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RUNNING VERSUS CHANGING THE BUSINESS

A white paper on the new paradigm—linking strategy planning, strategy execution, and project management.

Why most strategies die—and how you can prevent it.

DECIDEACT

EXECUTIVE SUMMARY

Over the last 100 years, organizational evolution has involved significant changes, such as moving from an industrial economy to an information society and the mass use of the internet and PCs.

Although these changes have resulted in improvements to organizational operations, a significant gap exists between companies' strategic plans and the execution of those plans. The fact is that while companies are running more and more projects, they lack a basic understanding of how to link them with their overall strategy.

RUN VERSUS CHANGE THE BUSINESS

This white paper describes a new paradigm: Run the Business versus Change the Business—the link between strategy planning, strategy execution, and project management. It also discusses why, despite the ways in which organizations have evolved, some of their fundamental aspects have not changed.

There seems to be a widespread failure to acknowledge that, as with any other business function, strategy requires an operational backend to monitor and follow up, just as financial and operational activities do. Otherwise matters do not stay on track.

Imagine your car's GPS providing you only information about the performance of your car and 500 meters' visibility on your route; the rest of your trip is a black box. That is how many leaders run their organizations.

No wonder there are numerous examples of corporate strategies devised at great cost, which then failed to be implemented. To the point of bring companies to bankruptcy. Some notorious cases are Nokia, Kodak, Toys R Us, and Blockbusters—but there are many others.

On a national scale, before the current coronavirus pandemic, Western governments had also spent

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substantial sums drawing up plans for a response to pandemic influenza. Yet with the Europe-wide rush to lockdown in March 2020, those pandemic plans—which focused on “flattening the curve” rather than trying to suppress infections entirely—went out the window. Whether that was a sensible response to changing events, or a hurried move that replaced a strategy (policy) that, however imperfect, did have an exit strategy with a series of panicked short-term actions, remains to be seen. Much will depend on the success of vaccination rollouts.

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STRATEGY EXECUTION MATURITY SURVEY

These trends and challenges are reflected in our joint strategy execution maturity survey which aims to identify the best-performing organizations in strategy execution around the world, and what are they doing differently to get ahead. The majority of the 400 respondents use finance KPIs to follow up on strategy execution. The most favored systems for strategy execution were in-house developed systems (175 companies), followed by CRM systems (118 companies). Popular ERP software like SAP, Oracle and others are distant followers, with SAP being used by 78 and Oracle by 39 organizations.

Three hundred and twelve of the respondents do not use any data warehouse tool to consolidate data from their operations and strategy execution activities. Only 84 companies use some kind of data warehouse system for a consolidated view. Of those 84 companies, most use some kind of in-house developed system; there doesn’t appear to be any single popular solution. Bottom line is that 78% of our respondents do not have any tool at all to monitor their strategy execution.

REDUCE OR ELIMINATE JOB DESCRIPTIONS

Some means to keep strategy on track are structural. It is wise for businesses to establish strategic governance to oversee implementation in the same way the executive committee might oversee capital expenditure. Likewise, the position of Chief Strategy Execution Officer should be as standard as CFO or COO. As ever with staffing, choosing the right personalities and ensuring that the committee has sufficient power are crucial.

Lower down the corporate hierarchy, there is merit in reducing or eliminating job descriptions in pursuit of greater agility. This allows individuals to focus on outcomes (benefits) and not on processes.

But there is also a role here for technology.

SEM IS THE NEW NORM

The new norm is called Strategy Execution Management (SEM). SEM’s digital solutions for monitoring and follow-up have proven the old methods to be insufficient. A simple interface shows progress toward certain defined goals and indicates where problems have occurred. As mentioned above, such platforms are now standard ways to manage many business processes—from logistics to manufacturing—with much greater efficiency. The opportunity here is to modernize how the executive suite manages strategic performance.

> **There is an emerging market for enterprise-wide governing of strategy implementation. Digitalization, with its requirements of increasing delivery speed and agility, is what is driving Strategy Execution Management (SEM).**
>
> Gartner (www.gartner.com)

Introducing new software tools takes time and effort; business leaders are understandably wary. But, given the level of sophistication firms use to manage manufacturing and logistical processes compared with their strategy implementation, it is time to bring the latter up to speed. It is time to retire the CEO's notebook for good.

