduce budgets and demanded delivery of more tangible benefits, her department had started to receive complaints from the business for not being responsive and not delivering enough value. As she explained, this was to an extent the result of the business throwing their requests over the wall to IT with the expectation that they would understand them and could start working immediately. Unfortunately, IT didn't always understand what was required or why. As her predecessor had discouraged

direct and open dialogue with the business for fear of being perceived as incompetent, it took IT longer to gain what was in their view a sufficient, although not necessarily always correct, understanding. To change this situation, she encouraged her IT colleagues—leading by example—to seek dialogue with the business as soon as they received a new request. To conquer the fear of being perceived as incompetent, she armed her colleagues with the message that seeking dialogue is not a sign of ignorance but of a willingness to learn to better understand and meet business needs. Accompanied by structural and procedural changes, this change in attitude allowed the IT department to reduce the response time from six months to one month and in specific cases even down to one week. Furthermore, as a result of the closer collaboration between IT and the business, the IT change portfolio became more rationalized and coherent, allowing a better management of resources and dependencies.

Business Benefit 4: Minimizing Variance of Actual to Forecast Cost

One would expect that the business benefit “minimizing variance of actual to forecast cost” would to some extent be dependent for its realization on elements from the capability cluster “strategic change execution.” Surprisingly, this is not the case. As shown in Table 1, realization of this business benefit is determined by the effectiveness with which the elements “engendering and reinforcing an organizational culture of continuous change” and “harmonizing the strategic leadership team to support the change portfolio” are performed. Upon reflection, this is understandable: the forecasted costs are determined in the planning stage and, as our focus group discussions indicated, the honesty of these estimates can be questionable as they are significantly affected by the organizational culture and the “togetherness” of the leadership team. In one of our focus group discussions, a manager cited that obtaining approval of funding was “competitive,” resulting in senior managers exaggerating claims of benefits and minimizing costs for their particular programs. A senior manager from an aviation firm added to this by remarking that in his organization aborting ill-conceived programs was career limiting. As a result, program managers frequently continued to invest with the hope that they can recover the situation—i.e., they fall into the sunk cost trap³⁶—or transition to the next program before problems really surface.

A senior manager from a global professional services company, however, explained that the senior partners of his organization had addressed the issue of overspend of time and money and under-delivery of benefits by making it unacceptable behavior. To engender the desired behavior, program managers were made accountable for performance in relation to the business case. Unless they could objectively demonstrate that unforeseen events had adversely affected delivery costs and/or time beyond their control, additional funds, resources, or time would not be made available. Furthermore, performance achieved would to an extent be reflected in program managers’ year-end bonus. This changed their behavior from competing for funding by underestimating costs and overestimating benefits to developing more realistic and comprehensive business cases. It also led to more honesty with regard to recommending adjustment or even

abandonment of programs that had lost their relevance due to changing business conditions.

These examples highlight the significant influence of organizational culture and leadership on an organization's ability to minimize costs, from actual to forecast.

Relevance of the Business Case Element

Table 1 shows that the element entitled "developing the detailed business case and obtaining approval/refusal for each change program" appears to be less relevant in achieving successful strategy execution, even though the literature in general and common business practice suggest that the business case is a key enabling mechanism. To many of our focus group participants, this finding did not come as a surprise. As a manager within a pharmaceutical company exemplified, as soon as the business case is approved by the investment board and funding is allocated, the document gathers dust on the shelf or is lost on someone's hard disk. A manager from a defense firm added to this by remarking that business cases in his organization often amount to little more than justifying a decision already reached by senior management rather than informing a decision to commit resources.

