Overcoming the Strategy Gap

Making strategy an everyday reality

Michael Coveney
Topics

• Why strategy fails
• Traditional management frameworks
• Strategy execution essentials:
  – Communication
  – Processes
  – Adaptability
• Overcoming strategy execution obstacles
• Next steps
What Happened to Strategy?

On average, only 50 - 60% of the potential within a strategic plan is delivered. This under performance is due to breakdowns in planning or execution.

Conference Board Report: Top CEO issues:
- Excellence in Execution
- Consistent execution of strategy by top management

"82% of Fortune 500 CEO's feel their organization did an effective job of strategic planning. Only 14% of the same CEO's indicated that their organization did an effective job of implementing the strategy."

Forbes Magazine

'Turning Strategy into Performance, Harvard Business Review'

CIMA Chartered Institute of Management Accountants
Obstacles to Strategy Execution

**Organisational ‘culture’:**
- Inability to manage change effectively or to overcome internal resistance to change
- Trying to execute a strategy that conflicts with the existing power structure
- Poor or inadequate information sharing between individuals or business units responsible for strategy execution
- Lack of upper-management support of strategy execution

**Communication issues:**
- Unclear responsibility and/or accountability for execution decisions or actions
- Poor or vague strategy
- Not having guidelines or a model to guide strategy execution efforts
- Lack of understanding of the role of organizational structure in the execution process

**Personal responsibility:**
- Inability to generate “buy-in” or agreement on critical execution steps or actions
- Lack of feelings of “ownership” of a strategy or execution plans among key employees
- Lack of incentives or inappropriate incentives to support execution objectives
- Insufficient financial resources to execute the strategy
Traditional Management Framework

- Budgeting has been the No. 1 management framework throughout the 20th Century
  - Designed to help large organisations become more agile while still retaining some form of central control.
  - De-centralisation of decision-making to operational managers, who act within an agreed budget.
  - Budgets are seen as “a set of standards of performance”, and the budget process “as the means of co-ordinating activities between departments” James McKinsey ‘Budgetary Control’ 1922

- McKinsey & Company, describe budgets as “a statement of policy, expressed in terms of future accounts delegated to units of an organisation.” Perspective on McKinsey, Marvin Bower, 1977

- Planning systems focused on financial structures as defined by the organisations general ledger.
### Management Focus

**Is this a good performance?**

<table>
<thead>
<tr>
<th>Last Year</th>
<th>This Year - Current Month</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Budget</td>
<td>Variance</td>
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<tr>
<td>£25,000</td>
<td>£29,640</td>
<td>£27,500</td>
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<td>£6,250</td>
<td>£6,750</td>
<td>£6,875</td>
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<td>£5,750</td>
<td>£6,210</td>
<td>£6,325</td>
<td>£115</td>
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<tr>
<td>£2,500</td>
<td>£2,700</td>
<td>£2,750</td>
<td>£50</td>
</tr>
<tr>
<td>£4,000</td>
<td>£4,800</td>
<td>£4,910</td>
<td>£110</td>
</tr>
<tr>
<td>£500</td>
<td>£60</td>
<td>£40</td>
<td>-£20</td>
</tr>
<tr>
<td><strong>£19,000</strong></td>
<td><strong>£20,520</strong></td>
<td><strong>£20,900</strong></td>
<td><strong>£380</strong></td>
</tr>
</tbody>
</table>

**REVENUE**
- Membership fees: £315,000
- Salaries: £78,750
- Advertising: £72,450
- Rent: £31,500
- IT: £56,000
- Other Costs: £600
- **Total Costs**: £239,300

**Head office costs**: £71,250

**Contribution**: £4,450

**This Year - Year to Date**
- Actual: £320,000
- Budget: £320,000
- Variance: -£5,000
- Actual: £80,000
- Budget: £80,000
- Variance: £1,250
- Actual: £73,600
- Budget: £73,600
- Variance: £1,150
- Actual: £32,000
- Budget: £32,000
- Variance: £500
- Actual: £57,000
- Budget: £57,000
- Variance: £1,000
- Actual: £600
- Budget: £600
- Variance: £0
- Actual: £73,600
- Budget: £73,600
- Variance: £2,350
- Actual: £3,200
- Budget: £3,200
- Variance: £1,250
Management Focus

Great for telling us what happened, but ...