The following four steps, explained in detail later in this paper, are essential:

- **Alignment and Agility**
- **Governance**
- **Focus and Engagement**
- **Technology**

There is more than one way to implement your strategy, but it is essential that you remain consistent: keep trying, and if necessary, fail fast, then reshape your plans. You need a structured approach to succeed, a very tangible plan, and instant and transparent follow-up.

Modern strategy implementation uses technology to align the whole organization around the most essential strategic priorities. Gartner (www.gartner.com) reports that "there is an emerging market for enterprise-wide governing of strategy implementation. Digitalization, with its requirements of increasing delivery speed and agility, is what is driving Strategy Execution Management (SEM)."

REYKJAVIK ENERGY'S OVERALL STRATEGIC ALIGNMENT

Reykjavik Energy (OR) is the largest public utility company in Iceland. Owned by the City of Reykjavik (95%), two other municipalities own the remainder. OR serves more than 120,000 homes in Southwest Iceland with electricity, hot and cold water, broadband, and sewage. It has used our digital SEM solution for five years.

A few years ago, the company was for legal reasons broken up into three daughter companies to separate the competitive business of electricity and broadband services from utilities (which operate under license and are a monopoly in their territories). As a municipality-owned company, the owners wished to maintain overall strategic alignment despite it being broken up into separate entities. The Chief Strategy Officer's role in securing alignment was crucial, as was the DecideAct digital SEM tool.

> **DecideAct has given the function of strategic management within Reykjavik Energy a new dimension.**
>
> **Gudrun Erla Jonsdottir, CSO of Reykjavik Energy,**

Gudrun Erla Jonsdottir, CSO of Reykjavik Energy, stated clearly that "DecideAct has given the function of strategic management within Reykjavik Energy a new dimension."

DIGITAL PLATFORM TO HELP YOU STAY ON COURSE

More speed and agility, a strong and aligned team with clear focus, and using technology to automate follow-up are all critical elements of success. To assist you in this, a digital platform will tell you exactly what is going on at any given moment in your strategy plan to help you stay on course.

Make no mistake about agility! Quick, sound decision-making and clear communication are achievable even during strategy execution. They only require some fundamental principles–principles we tend to forget in our day-to-day activities. It is not complicated, and we will guide you through it step by step.

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1. STRATEGY EXECUTION IN A NEW WORLD DRIVEN BY CHANGE

OPERATIONS: ACTIVITIES THAT RUN THE BUSINESS

The core element of most organizations is their operations–all activities involved in running the business. If an organization's revenues are derived primarily from its products, its fundamental activities are supply, design, production, distribution, marketing, and sales. This concept is reflected in Porter's Value Chain.

For the sake of simplicity, we divided run-the-business into four main components:

- **Shareholders**
- **Top management**
- **Core activities**
- **Supporting activities**

Growing the business and boosting its profitability depends heavily upon initiating and successfully completing projects.

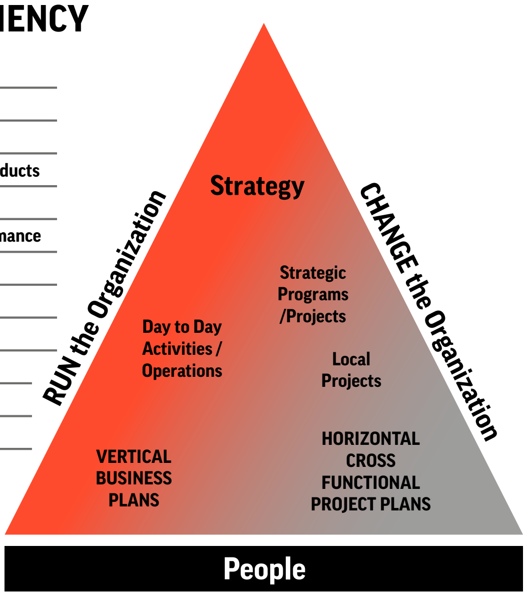
PROJECTS: INITIATIVES THAT CHANGE THE BUSINESS

The contrasting dimension to a company's run-the-business operations is its projects, which are defined as the activities that change the business.

Projects are restricted in terms of time and budget and are staffed with temporary team members. They need different types of resources. Project leaders must work to bring different views together, which requires diplomacy and negotiation skills. They also must be good at managing uncertainty, because large strategic projects are not predictable from one week to the next.

