STRATEGY MATURITY SURVEY

BY PROFESSOR ANTONIO NIETO RODRIGUEZ, 2022

FIRST GLOBAL SURVEY ON THE MATURITY
OF STRATEGY EXECUTION

Identifying the best-performing organizations
in strategy execution and what they do differently.
Covering 400 organizations from 71 different countries.

DECIDEACT

INTRODUCTION

The aim of this research is to identify the best-performing organizations in strategy execution around the world, and what are they doing differently to get ahead.

Over the past seven years, we have conducted intensive research on this topic and processed the data received in order to present it in a structured and relevant form.

Besides identifying best practices in the field, the study also examines whether there is a link between successful strategy execution and positive corporate performance. By considering aspects such as strategy, organization, culture, leadership processes, tools, and reporting, we will determine how these influences successful strategy execution.

" Over 50% of the companies surveyed committed less than 30% of their total employee and budget resources to objectives that underline changing the business.

EXECUTIVE SUMMARY

These are the key findings of our research

STRATEGIC OBJECTIVES

✓ Strategic objectives are set by the C-suite to drive the organizations performance and create sustainable growth.

✓ Strategic objectives are split equality between short (1 to 2 years) and long term (3 years and beyond).

✓ Definition and communication of strategic objectives is still very much top-down.

RUNNING VS. CHANGING THE BUSINESS

✓ Only half of organizations make the distinction between running and changing the business when setting objectives.

✓ 60-100% of the resources are dedicated to running the business.

✓ Over 50% of the companies committed less than 30% of their total employee and budget resources to objectives that underline changing the business.

STRATEGY DEPARTMENTS VS. PROJECT MANAGEMENT OFFICES

✓ Of the 400 respondents, 226 do not have Strategy Departments. In most of these cases, the CEO's office follows up on strategy execution.

✓ Similarly, 224 organizations do not have a Corporate PMO Department

✓ Of the 112 organizations that have both a Strategy Department and Corporate PMO, 43 of them use the PMO function to help follow up on strategy execution.

✓ In the majority of organizations that don't have either a Strategy or Corporate PMO function, the CEO's office follows up on strategy execution.

STRATEGY EXECUTION SYSTEMS

✓ The most favoured systems used to support the execution are inhouse 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.

✓ For strategy execution related to changing the business, the most favoured tools are Excel and PowerPoint (179) followed by in-house developed systems (113 companies). The most widely used PPM tool is that of Microsoft, with 50 companies using it.

✓ More than 75% of respondents do not use any application/data warehouse tool to consolidate data from their running/changing the business strategy execution.

STRATEGY EXECUTION PERFORMANCE TRACKING

✓ Hard to measure and report the benefits and value creation.

✓ Only half of the organizations reported linking every project either fully or partially to Strategic Objectives, and that they tracked it to project completion.

✓ The most popular way to track strategy execution is through Financial KPIs. Other popular KPIs include Performance, Customer Service and Sales.

HIGH PERFORMING ORGANIZATIONS

✓ Have a Strategy Department and Corporate PMO function, which implements tools and develops competencies, that helps achieve a higher level of success.

SURVEY DEMOGRAPHICS

400 organizations completed the survey correctly; 120 extra replies were removed due to missing information or poor quality of the responses.

COUNTRIES

Respondents were from 71 different countries. Most were from Europe with 42%, followed by North America with 27%, Asia with 13%, South America with 6%, Middle East with 4% and Africa with 3%.

INDUSTRY

The Business Consulting sector had the most representation, with 20% of total replies. This was followed by Technology with 17%, Banking with 8%, and Insurance with 4,3%.