- Shows no relationship to the actions that produced them
- Provides little or no information of what needs to happen in the future
- No idea if performance is sustainable
- Provides no context on what’s happening in the ‘real world’
- No way of knowing if strategy was successful
Great for telling us what happened, but …

- Shows no relationship to the actions that produced them
- Provides little or no information of what needs to happen in the future
- No idea if performance is sustainable
- Provides no context on what’s happening in the ‘real world’
- No way of knowing if strategy was successful
A New Approach?

• “Organizations need a new kind of management system – one explicitly designed to manage strategy …”

• “Organizations today need a language for communicating strategy as well as processes and systems that help them implement strategy and gain feedback about their strategy.”

• “Success comes from having strategy become everyone’s everyday job”
Strategy Management: Olympics 2012

How will performance be measured?

- Gold medals?
- World records
- Comparison to peer groups?
- ...

CIMA
Chartered Institute of Management Accountants
Strategy Management: Olympics 2012

How should performance be managed?

• Set the objectives and develop strategies to achieve them
• Ensure the right resources are allocated to the right activities
• Ensure those activities are carried out
• Monitor whether the activities deliver the right outcomes
• Evaluate whether activities are delivering value for money
• Take action on activities that are not working or need replacing
Strategy Execution Essentials

60% of organizations do not link their budgets to strategic priorities. Kaplan & Norton

80% of management decisions are made without ever considering an alternative. Lippitt

Nearly 50% view the planning process as financial and annual. In effect, budgeting is a plan with little detail on specific tactics to be employed but lots of detail on the expected financial results. Axson

95% of a company’s employees are unaware of, or do not understand, its strategy. Kaplan & Norton

73% of employees do not have access to the organization’s strategic plans. Furthermore, only 42% of managers have access to those plans. Axson

15% of companies make it a regular practice to track business results against the performance forecasts of its prior year’s strategic plans. Mankins & Steele

85% of executive leadership teams spend less than one hour per month reviewing their strategy. Kaplan & Norton

Chartered Institute of Management Accountants

CIMA
Strategy Communication Framework

What kind of measures are needed?

- **Mission**
- **Strategic Objectives**
- **Benefit**
- **Tactic**
- **Budgets and Forecasts**
- **Actual Results**

**What?**

**How?**

**Who?**

**When?**

**What happened?**
Strategy Content

Includes:

- **Success measures**
- **Assumption measures**
- **Risk measures**
- **Implementation measures**
- **Milestones**
- **Resource measures**
- **Financial Statement measures**

Only of real value when combined in context of strategy

- Are the tactics being implemented?
- Are they ahead or behind target?
- Are they having the right impact on Benefits/Strategic Objectives?
- Were the assumptions correct?
- What did they cost?
- Was it worth the effort compared with what was achieved?
Defining Context

1. Define measures of success for key objectives
2. Identify success measures for benefits and assess ’impact’
3. Assign measures to risks/assumptions to be monitored for each benefit
4. Develop measures to gauge the implementation of tactics
5. Identify resource measures to be assigned to each tactics
6. Create a strategy map
1. What is the organisation trying to achieve in the short and long term? What must it reach in order to achieve its mission? How is success measured?

This will typically consist of numeric goals for each area of the mission statement.

E.g.