World Driven by EFFICIENCY

Period	Today
Objectives	Generate Revenues, Survival
Culture	Command, Control, Discipline
Focus	Efficiency, Volumes, Costs, Products
Plans	Business / Operational Plans
KPI's	Commercial, Financial, Performance
Skills	Deep Expertise
Key Role	Chief Operating Officer (COO)
Finance	Yearly Budgeting Cycle
Results	Predictable and Tangible
Systems	ERP, APM, DevOps
Process	Standardized, Automated
Structure	Hierarchy Silos



World Driven by CHANGE

Period	Future
Objectives	Vision, Purpose
Culture	Entrepreneur, Collaboration
Focus	Innovation, Transformation, Benefits
Plans	Strategic Roadmaps
KPI's	Strategic
Skills	Deep Generalist
Key Role	Chief Project Officer (CPO)
Finance	Project Based
Results	High Risk and Intangible
Systems	MSP, PPM
Process	Unique, Non-repetitive, Evolving
Structure	Networks Project Based Self-Managed

A simple model illustrates a new way of looking at an organization's activities, helps explain the friction between operations and projects, and illustrates the challenge of balancing those two components in order to succeed with strategy execution.

> **The most strategic projects have a robust external focus, with a goal that is revenue and profitability growth-related. In contrast, the least strategic projects are internally focused, with a goal that often involves productivity improvements, either via cost reduction or increased asset performance.**

After a project is completed, the operations side takes over. For example, consider a technology company that decides to develop a new digital tablet. The project's estimated cost is 15 million euros, with the expected revenues being on the order of 100 million euros. Once the tablet has been produced, the organization's operations side will take over—with the marketing team launching the product and the sales team selling the tablet and working to achieve the target revenues of 100 million euros.

GROWTH- VERSUS PRODUCTIVITY-RELATED PROJECTS

The most strategic projects have a robust external focus, with a goal that is revenue and profitability growth-related. In contrast, the least strategic projects are internally focused, with a goal that often involves productivity improvements, either via cost reduction or increased asset performance. When a company launches a new project, one of its main objectives must be to either increase growth or improve productivity and performance. The more strategic projects (growth-related) are usually sponsored by the business and corporate departments, while the less strategic (productivity-related) are launched by the support functions.

SOME INFORMATION TO CONSIDER:

These four components must interact with each other; reaching harmony and having common objectives is essential for the business's stability and future development:

- A business can be profitable if the cost of both core and support activities is less than the end customers' price for the business's products or services.
- The link between activities, including information flow and processes for performing activities, is crucial to an organization's success and profitability.
- Most companies excel at one or two of their core activities, which differentiates them from the competition. These areas can also be referred to as value drivers or core competencies.
- Many companies do not perform all of their core activities—product design, component production, final assembly, and delivery to the end-user—by themselves. Some of these core activities are outsourced or involve the purchase of products from other companies. Some of the support activities can be outsourced as well (e.g., IT infrastructure maintenance).

Increasing a company's growth and profitability purely through operational changes is limited to a few strategic decisions:

- Raising the price of products or services
- Boosting sales by reducing prices
- Boosting sales by producing more products or services
- Boosting sales by entering new markets
- Boosting sales by introducing new products or versions

CEOs and senior management prefer the more strategic initiatives because they produce the highest returns and the most significant benefits. However, such initiatives are usually costlier, riskier, and deliver benefits that require more time to harvest. And not to forget: to succeed, you´ll need to involve the majority of the organization and not just the project team.

Companies must also carry out mandatory projects, meaning that the changes or adaptations are required by either external regulation (like Basel III in the banking industry) or technical imperatives (upgrades to a new system because the previous one is no longer supported). Finally, companies must carry out smaller, maintenance projects required to keep operations running.

Besides current projects, a company must have a good pipeline of potential new ideas or investment opportunities. Management usually decides to invest in a few ideas, but it is also imperative to keep some in the pipeline. Monitoring and managing the ideas helps management react quickly to changes in the market, either in a defensive or proactive manner.

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The least strategic projects of all, maintenance projects, consume as much as 10 to 20% of change-the-business resources. To avoid this significant expenditure and the possibility of running hundreds of small initiatives concurrently requires a clear policy on what constitutes a project.

HOW PROJECTS IMPACT AN ORGANIZATION

Most strategic projects (e.g., significant acquisitions) are highly complex undertakings that impact the entire organization. They require not only a fully dedicated team, but also the participation of many staff members and top management. The same is true for expansions into new markets and new product development. On the other hand, productivity improvement projects often address one specific business area (e.g., HR's new payroll system).