Middle East
4,1%

Africa
2,7%

South America
6,0%

Asia
10,7%

Europe
46,4%

North America
29,9%
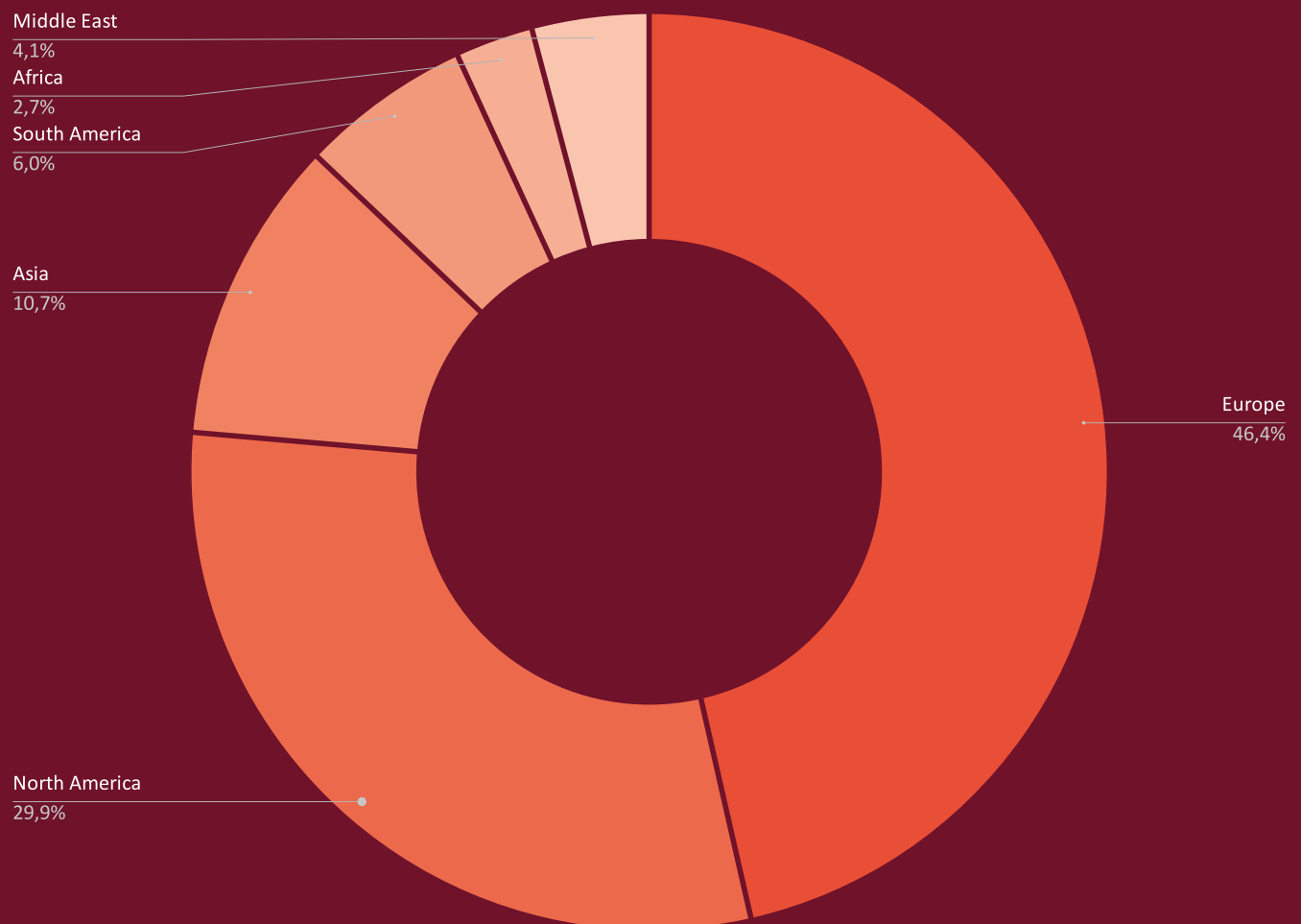
PRIMARY ROLE

One objective of the survey was to gather views on strategy execution from senior executives. This group of top executives comprised 61% of replies. The C-suite represents 26% of replies (20% from Chief Executive Officers), and 35% were from Vice Presidents and Directors.

"Strategic objectives are set by the C-suite to drive the organization's performance and create sustainable growth

Top executives comprised

61%

of replies.

The C-suite represents

26%

of replies

35%

were from Vice Presidents and Directors.

OUTPUT AND ANALYSIS

STRATEGIC OBJECTIVES (QUESTIONS 1 TO 7)

Out of 400 respondents, the majority of organizations had less than 10 Strategic Objectives—and the majority of those had 4 or 5. The number of Strategic Objectives does not appear to correlate to either the size of the company or its revenues. The top 5 objectives noted are:

- Organic GrowthInnovation—New Products and Services
- Customers—Boost Reputation with Customers

" Strategic objectives are split equally between short and long term

- Operations—Reduce Operating Costs
- Financials—Increase Gross/Net Profits

The timeframe set to achieve the objectives is almost evenly split between short-term (1 to 2 years) and long-term (3 years and beyond). Again, the size and revenue of the company seems to have no bearing on the time factor.

Two prime reasons for setting Strategic Objectives are to either improve the way the organization operates or change the way business is carried out. Only 52.5% of organizations make the distinction between running and changing the business when setting objectives, which is quite a revelation.

Strategic Objectives usually come from the C-suite or in collaboration with the Board of Directors using a rolling approach or an annual offsite exercise. To communicate objectives, most used the traditional route of cascading through the hierarchical chain, followed by the Intranet and specific strategy events. Emails and employee workshops are fairly common.

Sales, Technological Superiority, and Innovation are the top 3 core competencies of the companies that responded.

RUNNING THE BUSINESS (QUESTIONS 8 AND 9)

The top priorities in running the business are accorded to Sales, Customer Satisfaction, and Quality, which is pretty much the case with most business organizations. Strategic Projects and Operational/Cost Efficiencies round out the top 5 priority areas. Employee Satisfaction makes it to the top of the priority list in only of the 38 companies surveyed.

All respondents reported dedicating more than 50% of their resources (employees and budgets) toward running the business. However, nearly 300 respondents commit between 60 and 100% of their resourc-

" 60%-100% of the resources are dedicated to Running the Business

es to running the business—which could mean they are competing to retain their hold in their respective industries/markets.

CHANGING THE BUSINESS (QUESTIONS 10 TO 12)

Just over 100 respondents reported using 2 to 5 corporate strategic objectives to change their business-es. Only 42 companies surveyed used 10 or more strategic objectives to change or transform their businesses.

Over 50% of the companies surveyed committed less than 30% of their total employee and budget resources to objectives that underline changing the business. This is completely in line with the number of initiatives undertaken for changing the business across organizations.

Over half of the companies had implemented some kind of transformation initiative that resulted in partial or complete success in the following areas:

● Major Internal Organization
● Breakthrough New Product Launch
● Major IT Software Implementation
● International Expansion

Again, size and revenue did not appear to factor in either initiating transformation or its success/failure.

ORGANIZATION AND CULTURE (QUESTIONS 13 TO 16)

The majority of respondents' organizations appear to be either hierarchical or self-managed. It is interesting to note that they are classified as either bureaucratic or entrepreneurial in almost equal numbers, which are opposite ends of the same spectrum.