- **Acquisition**: To recruit 5,000 students each year
- **Retain**: To retain 95% of members
- **Fulfil**: To have 98% of members ‘very satisfied’
- **Deepen**: To 4000 convert students to members each year
Developing Context

2. How should each strategic objective be achieved?
   – What are the benefits to be adopted for each objective?
   – What is the measure of success for each benefit?
   – What impact will each have on the relevant objectives?
   – Which departments are responsible for implementing?

   e.g. **Deepen: To 4000 convert students to members each year**

<table>
<thead>
<tr>
<th>Benefit:</th>
<th>Reduce student membership lapsing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure:</td>
<td>10% decrease in year 1,</td>
</tr>
<tr>
<td></td>
<td>15% in year 2</td>
</tr>
<tr>
<td>Impact:</td>
<td>30%</td>
</tr>
<tr>
<td>Department responsible:</td>
<td>UK Marketing &amp; UK Research &amp; Development</td>
</tr>
</tbody>
</table>
Developing Context

2. How should each strategic objective be achieved?

- What are the benefits to be adopted for each objective?
- What is the measure of success for each benefit?
- What impact will each have on the relevant objectives?
- Which departments are responsible for implementing?
Developing Context

3. What risks/assumptions need to be monitored?
   – What will the business environment look like during the life of the plan?
   – What business assumptions are being made for benefits and objectives?
   
   e.g.
   
   *What could prevent us from growing:*
   – Schools producing less students
   – Unstable economy
Developing Context

3. What risks/assumptions need to be monitored?
   - What will the business environment look like during the life of the plan?
   - What business assumptions are being made for benefits and objectives?

<table>
<thead>
<tr>
<th>Plan Element</th>
<th>Plan Type</th>
<th>BSC Focus</th>
<th>Weight</th>
<th>KPI</th>
<th>Goals</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>FY 2011</td>
<td>FY 2012</td>
</tr>
<tr>
<td>To improve the acquisition of new students</td>
<td>Objective</td>
<td>Customer</td>
<td>30%</td>
<td>No of new school leavers joining</td>
<td>35000</td>
<td>17000</td>
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<tr>
<td>Sales to schools</td>
<td>Benefit</td>
<td>Operational</td>
<td></td>
<td>Total finance student numbers</td>
<td>55000</td>
<td>58000</td>
</tr>
<tr>
<td>No. of students remains steady</td>
<td>Assumption</td>
<td>Customer</td>
<td>30%</td>
<td>No. of students from EB</td>
<td>340</td>
<td>420</td>
</tr>
<tr>
<td>Sales through educational bodies</td>
<td>Benefit</td>
<td>Customer</td>
<td>40%</td>
<td>No. of students from employers</td>
<td>1340</td>
<td>1740</td>
</tr>
<tr>
<td>Sales through employers</td>
<td>Benefit</td>
<td>Customer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To improve the retention rate</td>
<td>Objective</td>
<td>Customer</td>
<td>50%</td>
<td>% Retention rate</td>
<td>&lt;5%</td>
<td>&lt;4%</td>
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<tr>
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<td>Benefit</td>
<td>Customer</td>
<td>50%</td>
<td>Inflation rate</td>
<td>70</td>
<td>420</td>
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<tr>
<td>Improved member benefits</td>
<td>Benefit</td>
<td>Customer</td>
<td></td>
<td>No. of tangible benefits</td>
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<td>1900</td>
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<td>Benefit</td>
<td>Customer</td>
<td></td>
<td>No. of students signing up</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To increase membership from EC</td>
<td>Objective</td>
<td>Customer</td>
<td>70%</td>
<td>Number of new members</td>
<td>75000</td>
<td>15%</td>
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<tr>
<td>Business school</td>
<td>Benefit</td>
<td>Learning</td>
<td>30%</td>
<td>CBS membership</td>
<td>1200</td>
<td>25%</td>
</tr>
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<td>Relevant syllabus</td>
<td>Benefit</td>
<td>Syllabus rating</td>
<td></td>
<td>Syllabus rating</td>
<td>1200</td>
<td>600</td>
</tr>
</tbody>
</table>

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Developing Context

4. What tactics have been assigned to implement each benefit?
   – What kind of tactic?
     – Ongoing, Enhance existing performance or New?
   – What ‘impact’ should each tactic have on achieving success of the benefit?
   – Who is responsible for carrying out each tactic?
   – What timescale has been set for each tactic?
   – What measure best shows implementation status?
# Developing Context