The least strategic projects of all, maintenance projects, consume as much as 10 to 20% of change-the-business resources. To avoid this significant expenditure and the possibility of running hundreds of small initiatives concurrently requires a clear policy on what constitutes a project.

Many business leaders have trouble prioritizing projects and canceling the unsuccessful ones. When there are too many highly strategic projects, the company will be stretched thin, there will be little time to think, and some people will become burned out. The consequence will be that most of the strategic initiatives will fail or not deliver the expected return. Too many projects with little or no prioritization result in wasted money and a low return on investment.

FINANCIAL AND STAFF RESOURCE ALLOCATION

Most companies do not have the financial or staff resources to invest in an unlimited number of initiatives. In principle, management is faced with the challenge of prioritizing new projects and choosing which ones to implement. We say "in principle" because, as will be discussed later, senior management is often unable to handle this challenge. During the past decade, many companies fell into the trap of implementing far more new projects than they could possibly handle. We believe that either:

- **management is unaccustomed to saying "no" and accepts any idea that has a decent business case because it might be successful; or**
- **management is unaccustomed to saying "stop" and fails to cancel projects that are underperforming.**

However, increased competition and the recent economic crisis have changed this pattern. Management has been forced to be much more selective about their investments and their overall spending. They are now compelled to prioritize projects and cancel the unsuccessful ones.

THE CHALLENGE OF FUNDING STRATEGIC PROJECTS

One of the main challenges facing top management is how to allocate the company's limited finances. A shortage of funds can be overcome by borrowing from banks, owners, or other investors. Some years ago, a company with an exciting idea, a solid business case, and a willingness to take the risk for that idea usually found funding.

For those companies that have managed to survive the pandemic crisis and come out stronger, this is an excellent time to invest in strategic projects such as acquisitions or new products. However, many of these cash-rich companies are precisely that because they did not risk making such investments. These companies are usually highly skilled at cost control/awareness—but at the expense of growing and strengthening their entrepreneurial skills.

> An interesting dichotomy is that most of those businesses with cash do not know which strategic projects to invest in. In contrast, those businesses that want to invest in projects do not have the necessary funds. This is especially evident in the financial sector. The institutions and banks that failed had invested in high-risk strategic projects, and those that survived had not taken many risks.

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STAFFING STRATEGIC PROJECTS

In our opinion, the other big issue is allocating limited staff resources. For example, a telecom company's staff is dedicated primarily to operational activities, both core and support. They are busy running the business, leaving minimal personnel—possibly only five percent of the total workforce—fully dedicated to projects.

A COMPANY HAS THREE WAYS TO ALLOCATE ITS ASSETS, STAFF RESOURCES, AND FINANCES:

1) **Run the Business/Operations:** Financial operations are critical to any business. Traditionally, almost all of a business's staff resources and finances have gone to running its core and supporting activities. As opposed to projects, investing money in operations is less risky and provides a much faster return. The short-term returns from operations are what keep the business alive.

2) **Fund Projects/Initiatives:** Funding projects is less critical in the short term than is financing operations, and there are always more project ideas than financial and staff capacity. However, riskier projects are the only way a company can generate much higher returns and differentiate itself from the competition. If a company's strategy is to grow, improve, and be more efficient (which is the case for all profit-generating businesses), then projects are critical.

3) **Return Dividends to Owners:** Listed companies usually distribute dividends once a year, and shareholders expect that. Companies with excess cash occasionally decide to return more money to the owners, but this is an exception.

In our joint research, over 50% of the companies surveyed committed less than 30% of their total employee and budget resources to objectives that underline changing the business.

More important, the number of operational staff working part-time on projects has increased every year. These employees must balance their day-to-day responsibilities with unpredictable project work. As we will explain later, this dual pressure has a significant impact on the project's success.

The big consulting firms have benefited enormously from companies without enough resources to carry out their project activity. These firms have resources readily available; they are experienced, and they can be dedicated full-time to projects. That is why so many companies prefer or are forced to use consultants to execute some of their strategic projects. The problem with this approach is that companies become dependent on consultants to do a significant part of their strategic work, and they often cannot keep the knowledge in-house.

