THE 3 PILLARS TO BUILD STRATEGIC EXECUTABLE BLOCKS

IMPESTRA
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Abstract

Build Executable Blocks first, then map them before developing a detailed strategic roadmap. Save time and optimize the correlations to get a better Strategic Plan.

The 3 Pillars to Build Strategic Executable Blocks

Executing a Vision creates numerous challenges, one of them being: where to start?

What is the right path to get to the desired result? How to define milestones that are both meaningful and spaced evenly throughout the multi-years effort?

How to filter out the “white noise” of projects and investments that are claiming to be aligned with the strategy, often heavily supported by the organizations pushing them, but fail to substantiate their strategic value?

Executable Blocks: Build a Roadmap before the Plan

Projects are time bound endeavors, which duration and complexity are intimately related to their potential success rate and variance. Executing a strategy through a large number of independent projects would create a managerial nightmare, with too many balls in the air in the same time and no real way to know how much progress is made at any given time.

The devil is in the details: jumping from a 5 years horizon goal to the execution at a low level of granularity can be a challenge. An easier way would be breaking down the entire Vision into big chunks of achievement first, then detail their content.

If a University decides to establish itself into a new doctoral curriculum, a series of steps will be necessary, such as creating the curriculum, getting certifications, finding students, enrolling them, contracting academic resources, etc. Launching all of these at once would be an ordeal, while not all these outcomes are needed at once.

A phased approach with successive waves of progress can make such effort more achievable. For instance a block of actions will focus on building content, creating logical progression in the acquisition of knowledge, prepare tests and exercises to practice, etc. There is a logical path, as there is no point packaging a course before it has been at least drafted.

Most long term endeavors can be broken down in a handful of interim steps, each achieving a subset of the overarching goal. Defining those big blocks will trigger correlations and dependencies between the blocks, which helps with the sequencing of the blocks into a Roadmap format.

Pillar 1: Strategic Mapping

Strategic Mapping takes the Executable Blocks to the next level, organizing them into tree structures which can then be broken down into programs and projects. The tree structure allows the projects to keep a strict alignment with the strategic goals, while enabling a representation of cross-dependencies or convergence.

Cross-dependencies are multiple efforts depending on one specific resource to be successfully completed; convergences are the combined main and secondary contributions of multiple efforts to a specific goal. An example of convergence would be the net financial benefit of several projects, which together contribute to the operating performance improvement target.

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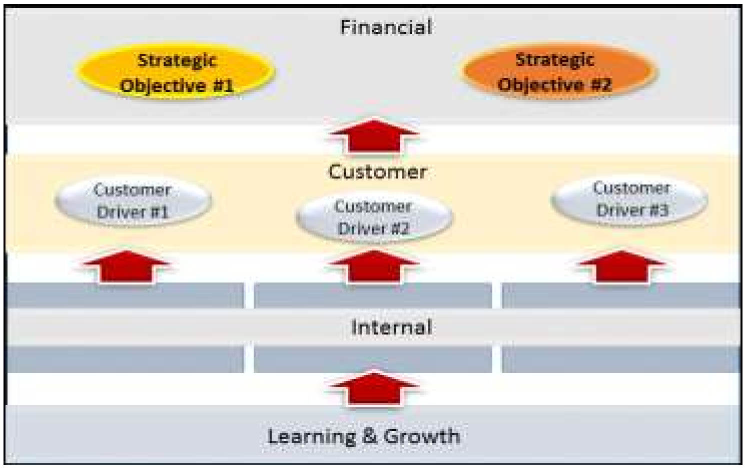
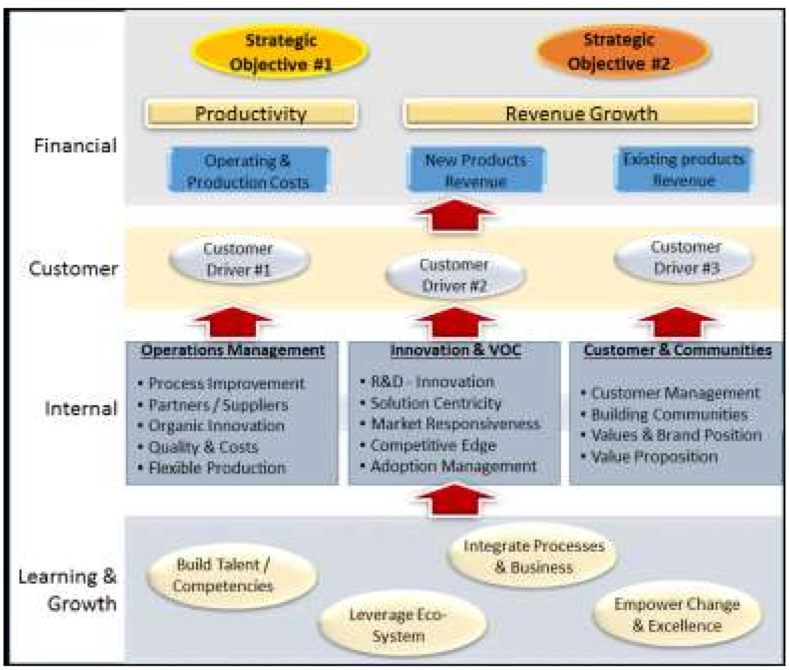


