13 May 2011

MOVING THE NEEDLE – THE SECRET OF EXECUTING EFFECTIVELY

Failed expectations!

"So, it seems as if we won't complete the TEMPO project in time this year. That's disappointing. We're also going to be late on ACRED and have already ditched GEOMIN." Jerry Smith, CEO of Simcomp, was presenting his review of last year's strategy. Thankfully, there had been some successes, a cause for celebration. However, the good cheer evaporated rather quickly. The team faced the cold reality that a number of the proposed projects were going to be late or had already failed.

On reflection, the projects that had been completed were not the ones that would have had greatest impact. Cause for yet more concern. At the time, all the projects that had been suggested seemed like such good ideas. And they'd all been allocated a share of resourcing. Regrettably, the failed ventures meant that those resources had been wasted. As well, there was the opportunity cost of not having directed the resources elsewhere.

"We can't afford to run big projects that have heavy resourcing costs and then fail!" Sighing deeply, Jerry continued, "*Come to think of it, we shouldn't be running any that fail. As we plan for the year ahead, what are we going to do differently to avoid the same outcomes this time next year?"*

A clear vision – the Purpose

Many strategies lack coherence because they are not based on a readily understandable, compelling Purpose. Senior teams crafting strategy often prefer to avoid the 'hard' conversations about the fundamental Purpose of the organisation. If it's not clear, teams can spend a lot of time reaching consensus. It's time well spent though, particularly since the Purpose is likely to remain good for a few years at least. When the organisation is not clear on its Purpose, then a much wider variety of options will present themselves as viable. This increased range can certainly result in ill-chosen projects. Was this Simcomp's problem? A quick glance at the strategy document revealed a well-crafted, crystal clear Purpose. No problems in that department.

Number and variety of projects

Another key reason why so many projects fail is because strategy teams are unrealistic about likely success. There may be a lot of strategic opportunities that appear worthwhile, particularly when teams are in the 'can do', creative moment. Not wanting to be held back (and wanting to wrap on time), teams don't reality check that all of the selected projects can actually be resourced.

Strategy then splits from execution, as plans pass from strategy formulators to strategy executors. When the rubber hits the road, it transpires that none of the projects were adequately resourced.

The Simpcomp planning process had taken a look at resourcing before finalising project selection. Granted, the team had also included a fair bit of 'stretch'. However, they hadn't made the classic mistake of selecting dozens of initiatives that had no hope of all being realised. So, that wasn't the root cause of their problems either

What about strategic communicating and timelines?

Did people have a clear understanding of what they were contributing to? Did each of the projects have its own detailed set of plans which outlined exactly what needed to be done? And what about project timelines? Did all projects have clear timelines for implementation, so that people were able to align their contributions in a timely manner?

Well, to a large extent in Simcomp they did. But, the senior team recognised that, overall, they hadn't actually given sufficient thought to the interdependencies of the various projects. Communication was good, in that people knew what had to be done in each project. But slippage in one project often impacted on a number of others as the 'stretched' resources became tied up elsewhere. Hats off to the people though, who had moved as quickly as possible onto whichever project was lagging the most.

So, maybe there was a vital lesson about scheduling. Yes, that was it, they thought. Thinking more carefully about resource allocation and project scheduling would solve most of the execution problems.

No guarantee of success

Thinking more carefully about resourcing and timing during the strategy planning process is an essential part of a successfully executed strategy. However, that alone would still not guarantee Simcomp strategic success because they were missing a small but critical ingredient.

UGM sees time and again in our strategy work with clients that even the greatest looking plans seem to disappoint (or worse) when they are missing a key step in the strategy process.

Drivers of value

Ultimately a strategic plan is about creating value. Astoundingly, organisations often fail to ask "*What will move our needle*?" What are the few drivers that will make the biggest impact on outcomes? Once those are identified, it's much easier to prioritise. Ironically, identifying the few key drivers of value for the organisation is itself a key driver that moves both the strategy planning and the strategy execution needle. Are you and your people able to name your key drivers of value? How do you leverage them in strategy planning and execution?

Leveraging your key drivers of value

1. What are drivers of value?

Not all inputs are equal. Organisations have many thousands of variables that contribute to performance. However, there are a 'critical few' that have a huge impact on outcomes. These are the key drivers of value.

For example, a large telecoms company might see its network, its customer base and its geographic reach as key drivers. Investing in these will yield more than investing in any other element of the business.

2. How many key drivers of value should we identify?

Ideally you should aim to identify three to five key drivers of value. Avoid having too many or you'll lack the focus they should deliver. If you've never done this before, it can be quite a revelation.

3. Why do key drivers of value matter?

Key drivers are the factors which make the biggest strategic difference. When they 'move', your business outcomes are significantly affected. Everything you do should focus on positively impacting one or more of the drivers – because you can be sure that, if they move in the right direction, you're heading towards good results.

They are also excellent criteria for selecting among competing projects – those which have greatest impact on the key drivers should be the projects you select. If projects don't affect the key drivers they're not going to add much!

UGM Consulting Pty Ltd, GPO Box 314 North Sydney, NSW 2060
Phone: +61 2 9964 9861 | Web: www.ugmconsulting.com