Management often prefers to invest excess money in new strategic projects, believing that a successful outcome will lead to higher returns. This also impacts resources: too many initiatives (particularly strategic ones) create a lack of focus, which leads to strategy failure and sometimes even bankruptcy.

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2. WHY STRATEGY FAILURE IS INCREASING AND HOW IT CAN BE PREVENTED

To achieve strategic initiatives, organizations must reduce the amount of operational work they do to simply run the business and increase their project-related activities. This is necessary and inevitable in the ever-changing business world. Unfortunately, many organizations are unable to manage this shift and deliver these projects successfully—despite this being the basis for successful strategy execution.

While the impact of these projects on strategic initiatives cannot be underestimated, launching too many strategic projects concurrently leads to an increased rate of strategic failure. This is due, for the most part, to poor project management skills.

In our joint research, over half of the companies responding had implemented some kind of transformation initiative that resulted in partial or complete success in the following areas:

1. **Major internal organization**
2. **Breakthrough new product launch**
3. **Major IT software implementation**
4. **International expansion**

> **Strategy execution is not about merely implementing change projects, although they are a vital part of strategy execution. Strategy execution is about advancing the whole organization while taking into account organizational interdependencies that can affect outcome.**

Size and revenue didn't appear to factor in either initiating transformation or its success/failure.

Our years of experience in helping leaders has uncovered the following four significant actions that traditional-functioning organizations must enforce if they are to avoid difficulties with executing their strategy:

- **A) Alignment and Agility: Align the structure to increase the organization's agility**
- **B) Governance: Introduce strategic governance to support the execution of the strategy**
- **C) Focus and Engagement: Improve company-wide focus: a sharp focus on the organization's purpose promotes employee engagement.**
- **D) Technology: Implement a strategy execution tool (see sections 3 & 4)**

A) THE IMPORTANCE OF ALIGNMENT AND AGILITY

The alignment and the balance of an organization's structure, combined with the extent to which change-the-business activities are deemed necessary, determines the overall success of project performance—and in turn, strategy execution.

It is important to note that strategy execution is not about merely implementing change projects, although they are a vital part of strategy execution. Strategy execution is about advancing the whole organization while taking into account organizational interdependencies that can affect outcome.

> **Samkaup, the second largest retail chain in Iceland, implemented a digital tool for strategy implementation, which currently is deployed to align the 70 retail stores around common set of objectives.**

In his book Strategy and Structure (1962), Alfred Chandler proposed that a company's chosen strategy should drive its structure. When management underestimates or ignores this principle, inefficiency and failure to adapt quickly to business drivers result in failed projects.

Until recently, departmental success was measured using key performance indicators tailored to each function. For example, a finance department's success was measured by closing the books and producing the financial statements on time. The HR department's success depended on low turnover or whether it had finished employee appraisals on time.

This approach creates internal competition and a silo mentality. Some department heads will operate within their tiny kingdoms and cooperate with other parts of the business complex. In many cases, one department's key performance indicators could be at odds with those of another.

On the opposite end of the spectrum, strategic projects—those chosen for their importance in achieving strategic goals—are almost always cross-departmental and require agility and quick decision-making. This means that a strategic project, such as expanding the business into another country, requires resources and input from a number of different departments. Facility experts find the location, lawyers handle the legal documents, HR experts recruit the people, salespeople develop a commercial plan, and so forth.

Due to these projects' size and critical nature, the contribution and cooperation of all these departments are needed if these projects are to succeed.

Cross-departmental projects drive agility but require that participating managers share power. Unfortunately, almost all the energy in a traditionally functioning organization still resides with the functional/department heads. Further, companies with an old-fashioned paradigm have slower reaction times to market threats and opportunities. A flatter, more agile organizational structure promotes successful strategy implementation.

Having an overall strategic direction where managers and employees are working towards a common overall goal is crucial to enable prioritization of projects on one hand, and at the same time, prioritizing change and optimization throughout the organization to realize the benefits of such projects. Samkaup, the second largest retail chain in Iceland, implemented a digital tool for strategy implementation, which currently is deployed to align the 70 retail stores around common set of objectives. Omar Valdimarsson, CEO of the second largest retail chain in Iceland, stated: "The DecideAct strategy accountability system is a valuable tool to enhance strategic thinking and transparency throughout the company."

B) THE IMPORTANCE OF GOVERNANCE

One significant reason why traditionally functioning organizations have difficulty supporting and following up on strategy execution is the absence of the right governing structure.