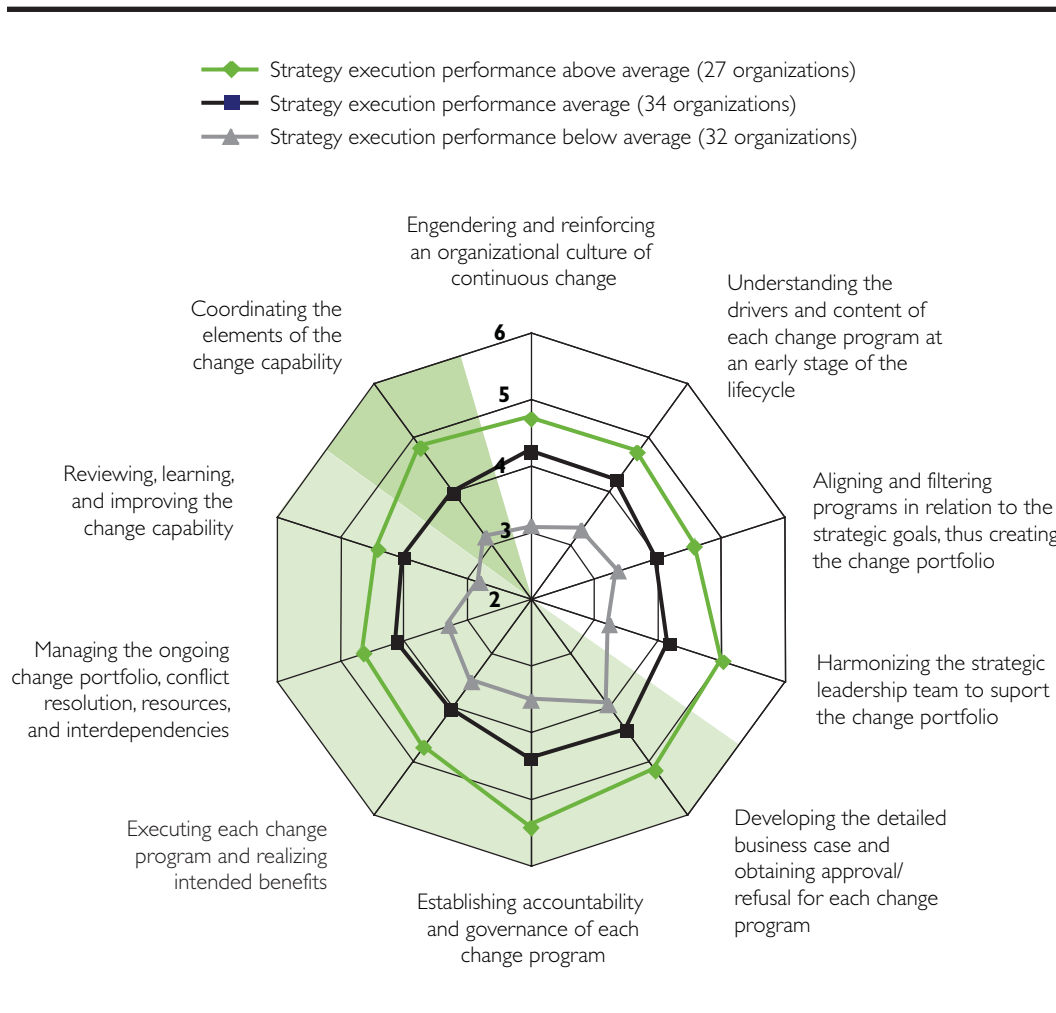
This finding as well as the supporting comments must be of concern to organizations that are frequently investing many millions of dollars in change programs that may well be based upon fallacious business cases. Therefore, organizations that require significant benefits to be delivered from the execution of change programs should not be seeking better methodologies for the development of business cases. Rather, they should focus upon the behavioral and governance aspects that allow business cases to become mis-used in their organization and address these so that future investment decisions are based on critical thinking.

Differences between Poor and Strong Performers

To gain insight into what separates an organization that is not successful at strategy execution from one that is, we compared the element and business benefit patterns of respondents whose rating of their organization's effectiveness at successful strategy execution is below average, broadly average, or above average. These patterns are shown in Figures 3 and 4, respectively. The patterns have roughly the same shape at each level of strategy execution performance. This suggests that organizations have a consistency in performance across all elements. This means that the success with which strategy is executed can only be improved by raising the performance of all key elements to the next level, not one in isolation of another.