<table>
<thead>
<tr>
<th>Plan Element</th>
<th>Plan Type</th>
<th>BSC Focus</th>
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<td>30%</td>
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<td>35000</td>
<td>40000</td>
<td>45000</td>
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<tr>
<td>Sales to schools</td>
<td>Benefit</td>
<td>Operational</td>
<td>No. of new school leavers joining</td>
<td>17000</td>
<td>18000</td>
<td>19000</td>
<td>Sales Units</td>
<td></td>
</tr>
<tr>
<td>No. of students remains steady</td>
<td>Assumption</td>
<td>Operational</td>
<td>Total finance student numbers</td>
<td>55000</td>
<td>58000</td>
<td>61000</td>
<td>Marketing</td>
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<tr>
<td>Lionheart challenge</td>
<td>Tactic</td>
<td>Customer</td>
<td>No. of data capture cards</td>
<td>120</td>
<td>390</td>
<td>850</td>
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<tr>
<td>CIMA tuition within schools</td>
<td>Tactic</td>
<td>Customer</td>
<td>No. of school leaver prospects</td>
<td>2100</td>
<td>2300</td>
<td>2500</td>
<td>IT</td>
<td></td>
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<tr>
<td>Times 100 case studies</td>
<td>Tactic</td>
<td>Operational</td>
<td>No. of case studies printed</td>
<td>15</td>
<td>18</td>
<td>23</td>
<td>Sales Units</td>
<td></td>
</tr>
<tr>
<td>Sales through educational bodies</td>
<td>Benefit</td>
<td>Customer</td>
<td>No. of students from EB</td>
<td>340</td>
<td>420</td>
<td>650</td>
<td>Marketing</td>
<td></td>
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<tr>
<td>National careers fairs</td>
<td>Tactic</td>
<td>Customer</td>
<td>No. of students contacted at career fair</td>
<td>21000</td>
<td>23000</td>
<td>26000</td>
<td>Marketing</td>
<td></td>
</tr>
<tr>
<td>On campus marketing</td>
<td>Tactic</td>
<td>Customer</td>
<td>No. of posters at universities</td>
<td>120</td>
<td>130</td>
<td>140</td>
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<tr>
<td>Guardian advertising focus</td>
<td>Tactic</td>
<td>Customer</td>
<td>% share of response rate</td>
<td>5%</td>
<td>8%</td>
<td>12%</td>
<td>Marketing</td>
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<td>Benefit</td>
<td>Customer</td>
<td>No. of students from employers</td>
<td>1340</td>
<td>1740</td>
<td>1920</td>
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<td>Global business knowledge hub</td>
<td>Tactic</td>
<td>Customer</td>
<td>No. of contacts gained from campaign</td>
<td>23000</td>
<td>27000</td>
<td>29000</td>
<td>R&amp;D</td>
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<td>UK Employer marketing</td>
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<td>Customer</td>
<td>No. of employers contacted</td>
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<td>900</td>
<td>1200</td>