Once the Strategic Planning Department has consolidated the strategic plans for the next three to five years, it hands over the execution to other departments. However, as previously noted, departments in traditionally functioning organizations concentrate only on the portion of the strategy for which they are responsible. For example, Marketing will focus almost exclusively on its marketing plan, which in turn will be broken down into different initiatives, programs, and projects.

The majority of respondents in our joint research (226 out of 400) do not have Strategy Departments. In most of these cases, the CEO's office follows up on strategy execution. The remaining 174 organizations that do have Strategy Departments use them for:

1. **Defining/facilitating strategic plans**
2. **Following up on strategy execution**
3. **Defining/facilitating the vision and mission**

Today's governing structure needs a role and a department, which we call the Strategy Execution Office, to take responsibility for strategic, cross-departmental projects, as well as maintain a consolidated overview of the strategy execution progress. But most important, it must flag up when the strategy is not being correctly executed.

C) THE IMPORTANCE OF FOCUS AND ENGAGEMENT

We have also identified a lack of focus, which often leads to decreasing employee engagement, as a serious hindrance to companies achieving their strategies.

Three main reasons for a company becoming unfocused are:

1. **Top executives do not know their own organization's key strategic initiatives**
2. **Being focused is complex and requires discipline**
3. **Too many projects**

1. TOP EXECUTIVES DO NOT KNOW THEIR OWN ORGANIZATION'S KEY STRATEGIC INITIATIVES

We have facilitated more than 100 workshops with senior management teams in which we ask them to write down their company's top three initiatives; we then list their replies on a flip chart. Responses often include more than three initiatives—and sometimes only the managers' own initiatives. When we reveal the list, there is a moment of silence in the room and a certain level of embarrassment. The point of this exercise, we explain, is to show that if the firm's executives do not know the company's priorities and are unable to focus on what is critical, they cannot expect the same focus from their employees.

It is essential that top-down governance drives bottom-up engagement, as illustrated in the chart.

This lack of focus can also be explained by the pressure on many CEOs to show results quickly. Consequently, they often invest in many initiatives, thinking that will increase their chances of success. But this reaveals a lack of understanding of what the real priorities are for the business.

2. BEING FOCUSED IS COMPLEX AND REQUIRES DISCIPLINE

Focus imposes order. It requires energy, work, and some pain—which people often try to avoid. A study by psychologists Matthew A. Killingsworth and Daniel T. Gilbert of Harvard University shows that human beings are, by nature, unfocused. According to their research, lack of focus leads often to unhappy individuals. At any point, an average of 50% of the population is not focused on what they are doing. In addition, 30 to 40% of employees' time in the workplace is spent tending to unplanned interruptions and then trying to regain mental focus—thereby lessening employee engagement. This was not the case 20 years ago, simply because the tools of interruption were not so plentiful.

If a company's top management is not focused, it significantly increases the likelihood that the rest of the organization is also unfocused. Lack of focus leads to errors, wasted time, miscommunication, misunderstanding, diminished productivity, lack of engagement and loss of income. When top management is highly focused, however, this is transmitted to the staff—and their engagement and increase in performance is enormous.

3. TOO MANY PROJECTS

Finishing projects is challenging, and most companies have trouble canceling underperforming projects. Consequently, the number of projects continues to rise, leading to a decrease in focus within the entire organization. One reason for the difficulty in ending a failing project is that its sponsor (usually a senior executive) feels that it will be seen as his or her failure.

The benefits of becoming a focused organization are massive—and the good news is that all of these issues can be overcome. One of the first things Steve Jobs did when he returned to Apple in 1997 was to cancel almost 300 projects. He was convinced that Apple was unfocused, and in order to survive, the company needed to become highly focused. Steve Jobs managed to transform Apple by making it a focused organization, and any executive can do the same.

> **"30 to 40% of employees' time in the workplace is spent tending to unplanned interruptions and then trying to regain mental focus—thereby lessening employee engagement.**

3. PROJECT AND PORTFOLIO MANAGEMENT SOFTWARE

Organizations today use an amalgam of applications; each dimension requires specific applications to efficiently perform its role. Let's consider that strategy execution is the combination of the run and the change. We can conclude that companies today lack the software to plan and execute their strategies.

This is one reason why strategy execution is so tricky. Although many vendors claim to have produced a strategy execution tool, this is not the case. There is no single tool that can cover both sides of the business and consolidate information to allow management to follow up on their strategies' execution.