Comparing those organizations whose rating of their organization's effectiveness at successful strategy execution is below average with those whose

FIGURE 3. Average Effectiveness with which Elements are Performed at Three Levels of Strategy Execution Performance



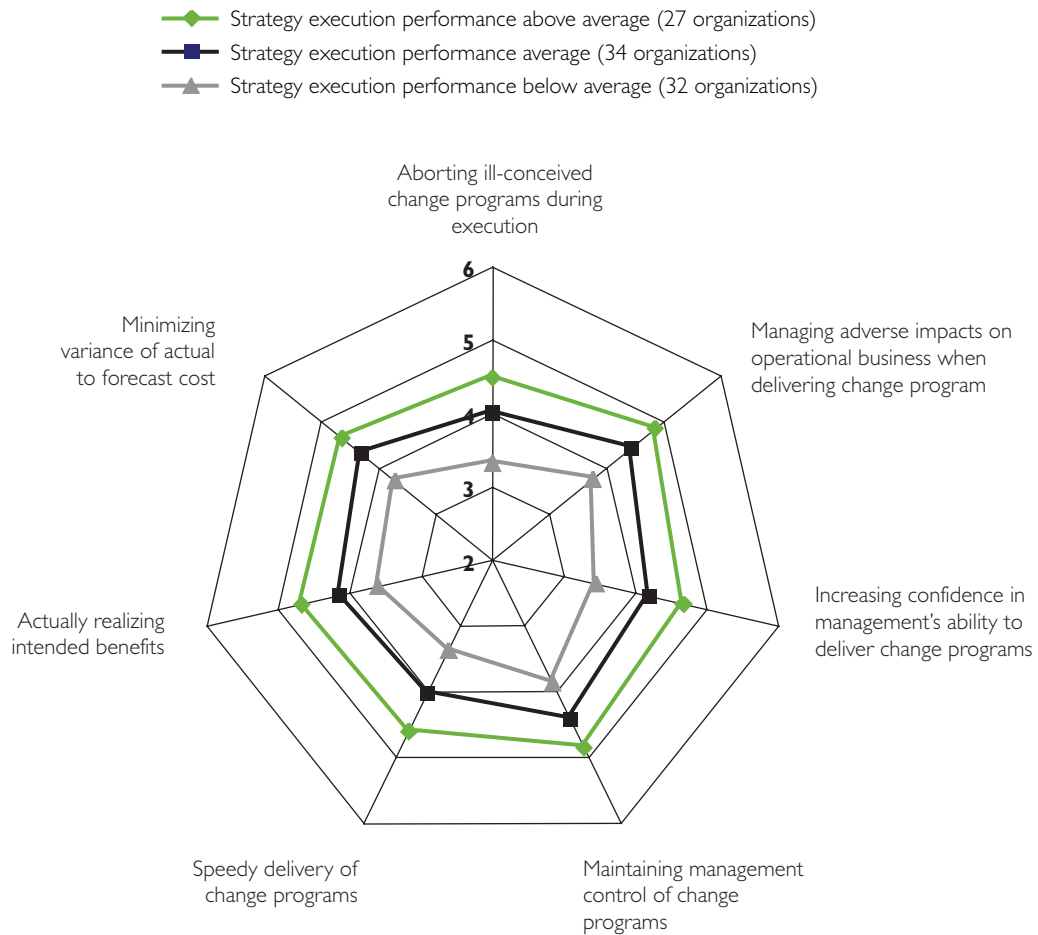
rating is above average shows that the difference in performance is greatest for the four key elements referred to earlier, which again confirms their criticality.

Interestingly, most organizations, no matter what level of performance, perceive their performance at “aborting ill-conceived initiatives during execution” as lowest.

Taking Strategy Execution to the Next Level

An organization’s strategy has only the intrinsic value of the paper it is written on unless it is brought to life through execution. In a time when many organizations are under constant pressure to succeed, this capability is becoming more critical to long-term success.

FIGURE 4. Average Effectiveness with which Business Benefits are Realized at Three Levels of Strategy Execution Performance



As the literature suggest, about 70 per cent of organizations struggle to successfully execute their strategy. There are four action steps that organizations can take to achieve improvement (see Figure 5).