> ## Less than 30% of resources allocated to changing the business objectives

Of the 400 respondents, 226 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:

● Defining/facilitating strategic plans
● Following up on strategy execution
● Defining/facilitating the vision and mission

Similarly, 224 organizations do not have a Corporate PMO Department. For the 176 organizations that responded positively, the top 3 functions of the department are:

● Project Reporting
● Project Management
● Project Prioritization

Of the 112 organizations that have both a Strategy Department and Corporate PMO, 43 of them use the PMO function to help follow up on strategy execution. Of the 162 organizations that have neither a Strategy or Corporate PMO function, 142 reported that their CEO's office follows up on strategy execution.

> ## Lack of a standard department to follow-up strategy execution

Large organizations (2000+ employees and revenues in excess of $100 million) tend to have the Corporate PMO function report to the CIO, CFO or Head of Strategy. In smaller organizations, the PMO function generally reports to the CEO.

PROCESS AND TOOLS
(QUESTIONS 17 TO 22)

Companies use a variety of processes and tools to support the execution of their strategic objectives. They use them to track and gauge the performance of not only individual employees, but also overall corporate performance.

> **There is no common system to follow-up Strategy Execution**

For the most part, employees' objectives do reflect the strategic objectives of the organization. 145 respondents stated that individual objectives are a microcosm of the overall objective; 182 responded that it is partially reflective. Only 69 reported that individual employees' objectives did not reflect corporate objectives. There are no common processes or systems used to set individual objectives; most companies streamline individual objectives to ensure that they roll up to the corporate objectives.

The majority of respondents use Finance KPIs to follow up on strategy execution, delivering under RTB or using Customer Satisfaction and Balance Score Card as measures. Tracking the Quality of Products and Services is also a popular tool used to determine the strategy's success. The most favored systems used to support the execution are 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.

Where it involves CTB, the favorite mechanism to follow up on strategy execution is Project/Program Management and Project Portfolio Management. Innovation Management and Demand Management round out the top 4 ways to measure changing the business. For CTB-related strategy execution, the most favored tools are Excel and PowerPoint (179) followed by in-house developed systems (113 companies). The most widely used PPM tool is that of Microsoft, with 50 companies using it.

312 respondents do not use any application/data warehouse tool to consolidate data from their RTB and CTB strategy execution. Only 84 companies use some kind of data warehouse system to get a consolidated view. Of those 84 companies, most use some kind of in-house developed system; there doesn't appear to be any popular solution that is used across these companies.

269 respondents reported that where CTB is involved, their yearly budgets are either fully or partially adapted to deal with strategy execution. 109 organizations do not adapt to CTB.

REPORTING
(QUESTIONS 23 TO 25)

Companies generally spin off multiple separate projects to assist in achieving their corporate Strategic Objectives. 191 organizations reported linking every project either fully or partially to Strategic Objectives, and that they tracked it to project completion. Organizations are almost evenly split on reflecting project benefits in RTB budget: 61 directly reflect and 66 cannot link it to RTB as they don't track benefits until project completion. Surprisingly, 65 respondents said that measuring impact and tracking benefits is easier said than done, as it is very difficult in practice.

Tracking a project to ensure it meets stated objectives and is completed on time and within budget is one way to gauge its success. But most importantly, each project must deliver the value or benefits it set out to achieve—and the most popular way to track this is with Financial KPIs. Other popular KPIs include:

- Performance KPIs (198 respondents)
- Customer Service KPIs (170)
- Sales KPIs (161)

Organizations are almost evenly split regarding generic vs. specific project indicators, with 203 respondents using the former and 191 the latter method. The best methods have a Project Level Indicator (219 responses) followed by Corporate Level Indicator (174).

🗨 Hard to measure and report the benefits and value creation

External factors do play a role in the success or failure of strategy execution elements. Only 207 organizations take external factors into account when executing their strategy and 188 organizations do not consider external factors.

ANALYSIS BASED ON PAST PERFORMANCE

In analyzing the respondents' past financial performance, it is imperative that we understand what makes certain organizations perform better than others. While there are myriad reasons (including external factors such as overall economy, geopolitics and market conditions), there are certain intrinsic qualities that set apart the better-performing organizations from the rest. It starts with the way the organization is structured, its culture, tools and techniques used, and how it utilizes human resources to improve performance.

Most organizations use the top-down approach and varying degrees of collaboration with their departments and employees. Looking at respondents' performance over the past five years, it is clear that most organizations are hierarchical in nature, with entrepreneurial being the next most popular option.

While running the business (RTB) is the mainstay of an organization, with the changing dynamics in the business and political world, it is important that organizations are set up to change the business (CTB)

as needed. Fully developed tools and techniques best support the organization's CTB needs, preferably administered by a specialized department devoted to strategy execution.

For this analysis, let us look at the correlation between an organization's past financial performance and the underlying structure that potentially contributed to it. We will use three categories:

- High Performers (past Performance Index – 80, 90 and 100%)
- Medium Performers (past Performance Index – 50, 60 and 70%)
- Low Performers (past Performance Index – 10, 20 and 30%)
- We will also look at companies that had revenue in excess of $300 million.

Given that Changing the Business (CTB) has become the new norm, we will look at that aspect and how a specialized Strategy Department and Corporate PMO function help an organization succeed. Major CTB initiatives are typically:

- Major Internal Reorganization
- Major IT Software Implementation

ANALYSIS ON IMPACT OF STRATEGY AND PMO FUNCTION

Of the organizations polled, 174 confirmed that they have a specialized Strategy Department and 176 had a Corporate PMO function. 112 organizations had a combination of both Strategy Department and Corporate PMO function.