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<tr>
<td>To improve the retention rate</td>
<td>Objective</td>
<td>Customer</td>
<td>% Retention rate</td>
<td>5%</td>
<td>&lt;5%</td>
<td>&lt;4%</td>
<td>25%</td>
<td>Marketing</td>
</tr>
<tr>
<td>Improved member benefits</td>
<td>Assumption</td>
<td>Customer</td>
<td>Inflation rate</td>
<td>70</td>
<td>420</td>
<td>960</td>
<td>R&amp;D</td>
<td></td>
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<tr>
<td>Email newsletter / insight</td>
<td>Benefit</td>
<td>Learning</td>
<td>No. of tangible benefits</td>
<td>260</td>
<td>0</td>
<td>0</td>
<td>IT</td>
<td></td>
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<tr>
<td>MyJobs</td>
<td>Tactic</td>
<td>Customer</td>
<td>No. of CV uploads</td>
<td>100</td>
<td>200</td>
<td>300</td>
<td>IT</td>
<td></td>
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<tr>
<td>Reduced lapsing</td>
<td>Tactic</td>
<td>Customer</td>
<td>No. of students signing up</td>
<td>500</td>
<td>1900</td>
<td>5400</td>
<td>Marketing</td>
<td></td>
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<tr>
<td>Lapsing campaigns</td>
<td>Benefit</td>
<td>Learning</td>
<td>No. of mailings</td>
<td>1400</td>
<td>4000</td>
<td>6000</td>
<td>Marketing</td>
<td></td>
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<tr>
<td>Member retention marketing</td>
<td>Tactic</td>
<td>Customer</td>
<td>No. of adverts</td>
<td>500</td>
<td>0</td>
<td>0</td>
<td>Sales units</td>
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<td>Number of new members</td>
<td>75000</td>
<td>80000</td>
<td>85000</td>
<td>Sales</td>
<td></td>
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<tr>
<td>Business school</td>
<td>Benefit</td>
<td>Customer</td>
<td>CBS membership</td>
<td>15%</td>
<td>25%</td>
<td>35%</td>
<td>Directorate</td>
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<tr>
<td>Business school membership emails</td>
<td>Tactic</td>
<td>Customer</td>
<td>No. of emails sent</td>
<td>10%</td>
<td>40%</td>
<td>70%</td>
<td>Marketing</td>
<td></td>
</tr>
<tr>
<td>Business school foundation emails</td>
<td>Tactic</td>
<td>Customer</td>
<td>No. of emails sent</td>
<td>10%</td>
<td>40%</td>
<td>70%</td>
<td>Marketing</td>
<td></td>
</tr>
<tr>
<td>Relevant syllabus</td>
<td>Benefit</td>
<td>Learning</td>
<td>Syllabus rating</td>
<td>1200</td>
<td>600</td>
<td>300</td>
<td>R&amp;D</td>
<td></td>
</tr>
<tr>
<td>Syllabus marketing</td>
<td>Tactic</td>
<td>Learning</td>
<td>Marketing material used</td>
<td>50</td>
<td>100</td>
<td>150</td>
<td>Marketing</td>
<td></td>
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<tr>
<td>CBA syllabus update</td>
<td>Tactic</td>
<td>Learning</td>
<td>Syllabus launch event</td>
<td>20%</td>
<td>50%</td>
<td>75%</td>
<td>Marketing</td>
<td></td>
</tr>
</tbody>
</table>
Developing Context