Step 1: Assess your Organization's Performance at Strategy Execution

The first step is to assess your organization's performance at realizing each of the seven business benefits listed along the top of Table 1. An analysis of completed change programs will provide insight into which benefits you are better at realizing versus those in which you are weaker. Be aware of the political and behavioral dimensions that may color this analysis. It is critical for your organization to understand the business benefits it is seeking before embarking upon an improvement program.

FIGURE 5. Four Action Steps to Take Your Organization's Strategy Execution to the Next Level

1 Assess your Organization's Strategy Execution Performance

- Assess the organization's performance in realizing the seven business benefits listed along the top of Table 1 by discussing with knowledgeable colleagues the organization's recent performance at executing strategic change programs

2 Harmonize the Strategic Leadership Team to Agree the Need to Improve the Strategic Execution Capability

- Convince the strategic leadership team of the need to improve the organization's strategy execution capability
- Obtain support as to which business benefits to focus upon
- Secure resources to fund the initial stages for achieving improvement

3 Determine and Assess your Critical Elements

- Identify which of the elements of strategy execution are most influential to the realization of each of the prioritized business benefits using Table 1
- Determine the major weaknesses of the identified elements of strategy execution in your organization

4 Create your Change Portfolio to Improve your Strategy Execution Capability

- Analyze each element to identify an outline improvement program
- Prioritize these improvement programs within a change portfolio
- Commence implementation

Step 2: Harmonize the Strategic Leadership Team to Agree the Need to Improve the Strategic Execution Capability

The next step is to present the results of this assessment to the strategic leadership team. The objective is to convince this team of the need for improving the organization's strategy execution capability. Frequently, this discussion is best undertaken in workshop mode. The outcome of such a workshop would be agreement on the need to proceed and an allocation of resources to fund the initial stages.

Step 3: Determine and Assess your Critical Elements

If the strategic leadership team agrees to proceed, the next step is for you to identify which of the elements of strategy execution are most influential to the realization of the business benefits identified as requiring improvement. This is done by tracing the relationships identified in Table 1. For example, if your organization perceives underperformance with regard to, firstly, aborting ill-conceived change programs and, secondly, the speedy delivery of appropriate programs, then Table 1 would suggest you examine how your organization undertakes the following elements:

- engendering and reinforcing an organizational culture of continuous change;
- managing the ongoing change portfolio, conflict resolution, resources, and interdependencies;
- harmonizing the strategic leadership team to support the change portfolio; and
- reviewing, learning, and improving the change capability.

These elements have the greatest influence on the realization of the two identified business benefits.

Step 4: Create your Change Portfolio to Improve your Strategy Execution Capability

With the critical elements for improvement identified, the next step is to determine what the desired performance should be for each of these elements and how this is to be achieved. This step has two stages. The first is to analyze each element to identify an outline improvement program. The second stage is to prioritize these improvement programs within a change portfolio and commence its implementation.

To assist in creating an organizational improvement plan, we present the following four key elements most strongly associated with successful strategy execution. We illustrate how some of the organizations in our focus groups have addressed the issues they encountered.

Engendering and Reinforcing an Organizational Culture of Continuous Change

Engendering a culture of change is a phrase often heard in organizations, yet evidence suggests that it is difficult to operationalize. For example, a large IT organization within our focus groups clearly recognized that its future was dependent upon the creation of strategic alliances, and its management team promoted this message regularly. However, all the personal performance metrics focused upon the delivery of weekly sales targets, distracting individuals from exploring innovative alliances. As a result, no one believed the senior management messages, which were seen as just the rhetoric of the organization. To change this, senior management realized that they had to “walk the talk” by ensuring, among other things, that all the control systems of the organization became congruent, contributing towards the establishment of strategic alliances rather than allowing old control mechanisms to detract from the message of change.

A second example is an international oil exploration business that aimed to engender a culture of innovation and change. To this end, the chief executive embarked upon a symbolic action of rewarding individuals acting in an innovative fashion by presenting these individuals not only with money, but with his most limited resource, namely, his time. He symbolically accompanied the “winners” around the golf course. This message of the criticality of change, and the

extent to which it was valued by the chief executive had a significant impact upon all staff.