- Primary Strategy Department functions:
- Defining/Facilitating Strategic Plan
- Following up the execution of the strategy
- Defining/Facilitating the vision and mission

Primary Corporate PMO functions:

- Project Reporting
- Project Management
- Project Prioritization

High Performers: 38 companies scored above 80% on performance; 26 were quoted on the stock market and had revenues in excess of $300 million. 19 organizations had both a Strategy Department and Corporate PMO function that helped them achieve some level of success on 24 of 28 projects in Major Internal Re-organization and Major IT Software implementation.

Most of these 38 companies used major tools of the trade such as Project/Program, Portfolio Management, either fully utilized or in the process of introducing them.

Medium Performers: 41 companies had over $300 million in revenue and scored between 50 and 70% on the performance index. 23 of those had both a Strategy Department and Corporate PMO function, resulting in only 4 failed projects out of 35 projects that were executed.

The tools and processes followed by a whopping majority of these companies included Project/Program, Portfolio Management, which facilitated successful CTB implementation.

Low-End Performers: 36 companies with over $300 million in revenue comprised the lower end of the performance index spectrum. 13 of these had both a Strategy Department and Corporate PMO function, resulting in only 4 failed projects out of 22 that were executed.

Over 30 companies used a mix of Project/Program, Portfolio Management processes throughout the company, which no doubt helped achieve success in their CTB initiatives.

Negative Growth Companies: 25 companies with over $300 million in revenue achieved negative growth in the past years. Even with the overall negative performance of the organization, 9 companies that had both the Strategy Department and Corporate PMO function managed to achieve over 70% success in their project executions, with only 4 failed projects out of 14 that were executed.

CONCLUSION

The above analysis confirms the importance of a Strategy Department and/or a Corporate PMO function to support an organization's CTB initiatives. Using matured project/program processes goes a long way toward ensuring successful CTB initiatives. While organizational culture is often hierarchical (especially in certain industries), a dedicated function that designs and manages activities outside the scope of RTB can make up for shortcomings.

The surprising revelation is that only around half of the companies polled have either a Strategy Department or a Corporate PMO function. This highlights the fact that across industries, organizations have still not realized the importance of managing their CTB differently than their regular RTB activities. Despite the cost of using specialists, the returns could easily justify the investment—especially if it can impact the organization's bottom line.

> **Despite the cost of using specialists, the returns could easily justify the investment—especially if it can impact the organization's bottom line.**

CHARTS

INDUSTRY

The Business Consulting sector had the most representation, with 20% of total replies. This was followed by Technology with 17%, Banking with 8%, and Insurance with 4,3%.

Associations and Non-Profit
1,0%

Beverages, Alcoholic & Non-alcoholic
1,0%

Industrial Equipment
1,3%

Accounting, Auditors, Legal, Tax
1,3%

Property & Real Estate Services
1,3%

Pharmaceutical & Medicinal Product
1,5%

Retail Consumer Products
1,5%

Food Manufacturing / Distribution / Services
1,5%

Power & Electrical
2,8%

Architectural, Engineering & Technical
3,0%

Government
3,3%

Manufacturing - Automotive
3,5%

Education & Training
4,0%

Insurance
4,3%

Banking & Financial Services
8,3%

Business Consultancy & Advisory
20,5%

Computer & IT Products & Services
17,8%

Other
17,5%

PRIMARY ROLE

One objective of the survey was to gather views on strategy execution from senior executives. This group of top executives comprised 61% of replies. The C-suite represents 26% of replies (20% from Chief Executive Officers), and 35% were from Vice Presidents and Directors.

Line Manager
2,8%

Chief Financial Officer -CFO
3,3%

Head of Portfolio Management
4,0%

Head of PMO (Project Managemen Office)
4,5%

Head of Corporate/Business DEvelopment
5,8%

Director of Strategy
9,0%

Other
13,5%

Chief Ececutive Officer - CEO
20,8%

Project/Program manager
18,5%

Director/Other
16,5%

ORGANIZATION REVENUES AND SIZE

Stock Market: Yes ■   No ■

Revenues

	5 - 50	51 - 200	201 - 500	501 - 2,000	2,001 - 10,000	10,001 - 50,000	Over 50,000
More than 10 Bn USD							
1 - 10 Bn USD							
300 mio - 1 Bn USD							
100 mio - 300 mio USD							
30 mio - 100 mio USD							
10 mio - 30 mio USD							
1 mio - 10 mio USD							
Less than 1 mio USD							

Size (employees)

NUMBER OF STRATEGIC OBJECTIVES

Total answers (%)

- 40 %
- 30 %
- 20 %
- 10 %
- 0 %

1	2 to 3	4 to 5	6 to 10	11 to 20	More than 20	Don't know
3,51%	24,56%	36,34%	21,30%	7,27%	4,01%	3,01%

Number of corporate strategic objectives

STRATEGIC OBJECTIVES

Total answers (%)

Sales - International expansion	117
Customer - Overtake key rivals on quality or customer service or product performance	113
Corporate social responsibility	109
Growth – Mergers and Acquisitions	97
Compliance – Fulfil new laws and regulation	92
Operations – Achieve technological superiority	82
Financials - Increase return on assets / return on investment	70
Employee - Increase employee benefits	49
Other	48
Sales - Keep market share	45

Number of corporate strategic objectives

LONG-TERM VS. SHORT-TERM OBJECTIVES

■ % long-term (3 years and beyond) objectives   ■ % short-term (1 to 2 years) objectives