5. What resources have been deployed to implement each tactic?
   - What was planned?
     - Money, people, assets
   - What was actually used?
   - What is required to complete the tactic?
Developing Context

6. Create a ‘Strategy Map’

[Non-financial] metrics should be linked to financial metrics (outcomes) to map the cause-and-effect relationship of how value is created in an organization. …….. Without cause-and-effect links, metrics can give contradictory messages.

Nigel Rainer, Corporate Performance Management Must Move Beyond Finance, Gartner
Communicate Strategy

2011 Strategic Plan

Key:

- Objectives
- Benefits
- Assumptions
- Tactics

**Acquisition**
- Students studying
  - Sales to Schools
    - Lionheart Challenge
    - CIMA Tuition
    - Case studies
  - Educational bodies
    - Careers fairs
    - Knowledge Hub
    - Guardian advertising
  - Sales to employers
    - Employer Marketing
  - Member Benefits
    - MyJobs
    - Newsletter
  - Stable economy
  - Reduced lapsing
  - Lapsing Campaign
  - Retention marketing
  - Syllabus Marketing
  - Syllabus Update

**Retain**
- Business School
  - Member emails
  - Foundation emails
- Relevant Syllabus

**Deepen**
- Marketing
- Newsletter
- MyJobs
- Retention marketing
- Syllabus Marketing
- Syllabus Update

**Objectives**

**Benefits**

**Assumptions**

**Tactics**

*Stable economy*
### Performance Results

#### Plan Object

<table>
<thead>
<tr>
<th>Plan Object</th>
<th>Object Type</th>
<th>Measure</th>
<th>Actual</th>
<th>Target</th>
<th>Weight</th>
<th>Outcome</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership Growth</td>
<td>Corporate</td>
<td>Net Growth</td>
<td>63,330</td>
<td>63,249</td>
<td>40.00%</td>
<td>100.13%</td>
<td></td>
</tr>
<tr>
<td>Acquisition</td>
<td>Strategic</td>
<td>No. of New Students</td>
<td>786</td>
<td>633</td>
<td>40.00%</td>
<td>124.17%</td>
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<tr>
<td>Sales to schools</td>
<td>Benefit</td>
<td>Number of students from sch...</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase the number of pros...</td>
<td>Benefit</td>
<td>Number of school leaver pros...</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lionheart Challenge</td>
<td>Tactic</td>
<td>Number of data capture cards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clearing campaigns</td>
<td>Tactic</td>
<td>Number of campaigns</td>
<td>0</td>
<td></td>
<td>8.33%</td>
<td></td>
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<tr>
<td>Notgoingtouni.co.uk</td>
<td>Tactic</td>
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<td>Benefit</td>
<td>Number of Students</td>
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<td>Sales through enquiries</td>
<td>Benefit</td>
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<td>Facebook</td>
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<td>2</td>
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</table>
Monitoring Strategy

What does this report tell you?

What does this report tell you about the relationship between activities and outcomes?

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>KPI</th>
<th>Weight</th>
<th>Actual</th>
<th>Target</th>
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</thead>
<tbody>
<tr>
<td>Benefit</td>
<td>No of new school leavers joining</td>
<td>40%</td>
<td>96</td>
<td>95</td>
</tr>
<tr>
<td>Tactic</td>
<td>No. of data capture cards</td>
<td>40%</td>
<td>410</td>
<td>450</td>
</tr>
<tr>
<td>Tactic</td>
<td>No. of school leaver prospects</td>
<td>20%</td>
<td>3270</td>
<td>3700</td>
</tr>
<tr>
<td>Tactic</td>
<td>No. of case studies printed</td>
<td>40%</td>
<td>57</td>
<td>65</td>
</tr>
</tbody>
</table>
**Monitoring Strategy**

**Outcome:** How close did actual get to the target?

E.g. Actual to Target No. of school leavers = $\frac{96}{95} = 101.05\%$

Actual to Target data capture cards = $\frac{410}{450} = 91.11\%$

Actual to Target school leaver prospects = $\frac{3270}{3700} = 88.38\%$

Actual to Target case studies printed = $\frac{57}{65} = 87.69\%$

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>KPI</th>
<th>Weight</th>
<th>Actual</th>
<th>Target</th>
<th>Outcome</th>
<th>Activity</th>
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<td>Benefit</td>
<td>No of new school leavers joining</td>
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<td>96</td>
<td>95</td>
<td><strong>101.05%</strong></td>
<td>89.20%</td>
</tr>
<tr>
<td>Tactic</td>
<td>No. of data capture cards</td>
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<td>410</td>
<td>450</td>
<td>91.11%</td>
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</tr>
<tr>
<td>Tactic</td>
<td>No. of school leaver prospects</td>
<td>20%</td>
<td>3270</td>
<td>3700</td>
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<tr>
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<td>40%</td>
<td>57</td>
<td>65</td>
<td>87.69%</td>
<td>87.69%</td>
</tr>
</tbody>
</table>

CIMA Chartered Institute of Management Accountants
Monitoring Strategy

**Activity:** How well were the supporting tactics implemented?

E.g. School leavers joining Activity value =

40% of data capture card outcome \( (40\% \times 91.11) \)

+ 20% of school leaver prospects outcome \( (20\% \times 88.38) \)