*Harmonizing the Strategic Leadership Team
to Support the Change Portfolio*

The second key element of harmonizing the strategic leadership team is a major element underpinning strategic change portfolio alignment. Observations in organizations reveal that when this leadership team-work is ineffective, the change portfolio becomes fragmented and uncoordinated. As a result, individual functions strive to pursue their own change programs, sometimes at the expense of the greater good.

For those wishing to harmonize their leadership team, a possible immediate action is to obtain from each senior executive their perception of the organization's whole change portfolio, its relative prioritization, and its alignment to the strategic vision of the organization. If these views are relatively consistent, then you have the beginnings of a harmonized leadership team with respect to change. Of course, if individuals in the team cannot complete the task or provide significantly different portfolios, then action to harmonize the team's perceptions is required.

An example of an organization intending to harmonize its strategic leadership team involved a 4,000-officer strong UK police force that had to realize a strategic vision of "neighborhood policing." To achieve this, the Chief Constable (equivalent of a Chief of Police) embarked upon a series of meetings with senior management teams to identify and agree the change programs to deliver this vision. After considerable and far-ranging debate, they eventually agreed a change portfolio. To demonstrate their shared commitment, each member of the senior team agreed to present the change portfolio to their staff and communicate that their own personal promotion prospects were linked to successful delivery of the whole change portfolio.

Establishing Accountability and Governance of Each Change Program

The third key element is the failure of the governance process to hold individuals accountable for their commitments in relation to strategic change programs. Such accountability and associated governance should be a central aspect in a well-structured and complete business case. For example, in a major pharmaceutical business, the change director mandated that the only benefits that could be included in a business case were those that were owned by an individual who agreed to be accountable for the delivery of that benefit. Further, these benefits were integrated into that individual's departmental budget.

A major energy utility business that was largely failing to deliver its strategic change programs introduced an ongoing governance mechanism that they termed "Plan-Track-Assure." Analysis of the returns from their change investments revealed that while the initial business cases appeared sound, circumstances frequently caused these programs to "drift" away from the initially identified benefits. This occurred because during execution there was an

overriding focus upon cost control rather than value delivery. The intention of “Plan-Track-Assure” was to improve governance by reviewing the ongoing viability of a program through its whole life, especially in relation to benefit realization. The results were significant: nine out of 26 large initiatives were stopped in-flight as a result of this improved governance. The remaining 17 were refocused to ensure the early delivery of tangible business benefits.

Governance should be embodied in a business case that begins with the inception of the original idea and evolves as the initiative matures. It should thus be a “living document”: not one solely developed to secure financial approval or demonstrate a “tick in the box.” A living business case should be continuously updated throughout program execution, reviewing benefits and resource requirements to enable effective ongoing governance.

Managing the Ongoing Initiative Portfolio, Conflict Resolution, Resources and Interdependencies

Turning to the remaining key element of “managing the on-going initiative portfolio, conflict resolution, resources, and interdependencies,” it is clear this issue is troublesome for many organizations. They struggle to manage resource allocation between those required to manage today’s operations and to deliver the portfolio of change programs. In fact, our focus groups reported that often two separate and non-communicating control systems exist to schedule resource usage: the Enterprise Resource Planning system for the ongoing operations and the Program and Portfolio Management system to manage the change resources. Resolving conflicts between operational and change resource requirements are often left to the discretion of junior staff on a day-by-day basis. As expected, they frequently focus upon earning revenue from the demanding customer, leaving the change programs until time permits.

An international manufacturing business, recognizing these issues, created a monthly resource-scheduling meeting to resolve conflicts between the two disparate sets of demands. For the first time, management could see the total picture and were in a position to change priorities, secure additional resources, or delay change programs. No longer were individuals having unreasonable demands placed upon them when they were not really in a position to decide priorities or secure resources. This meeting, over time, became the brain of the organization for resource allocation.

In Summary

Our approach for successful strategy execution integrates and harmonizes the key management elements identified in the literature. To assist practitioners in taking their organization’s strategy execution to the next level, we have introduced four steps to achieve improvement. This approach should enable practitioners to assess performance of their organization to execute strategy and to identify focused interventions for improvement.

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