Total answers

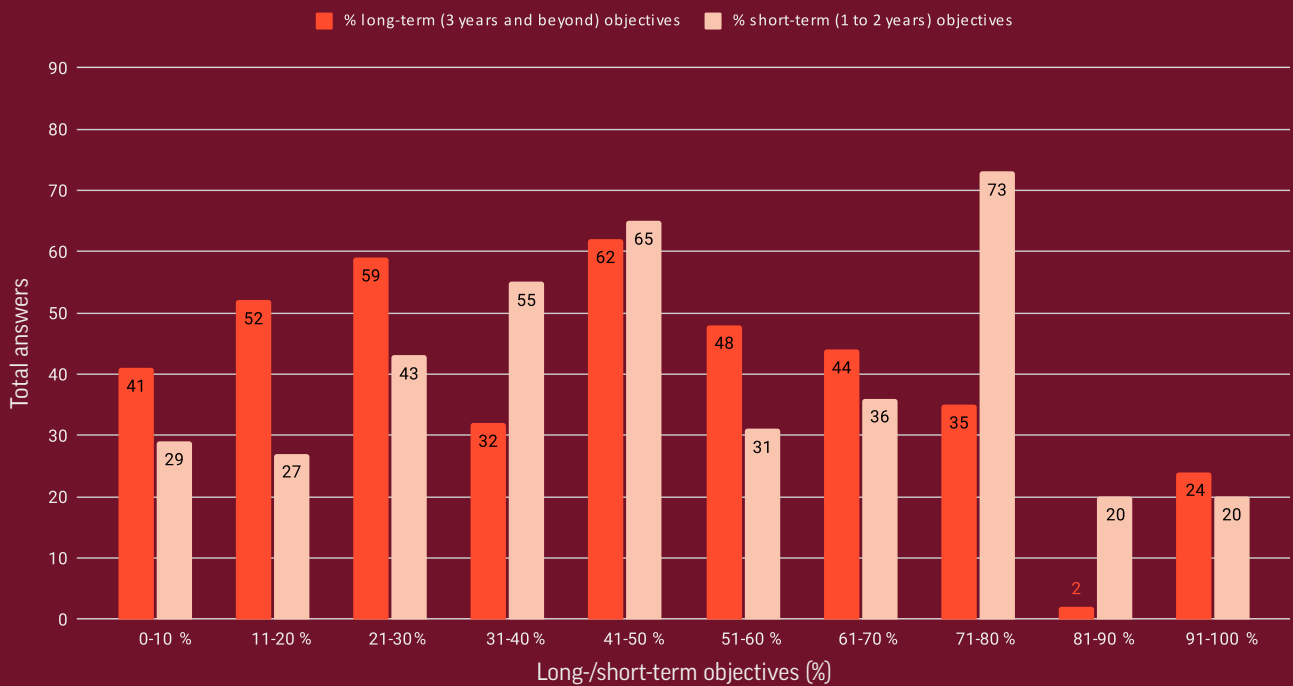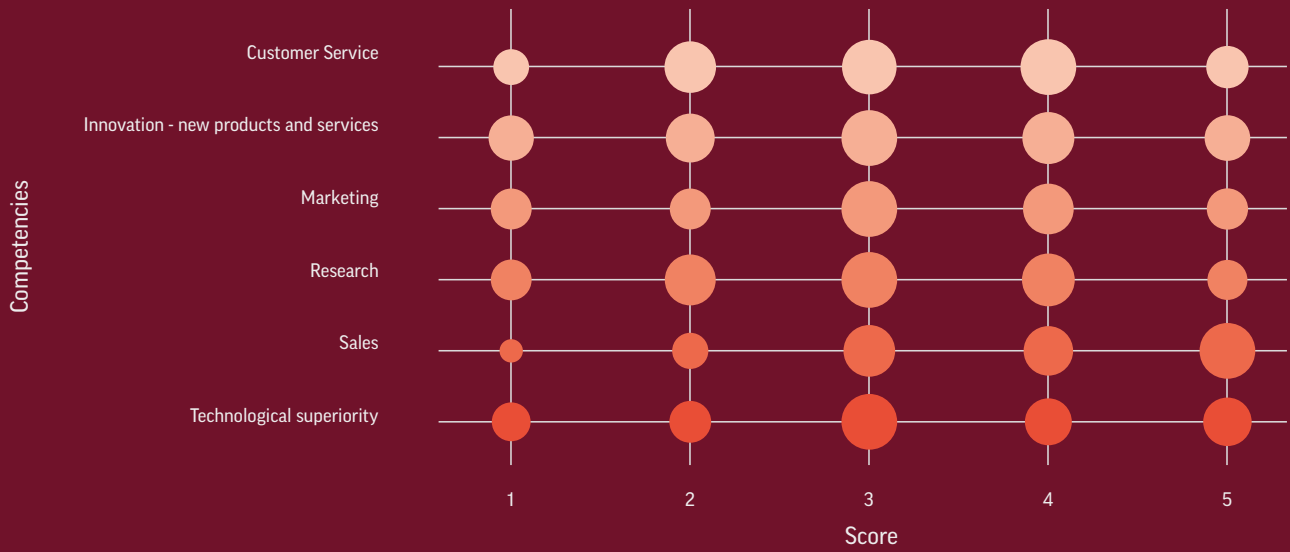| Long-/short-term objectives (%)	long-term	short-term
0-10 %	41	29
11-20 %	52	27
21-30 %	59	43
31-40 %	32	55
41-50 %	62	65
51-60 %	48	31
61-70 %	44	36
71-80 %	35	73
81-90 %	2	20
91-100 %	24	20