+ 40% of case studies outcome \( (40\% \times 86.69) \) = **89.20%**

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>KPI</th>
<th>Weight</th>
<th>Actual</th>
<th>Target</th>
<th>Outcome</th>
<th>Activity</th>
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<tbody>
<tr>
<td>Benefit</td>
<td>No of new school leavers joining</td>
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<td>96</td>
<td>95</td>
<td>101.05%</td>
<td>89.20%</td>
</tr>
<tr>
<td>Tactic</td>
<td>No. of data capture cards</td>
<td>40%</td>
<td>410</td>
<td>450</td>
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<tr>
<td>Tactic</td>
<td>No. of school leaver prospects</td>
<td>20%</td>
<td>3270</td>
<td>3700</td>
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<tr>
<td>Tactic</td>
<td>No. of case studies printed</td>
<td>40%</td>
<td>57</td>
<td>65</td>
<td>87.69%</td>
<td>87.69%</td>
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</table>
Assessing the Cost of Strategy

What would be the value of knowing the actual cost of these activities?

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>KPI</th>
<th>Weight</th>
<th>Actual</th>
<th>Target</th>
<th>Outcome</th>
<th>Activity</th>
<th>Cost</th>
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<td>96</td>
<td>95</td>
<td>101.05%</td>
<td>89.20%</td>
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<td>Tactic</td>
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<td>91.11%</td>
<td>£25,000</td>
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<td>88.38%</td>
<td>£90,000</td>
<td>£15,000</td>
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<td>87.69%</td>
<td>87.69%</td>
<td>£35,000</td>
<td>-£30,000</td>
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</table>
60% of organizations do not link their budgets to strategic priorities. Kaplan & Norton

80% of management decisions are made without ever considering an alternative. Lippitt

Nearly 50% view the planning process as financial and annual. In effect, budgeting is a plan with little detail on specific tactics to be employed but lots of detail on the expected financial results. Axson

15% of companies make it a regular practice to track business results against the performance forecasts of its prior year’s strategic plans. Mankins & Steele

85% of executive leadership teams spend less than one hour per month reviewing their strategy. Kaplan & Norton

95% of a company’s employees are unaware of, or do not understand, its strategy. Kaplan & Norton

73% of employees do not have access to the organization’s strategic plans. Furthermore, only 42% of managers have access to those plans. Axson
“Successful strategic outcomes are best achieved when those responsible for execution are also part of the planning or formulation process. The greater the interaction between “doers” and “planners” or the greater the overlap of the two processes or tasks, the higher the probability of execution success.”

Lawrence G. Hrebiniak
Execution Activities – How Often?

- **Quarterly**: Analyze current performance, Set objectives, Assign resources, Strategic planning.
- **Annual**: Analyze market performance, Set strategies, Develop initiatives, Financial planning, Management reporting, Forecasting, Risk management.
- **Monthly**: Measure monthly progress, Measure monthly success, Forecast monthly capabilities.
- **Quarterly**: Forecast quarterly outcomes, Forecast quarterly capabilities.
- **Annual**: Assess risks, Assess combinations, Develop contingency plan, Initiate projects, Report current status, Measure strategic success.
- **Adjust plan**:
  - **Annual**: Evaluate options, Adjust plan, Develop contingency plan.
  - **Quarterly**: Adjust plan, Adjust plan.

**Key**
- Strategic planning
- Tactical planning
- Financial planning
- Management reporting
- Forecasting
- Risk management

Legend for colors:
- Blue: Annual
- Orange: Quarterly
- Red: Monthly
- Yellow: Quarterly
Execution Activities – How Often?

What happens if something doesn’t go to plan?

What if we are overspent?

What if a tactic does not work?

What if ....