In most cases, strategic efforts tend to contribute to a main and one or more secondary Goals; the mapping makes these connections visible. Such visibility is important: deciding to cancel or reframe a strategic initiative could have unintended consequences.

Kaplan and Norton in their "Strategy Maps" book describe a comprehensive model for breaking down strategic goals, leveraging their previous Balanced Scorecard approach.

The typical layers (Financial, Customer, Internal and Learning & Growth) in this diagram, based on Kaplan & Norton's work, are the successive building block of a Strategic Initiative. The Initiative aims at achieving a Strategic Goal.

Because an organization is an inter-connected structure, it is very likely that most of the Strategic Initiatives will share some resources, projects or building blocks along the way.



Recognizing the "parent" goal and the interconnections or dependencies makes the whole structure much easier, as it clearly delineates the primary drivers and the collateral contributors. A deficient mapping could create confusion as the cause-effect would be blurred between the projects and the goals.

As the map builds up (as shown here), connections are established, which creates the outline of the Strategic Plan, as well as the sequencing based on dependencies and the correlations between projects.

Running the path up and down the chart to expand the activities also validates the logical stepping and the pre-requisite to the goals. There is no substitute to trying a path, then changing it as needed or simply discarding it to start a fresh approach.

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Pillar 2: Executable blocks and Strategic Matrix

As the Strategic roadmap takes shape, each block of activity must be linked to the desired strategic outcome. The result of a given set of actions will deliver a targeted amount of Strategic Value Units.

The Strategic Value Unit (SVU) is the smallest unit of measurement of achievement of a strategic goal. If the Goal is to achieve $1M of incremental revenue in a new market in 3 years, then the smallest measurable sale, or revenue recognition unit is the SVU. To qualify as SVU, a unit of return must meet all specifications. Translating the various metrics (Revenue, EBIDTA, Market Share, Process Improvement, etc.) into a standardized unit of measurement simplifies the assessment of candidate initiatives.

SVUs management can also save a lot of time in establishing Strategic Targets and measuring the progress and success of Strategic Initiatives. An Executable Block of $1M of incremental revenue in new market segments could for instance being broken down into 3 initiatives, together achieving the target.

Here resides the power of the Executable blocks: not all initiatives have to be 100% successful all the time. Of course, the expectation is that all will succeed every time. But things move and change, and the best ideas can sometimes fail. More so, recognizing the fact that failures (or mitigated success) will happen, enables strategic leaders to take some risks and try new paths.