Long-/short-term objectives (%)

DIFFERENTIATE BETWEEN RUNNING AND CHANGING THE BUSINESS OBJECTIVES

Don't know
6,5%

No
41,0%

Yes
52,5%

CORE COMPETENCIES

Competencies / Score

- Customer Service
- Innovation - new products and services
- Marketing
- Research
- Sales
- Technological superiority

Score: 1, 2, 3, 4, 5
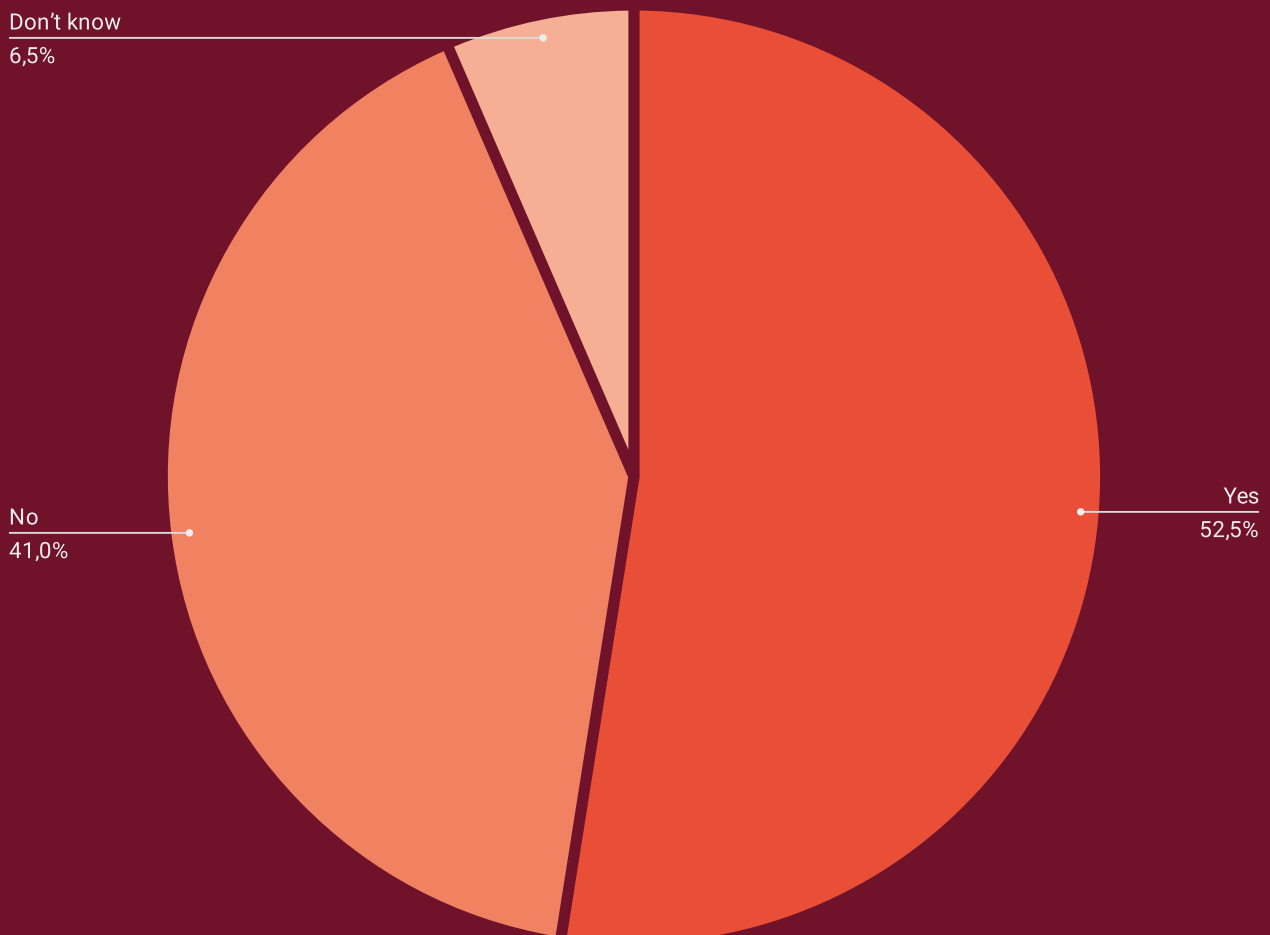
STRATEGY DEVELOPMENT

Strategies	Total answers
Top-down	312
In collaboration with the Board of Directors	162
Yearly top management offsite	102
Rolling approach	101
Workshop with employees	93
Input from strategic consultants	91
Bottom-up	86
Quarterly cycles	67
Strategy process has been disrupted by turmoil during the recession	1
Silos, weak alignment	1

STRATEGY COMMUNICATED

Horizontal bar chart — Total answers by Communication channel:

Communication channel	Total answers
Cascaded down via managers/hie…	244
Intranet	159
Specific Strategy Events	155
Email	144
Workshops with Employees	144
Newsletter	94
Internet	38
There is no official communication	33