PROJECT AND PORTFOLIO MANAGEMENT SOFTWARE

In the 1990s, companies' major IT investment was in ERP systems to improve and automate run-the-business activities (both core operations and supporting activities). At the beginning of the twenty-first century, this focus shifted to the internet and e-commerce. Lately, however, organizations have shown increased interest in specialized project and portfolio management software, confirming a slow movement toward project management as a tool to run their businesses and to execute their strategy. Soon there will likely be a new wave of company-wide software implementations to improve and automate change-the-business (project management and portfolio management) activities.

The full benefits of this move will likely require five to ten years to be realized. Until recently, most companies lacked integrated software to manage their hundreds of projects. The most advanced companies were using Microsoft Project, but often just to describe the project plan and its milestones. Individual projects were not connected; a consolidated view of the projects' portfolios required information from multiple systems, and up-to-date project information was impossible to obtain. And Microsoft Project required expert users; it was not particularly user-friendly.

"The full benefits of this move will likely require five to ten years to be realized. Until recently, most companies lacked integrated software to manage their hundreds of projects.

Consider this actual situation: a bank with 540 concurrent strategic projects costing approximately €256 million and involving 4,780 out of 20,000 employees has no tool to monitor the projects' status, costs, or contributions to strategy execution. Given that the bank has no way of knowing how its portfolio of projects is doing, how can it make good project-related or investment decisions?

A BLACK BOX SITUATION

Just a few years ago, many companies were unable to monitor their strategy execution because they lacked the tools to follow up on their projects and their change-the-business activities. Only with the rise of program management offices did some transparency enter this process, soon followed by a new wave of project portfolio management software.

Using a company-wide project portfolio management system is indispensable to managing the change-the-business dimension. Managing hundreds of projects, thousands of resources, and millions of euros without such tools as Excel, MS Project, and PowerPoint is unimaginable—but it still happens. Out of 400 respondents, 179 organizations still use Excel and PowerPoint, followed by 113 companies using systems developed in-house. The most widely used PPM tool is that of Microsoft, with 50 companies using it.

Until recently, companies had no control over their change-the-business dimension and had little idea of either the total costs or the expected benefits. We call this a black box situation.

THE RISK OF CAPTURING ALL ELEMENTS IN ONE PPM TOOL

Over the past years, this situation has changed, accelerated by the financial crisis of 2008. Many companies have now turned to PPM processes and tools to:

- **gain control of all projects and project-related activities**
- **move from the black box to a transparent environment, creating visibility and producing accurate data**
- **reduce costs by cutting spending on projects and reducing project-related overhead through such measures as eliminating PMOs and investing in fewer initiatives**
- **adapt to the current business environment's volatility and survive economic crisis**
- **improve project execution and increase the overall efficiency of the change-the-business dimension.**

PPM TOOLS ARE DIFFICULT TO USE BECAUSE:

- The IT department (which drives the execution) creates a lack of buy-in and thus the tool is used by less than half of the organization. The business itself, preferably via a cross-departmental team, must sponsor and lead the PPM rollout.
- The very expensive PPM application becomes merely a time-tracking tool. Today, most PPM implementations begin by asking all employees in the change-the-business dimension to register their hours on timesheets. This approach, which is the worst we can imagine, creates enemies and resistance to using the PPM application. A PPM tool should be implemented using a top-down approach, focusing first on the organization's strategy, priorities, and current projects. Clarity at the top makes the tool's value more apparent, increasing buy-in.
- Lack of mature processes and misaligned segments of the organization. Companies often decide to implement a PPM tool without first defining and rolling out the project, program, and portfolio management processes. Organizational changes and alignment have not yet taken place, so the PPM tool is implemented without a solid foundation and therefore does not stay in place for long.
- If the company begins by defining and implementing the change-the-business processes, the PPM implementation will be much easier. Users will welcome the tool, as it will make their work easier.
- PPM tools do not connect easily with run-the-business processes and data. Although marketed as all-in-one tools for both defining and executing strategy, they are not. As a result, run-the-business managers do not recognize their added value or support their use. Marketing of PPM tools should focus on their ability to automate project and portfolio management and not try to oversell their functionality. If change-the-business automation is done well, it makes a huge improvement in performance.