When an initiative succeeds beyond targets, it relieves the pressure on the others, possibly expands the strategic achievements overall. If all initiatives in a Block, together, will likely fall short of the Targets, then a new initiative can be added to the Executable Block, adding potential SVUs to the total value of the Block.

	Strategic Objectives SV Units							Accountability		
Executable Strategies	Strategic Objective #1	Strategic Objective #2	Strategic Objective #3	Corporate Objective #1	Measure ($ or SVU)	Goal $	Goal $ SVU	Unit / Leader #1	Unit / Leader #2	Unit / Leader #3
Executable Block (EB1)	$150	40			Revenue $	$150	40	★		
Executable Block (EB2)		120	20		SVU	$0	140		★	
Executable Block (EB3)					SVU	$0	0			★
EB3 Program A			150		SVU / $	$0	150			★
EB3 Program b			80	$30	SVU	$30	80	★		
EB3 Program C			110	$60	SVU / $	$60	110			★
Executable Block (EB4)	$200	40	50		Net Earnings $	$200	90		★	
Measure	New Revenue	Competitive Ranking	Market Share	Increased EBIDTA		$460	610			
Goal Y1	70	50	75							
Goal Y2	120	90	150	30						
Goal Y3	160	60	185	80						
Total Goals	$ 350	200	410	$ 110						

The early version of the Hoshin Planning (as developed by Michael Cowley & Ellen Domb) in 1997 can be a great help at this stage. The basic structure at the center is a Strategic Matrix, which cross references the executable initiatives and the strategic objectives.

As seen earlier, most strategic initiatives will aim primarily at a specific strategic objective, but will also contribute, to some extent, to one or more additional strategic objectives. Incremental revenue in a new segment, for instance, might also improve the EBIDTA, increase a Product penetration, etc. Even though these collateral gains are not the main driver for the initiatives, they should not be ignored, as they will add their contributions to the SVUs of these other strategic goals.

It is relatively straightforward to establish the SVU contribution of each Executable Block (and then individual processes, programs or projects within the Block) to each Strategic Goal. The value can be represented in net Strategic Value Units, or as a percentage of the Target.

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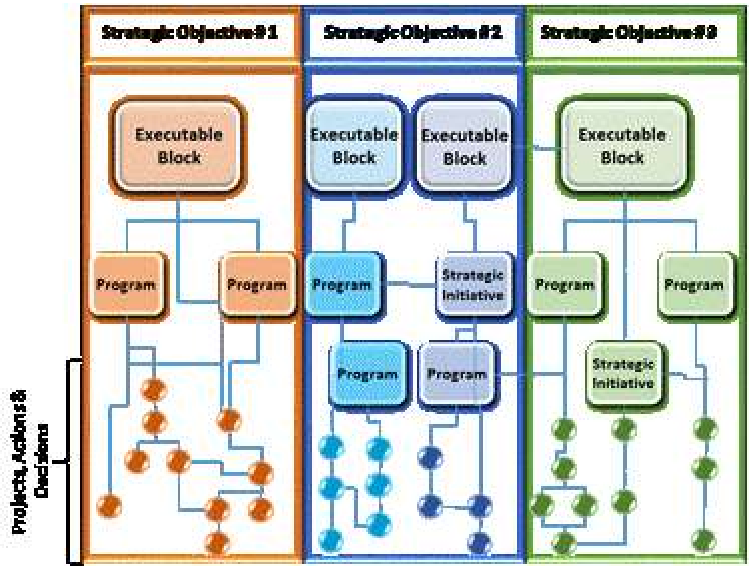
A strategic roadmap is established over a 3 to 5 years path, and achievements will happen all along the journey. It can be frustrating to wait until the Strategic Plan is over before the final results tell whether the Plan has been successful. Business leaders need more control.



Since each of the Executable Blocks can be broken down in smaller execution components (e.g.: projects or programs), each independent execution unit can be assessed based on its individual contribution. Some will add to the SVU "bank", while others are interim efforts which enable later efforts to achieve their goals, such as the building of capabilities which will then deliver the value.