RUNNING THE BUSINESS PRIORITIES

Bubble chart — Priorities vs Score (1–5).
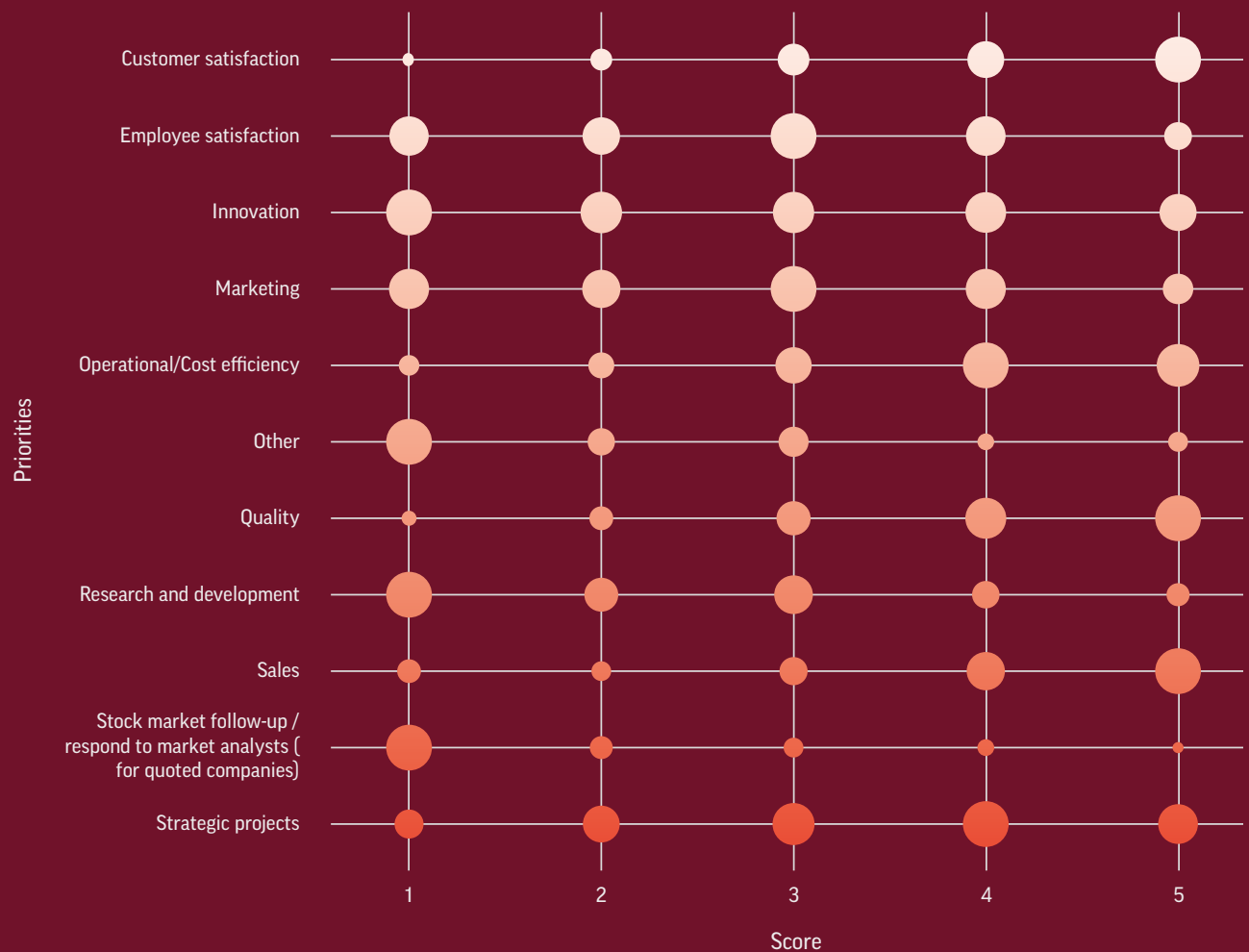
RESOURCES TO RUNNING THE BUSINESS

■ % of total Employees   ■ % of total yearly budget (including Capex)

Total answers

Resources (%)	0-10	11-20	21-30	31-40	41-50	51-60	61-70	71-80	81-90	91-100
% of total Employees	6	4	4	5	28	12	48	80	131	77
% of total yearly budget	6	6	9	10	26	27	51	86	106	63

Resources (%)

STRATEGIC PROJECTS

Total answers

Number of corporate strategic projects	1	2 to 3	4 to 5	6 to 10	11 to 20	More than 20
Total answers	6	31	19	5	3	6