Three hundred and twelve respondents to our survey do not use any data warehouse tool to consolidate their run- and change-the-businesses data. Only 84 companies use some kind of data warehouse system to get a consolidated view. Of those 84 companies, most use a system developed in-house; there doesn't appear to be a single popular solution.

Trying to capture all the change-the-business elements in one tool creates serious risk: rather than being fully dedicated to managing projects and the overall project portfolio, the tool is used mainly for time tracking and resource management or, even worse, for project accounting because the financial aspects become most important.

"Using a company-wide project portfolio management system is indispensable to managing the change-the-business dimension.

Many new PPM implementations have taken much longer than anticipated, been more costly than planned, and have not fully delivered the vendor-promised benefits. This is very similar to what happened two decades ago with the execution of ERPs.

Notwithstanding all these issues, every organization must implement a PPM tool to manage all its change-the-business and project activities sooner or later. There is no other way to get the transparency needed to manage this critical business function.

"Strategy Execution Management is the new norm

4. A TRULY STRATEGY EXECUTION SOFTWARE

The strategy execution tool is being invented as we speak, with DecideAct as one of the pioneers.

Their solution involves building a strategy execution system based on a dynamic, enriched data warehouse with simulation capabilities. The data warehouse connects the run- and change-the-business systems, extracting only relevant data needed for management to build and follow up on the strategy. The tool also establishes controls on data quality, monitors accuracy and ensures that inaccurate data is corrected at the source.

These data sources are critical, since only a selection of relevant information is extracted for processing in the data warehouse. A large multinational can easily have thousands of pieces of business, operational, and project data, with definitions that can differ depending on the owner and the user. However, for purposes of creating a strategy execution system, we will look at just a selection. The selected data must be defined in a company-wide data model, using standard, agreed-upon definitions, and kept by a centralized entity (strategy execution office). As the data is extracted from the applications, the data's ownership and quality are maintained locally.

CONCLUSION

Strategy execution was in the spotlight when a pandemic created one of the biggest initiatives in history: COVID-19 vaccine development and distribution. The trillions promised for pandemic recovery must come from millions of projects requiring millions of strategy execution experts—and a software platform to facilitate it.

> **The strategy execution tool is being invented as we speak, with DecideAct as one of the pioneers.**

ABOUT DECIDEACT

DecideAct is a provider of SaaS software and solutions that move manual execution and follow-up of strategy to a cloud-based Strategy Execution Management platform. By rethinking the way strategy is executed, DecideAct has created a groundbreaking tool that is relevant to all companies and organizations, public or private, in all industries, geographies, functional roles and their mission critical priorities related to achieving strategic goals. DecideAct's vision is to modernize strategic leadership through technology. To find out more about us visit: www.decideact.net

ABOUT PROJECTS & CO

Projects & Co is a global consulting company that accompanies organizations and leaders to successfully navigate this new era driven by constant disruption and change. Whether strategic or transformational, our unique approach provides custom made solutions that help you as a leader in clarifying your purpose, identifying your organization's priorities, and realizing your transformational ambitions. Our purpose is to help you become a successful and sustainable organization, appreciated by your employees, customers, shareholders and society at large. To find out more about us visit: www.projectsnco.com and www.antonionietorodriguez.com

ABOUT ANTONIO NIETO-RODRIGUEZ

Antonio Nieto-Rodriguez, author of the Harvard Business Review Project Management Handbook, the featured HBR article The Project Economy Has Arrived, and four other books. Antonio is the creator of concepts such as the Project Economy and the Project Manifesto. His research and global impact in modern management have been recognized by Thinkers50. Fellow and Former Chairman of the Project Management Institute, he is the founder of Projects&Co and co-founder of the Strategy Implementation Institute, and he is a member of Marshall Goldsmith 100 coaches. You can follow Antonio through his LinkedIn Newsletter - Lead Projects Successfully and website https://antonionietorodriguez.com.

ABOUT BJARNI SNÆBJÖRN JÓNSSON

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ABOUT FLEMMING VIDERIKSEN

CEO and Co-founder of DecideAct and Expert in Strategy Execution Management, Strategy Design and Implementation and Cultural Change in organizations. For more than 25 years, Flemming has been a strategic and trusted advisor and executive coach for top leaders in businesses and organizations worldwide. Over that period, he has been working together with Bjarni Snæbjörn Jónsson with international organizations in strategic development and implementation. They have also written many excellent works on organizational leadership.

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