Scaling these efforts over time equates breaking down the SVU contribution (and associated costs) by calendar period. The level of granularity is simply the level of the desired reporting, filtered with some practicality: there is no point checking every week on a three years effort that will only start accruing value in year 2.

The resulting matrix, presented here as a stripped down version of the Cowley & Comb models, helps assign a value to each Executable Block, then aggregates the SVU by Strategic Objective, correlating the effort and investment to the target. If a Strategic Objective aggregated SVUs do not meet the expected threshold, then Executable Blocks need to be expanded, or new ones to be created.

Subsequent development of the Strategic Matrix using the Hoshin Planning have given birth the X-Matrix, a more complex model that can be used for both planning and monitoring large scale strategic efforts. A large body of knowledge has been developed around these models, which can satisfy the most demanding strategists. They can be quickly overwhelming too, with matrix growing into 4 or more dimensions.

Starting with a two-dimensional matrix (a table), then expanding the correlations with dimensions of responsibilities, success drivers, resources and investments can offer many Strategic Plans sufficient level of detail. Evolving the Matrix to a version of the X-Matrix will be a lot easier if an original matrix has been built already.

Pillar 3: Sanity Check (feasibility)

A Strategic Plan requires a large number of initiatives, processes and policies to be executed before it can be declared complete and successful. Each activity, when planned, carries assumptions and beliefs, explicit or implicit.

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When building a Plan, the focus is primarily on the efforts and their outcomes, assuming assumptions and pre-requisite conditions to be true or at least manageable. This could leave the assumptions unchecked, which is a dangerous platform for launching a multi-years set of efforts.

The belief that things will remain the same is comforting and highly practical when budgeting and forecasting. Too many variables can wreck the best plan, and there is so much that can be predicted. The key issue here is not about using a crystal ball to ascertain what the future will be, but taking a skeptical look at the tenets of the Strategic Roadmap, to determine which hypothesis might be turned upside down. Outside influence such as market dynamics, technology advances and customers' demands and expectations are often the source of such impacts.

With the acceleration of the adoption cycle across industries, especially linked to technology (online retail, smart phone, tablets, etc.) such changes can now take place within the boundaries of a 3 to 5 years plan.

Performing the "Acid test" on those assumptions, or using the good-old "What-If" scenarios favored by CFOs around the world, in order to assess the highest dependencies on external factors (especially stable conditions over the timeframe) is a great way to take a fresh look at what can go wrong, and what to do about it.

Using external, professional skeptics, like advisors who were not involved into the building of the Roadmap, can rapidly give a series of new angles to look at things, often with a different bias.

This is where the power of building a Strategy Map and the associated Strategic Roadmap as a tree structure kicks in. The tree structure is a simple tool, allowing for sequencing logically both top-to-bottom and bottom-up. On the downward path, the verification bears on maintaining the integrity of the Vision, and on the assumptions linked to each threshold or milestone.

Reviewing the Strategic Roadmap tree structure in an upward direction allows verifying that each milestone or step is sufficient to enable the next step buildup, and once again how solid the foundational assumptions are.

A final sanity check is the list of all absolute dependencies on both internal and external provisions (conditions, artifacts, market segments, products, etc.) and the list of all things to be created and delivered by the plan. If looking at the things to create seems impossible at this stage, there is likely something to look into. Miracles happen, but counting on one does not make sound business decisions. Figuring out a Plan-B in case the top 3 or 4 assumptions do not remain true throughout the strategic execution is probably the best thing you can have in case something goes wrong in the next 3 to 5 years.

Because something will, and being prepared means reducing the impact, and ensuring that the entire Plan can live it through.

Complex and specialized skills might be required to create advanced Strategic Plan and their early rough Executable Blocks. There will never be such thing as adding too much common sense to the mix!