Number of corporate strategic projects
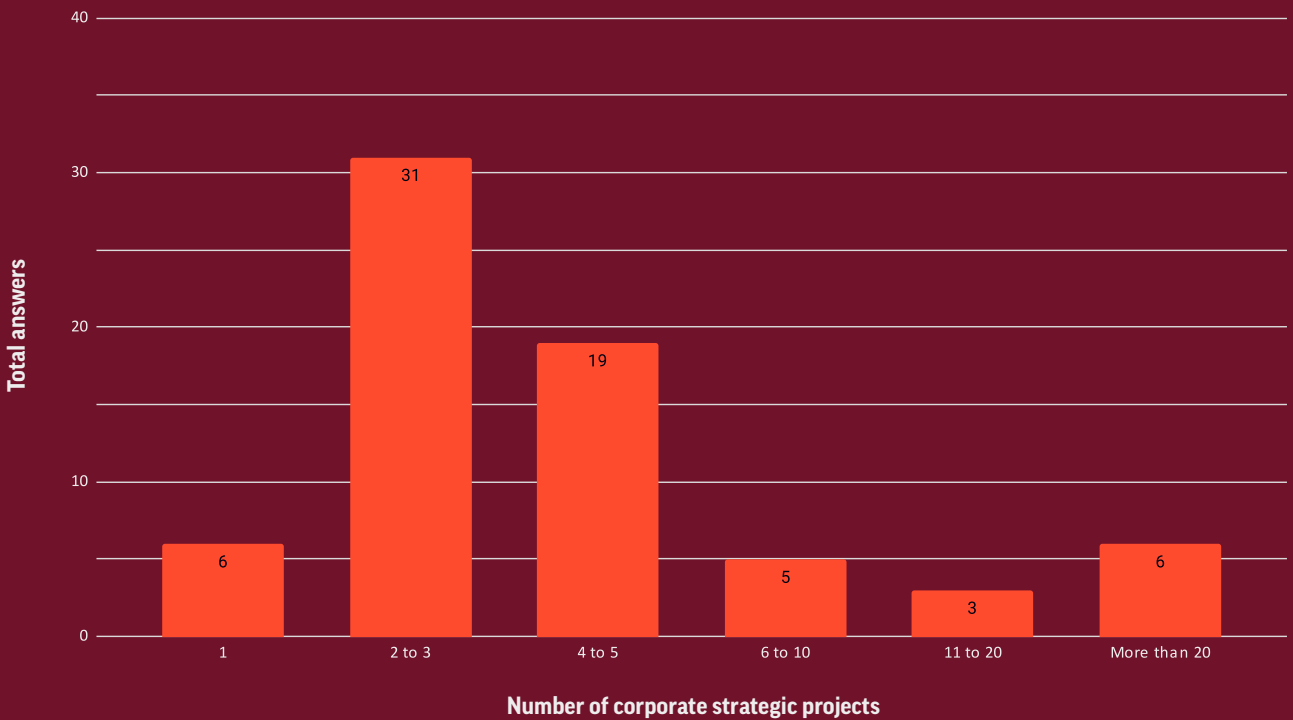
RESOURCES DEDICATED TO CHANGING THE BUSINESS

■ % of total Employees   ■ % of total yearly budget (including Capex)

Total answers

Resources (%)	% of total Employees	% of total yearly budget (including Capex)
0-10	33	28
11-20	12	13
21-30	11	13
31-40	5	5
41-50	2	1
51-60	1	3
61-70	2	5
71-80	1	
91-100	3	1

Resources (%)
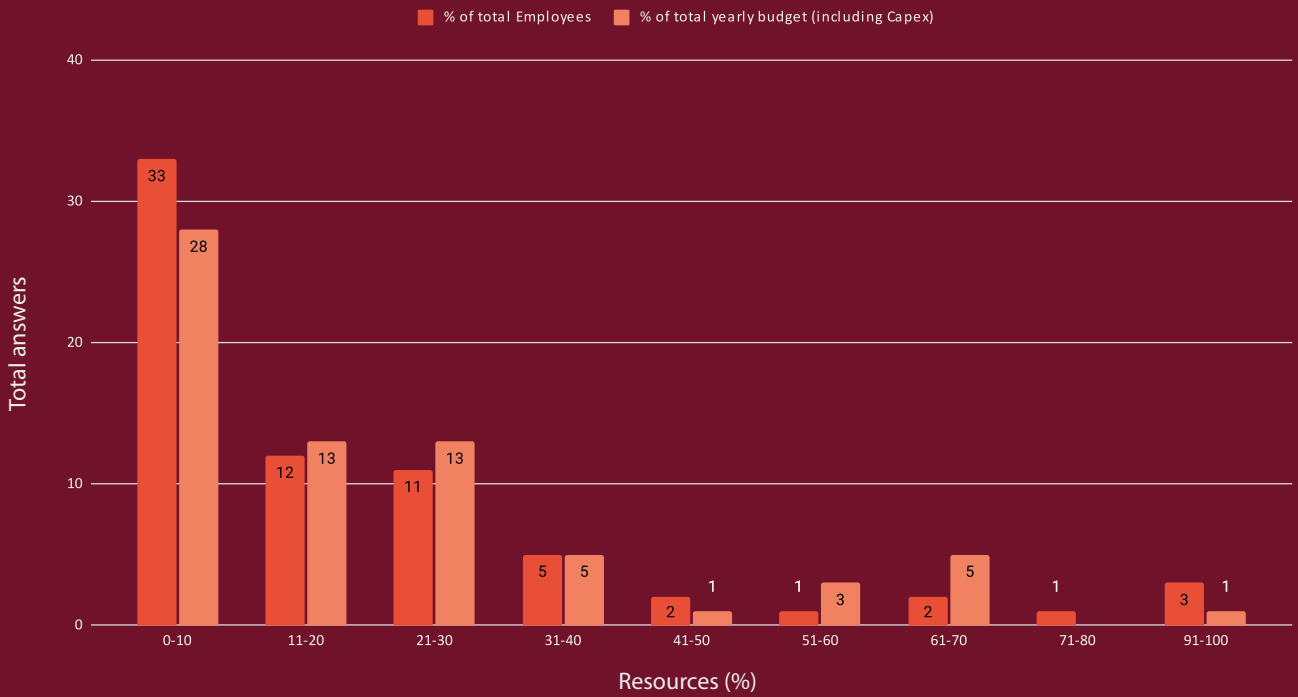
Antonio Nieto-Rodriguez, author of the Harvard Business Review Project Management Handbook, the featured HBR article The Project Economy Has Arrived, and four other books. Antonio is the creator of concepts such as the Project Economy and the Project Manifesto. His research and global impact in modern 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://antonionie-torodriguez.com.

DECIDEACT - **MAKE STRATEGY WALK THE TALK™**