“Dakota tribal wisdom says that when you discover you’re on a dead horse, the best strategy is to dismount. Of course, there are other strategies. You can change riders. You can get a committee to study the dead horse. You can benchmark how other companies ride dead horses. You can declare that it’s cheaper to feed a dead horse. You can harness several dead horses together. But after you’ve tried all these things, you’re still going to have to dismount”

Gary Hamel
Innovating Management Processes

Traditional processes are:
- Financially focused
- Run as discreet activities
- Triggered by a date on a calendar

Strategy execution requires:
- Focus on activities
- Run as a ‘joined-up’ continuous process
- Individual departmental activities triggered by events and exceptions

“Best Practice companies decouple their internal management processes from the calendar and provide a set of planning and reporting processes that utilize continuous processing and monitoring of activity.

“Aspects of strategic planning are not once-a-year events but a continuous process. The pace of change is so great that management needs to monitor the strategic implications of new developments on a continuous basis.”

David Axson
Obstacles to Strategy Execution

Organisational ‘culture’:
– Inability to manage change effectively or to overcome internal resistance to change
– Trying to execute a strategy that conflicts with the existing power structure
– Poor or inadequate information sharing between individuals or business units responsible for strategy execution
– Lack of upper-management support of strategy execution

Communication issues:
– Unclear responsibility and/or accountability for execution decisions or actions
– Poor or vague strategy
– Not having guidelines or a model to guide strategy execution efforts
– Lack of understanding of the role of organizational structure in the execution process

Personal responsibility:
– Inability to generate “buy-in” or agreement on critical execution steps or actions
– Lack of feelings of “ownership” of a strategy or execution plans among key employees
– Lack of incentives or inappropriate incentives to support execution objectives
– Insufficient financial resources to execute the strategy

Wharton-Gartner Survey. Lawrence G. Hrebiniak, professor at the Wharton School of the University of Pennsylvania
Overcoming the Obstacles

Organisational Culture:

- **Manage change** effectively to overcome internal resistance to change
- **Resolve conflicts** with the existing power structure
- **Improve information sharing** between individuals or business units responsible for strategy execution
- **Demonstratable** upper-management **support** of strategy execution
Overcoming the Obstacles

Organisational Culture:
- **Manage change** effectively to overcome internal resistance to change
- **Resolve conflicts** with the existing power structure
- **Improve information sharing** between individuals or business units responsible for strategy execution
- **Demonstratable** upper-management **support** of strategy execution

Communication:
- **Clear responsibility** and/or accountability for execution decisions or actions
- **Understand the strategy** – what is the organisation ultimately trying to achieve
- **Provide guidelines** or a model to guide strategy execution efforts
- **Clearly understand your role** and those of others in the execution process
Overcoming the Obstacles

Organisational Culture:
- **Manage change** effectively to overcome internal resistance to change
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Personal responsibility:
- **Generate “buy-in”** or agreement on critical execution steps or actions
- **Take “ownership”** of strategy or execution plans among key employees
- **Design incentives** to support execution objectives
- **Ensure sufficient financial resources** to execute the strategy
Office of Strategy Execution

- **Office of Strategy Execution**
  Acts as an intermediary between the organisations’ operational departments and the senior executive team, with a focus on strategy execution.

- **Responsibility to work with operational managers to:**
  - Translate strategy and identify/validate the strategic initiatives required to achieve the objectives.
  - Validate performance targets and metrics by which the various functions are measured, in order to keep track of progress.
  - Ensure that all the key strategic activities are adequately resourced and that they are being put into action.
  - Test and adapt the assumptions, beliefs, estimates, forecasts and provide input as to how activities may need to change.
  - Ensure the process is working efficiently and effectively
  - Provide warnings to senior executives when execution is being jeopardized.
  - Provide input to incentive schemes
Next Steps

“If nothing else works, a total pig-headed unwillingness to look facts in the face will see us through.”

www.bbc.co.uk/comedy
Next Steps

Take a look at the activities you are involved in:

- How well do they contribute to CIMA’s goals? If so how much?
- Do they represent value for money or would the budget be best spent elsewhere?
- Are they really the best activities or should we be doing something else?
- What else could we do – what would it cost and how would it impact strategic objectives?