Strategic Initiatives: The Agility Blueprint

A 3-step approach to achieve business agility and link strategy to execution.
Strategic initiatives fail more often than they succeed.

In fact, according to both Harvard Business Review and Gallup Business Journal, more than 70% of strategic change initiatives fail.

The business environment in many industries and geographies is complex, volatile and loaded with risk. Oftentimes strategies are unclear and employees feel they are not empowered to execute them. Companies must innovate more and invest more, with ever thinner margins for error.

We believe that organizational agility, the ability to respond and change direction without impacting business performance or losing momentum, can make the difference between success and failure.

Enjoy this eBook!

Hervé

Hervé Laumonier
Founder and CEO of One2Team
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What is a Strategic Initiative?
Harvard professor and business author Robert S. Kaplan defines strategic initiatives as “collections of finite-duration discretionary projects and programs, outside of the organization’s day-to-day operational activities, that are designed to help the organization achieve its targeted performance.”¹

Embedded in this definition are key points that underline how strategic initiatives live outside of the realm of business as usual while, remaining intrinsically dependent on cross-functional coordination and executive involvement.

A start and a finish.

Unlike ongoing operating activities, strategic initiatives are meant to have a start and a finish. Though this may seem like an obvious point, one of the reasons companies are ineffective at execution is the proliferation of ongoing initiatives. If leaders lack the discipline to finish projects, initiatives are going to pile on top of each other, stretching organizations thin and confusing middle-management.

Cross-functional and ad hoc.

Strategic initiatives take place outside of the “day-to-day operational activities”. That means that they typically involve more than one function and require coordination of ad-hoc teams. People involved in strategic initiatives are unaccustomed to working together, so it helps if they are supported by a cross-functional group responsible for company-wide oversight. Robert Kaplan and David Norton suggest for example the creation of the “Office of Strategy Management”.²

Generating change.

Strategic initiatives are launched to rapidly generate material change in business outcomes: create new sources of business growth; transform how organizations work; redefine how markets perceive a company. Indeed, the latest FTI Consulting/Forbes Insights study found that executives agree that a strategic initiative should impact a market, competitive position or business model.³

Strategic. It’s in the name.

By their very definition, strategic initiatives are the realm of the executive suite. They stem from, and must deliver on, a company’s most critical priorities. When strategic initiatives fail, it is only natural to look for accountability at the top. It is up to the CEO and to senior leadership to set the course to overcome the company’s inertia and drive change.

A strategic initiative has the ability to impact a market, competitive position or business model”

FTI Consulting/Forbes Insights
Strategic Initiatives: Examples

The definition of strategic initiative can be broad. In our experience working with major corporations in multiple industries worldwide, we found that a few categories of initiatives dominate the agenda of executives across the globe.

Digital Transformation

According to International Data Corporation (IDC), worldwide spending on digital transformation technologies will grow to more than $2.1 trillion in 2019, with spending in the United States alone reaching over $730 billion. A monumental shift toward digital technologies is taking place across industries. Sectors that have lagged in innovation for decades, such as retail, healthcare, education, real estate and government are right at the center of this transformation.

Repositioning and Rebranding

At most multi-category large companies, repositioning and rebranding are initiatives that can lock up enormous organizational resources for years. They are risky, high-stakes initiatives that involve marketing, sales, after-sales, logistics, operations and potentially many other functions and vendors in cross-functional projects. As an example, when Kellogg launched its “Project Signature” re-branding initiative in collaboration with Interbrand, it touched virtually every brand in Kellogg’s portfolio, all of its marketing campaigns, 42 company websites and its entire supply chain.

New Market Entry / Product Launch

Global competition, fickle consumers, new categories. Those are just some of the reasons why companies are being forced to aggressively pursue new market opportunities. Shorter lifecycles of products, technologies and concepts mean that companies need to bring innovation to market continuously. In large companies, these initiatives involve major execution complexity. For example, Renault recently launched 650 Renault PRO+ dealerships around the world offering a range of new services to commercial vehicle owners and fleet operators. Rolling out the PRO+ brand and offering across such a vast dealer network represented a massive strategic implementation challenge.
The State of Initiatives Performance
Quite simply, strategic initiatives fail more often than they succeed. In fact, according to both *Harvard Business Review* and *Gallup Business Journal*, more than 70% of strategic change initiatives fail.\(^7\)

Given the amount of resources, research and investment that are poured into strategic projects year after year, this is an astounding percentage. The economic impact is huge. According to the *Project Management Institute* (PMI), a premier training and advocacy organization for project management professionals worldwide, organizations lose on average $149 million for every $1 billion spent on strategic initiatives, due to poor project execution.\(^8\)

Why do we perform so poorly?

Failure results from mistakes in both how initiatives are devised and how they are executed. *FTI Consulting* found that "strategies fail most often because companies misinterpret the market opportunity (23%), launch initiatives that don’t align with core competencies (20%), or because key stakeholders don’t understand the strategy and don’t commit or follow-through (19%)."\(^3\)

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"Organizations lose on average $149 million for every $1 billion spent on strategic initiatives”

*Project Management Institute*

Few organizations effectively manage strategic initiatives.

*Source: PMI* \(^8\)

![Chart showing percentage of effective strategies](chart)

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wrong market opportunity</td>
<td>23%</td>
</tr>
<tr>
<td>Outside core competencies</td>
<td>20%</td>
</tr>
<tr>
<td>Poor understanding/commitment</td>
<td>19%</td>
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</tbody>
</table>

70% of strategic change initiatives fail. - *Harvard Business Review*
Why do we perform so poorly?

There is a fundamental gap between strategy and execution. The root causes can usually be summarized in a few categories.

1. A Complex Business Environment

The business environment in many industries and geographies is complex, volatile and loaded with risk. On one hand, it rewards innovation and on the other it harshly punishes failure.

- Technological **innovation** enables the emergence of unexpected, nimble competitors and entirely new markets.
- Fast globalizing businesses in **emerging markets** threaten domestic market leaders in developed markets.
- Smarter, more aggressive governmental and intergovernmental **regulators** introduce a new layer of compliance requirements in many industries.
- The frictionless flow of **information** makes any competitive advantage that a company may have achieved, short lived.

All of the above adds up to increase the complexity of today's business. Correctly assessing the assumptions that underpin strategic decisions and forecasting initiatives outcomes has become more difficult.

**TAKEAWAY:**

Assessing the assumptions that underpin strategic decisions and forecasting outcomes has become more difficult.

2. Too Many Projects, Too much Information, Too Little Focus

A long-running study led by Donald Sull on large-scale strategic projects, encompassing 40+ experiments and surveys of nearly 8,000 managers in more than 250 companies, offers a treasure-trove of insights on why strategic execution fails and how to fix it.

In a specific, yet not particularly unique example of organizational confusion, this study highlights how the top management team at a large firm, when asked to describe the firm’s strategy in their own words and to list the top five strategic priorities, “fewer than one-third could name even two.” They also found out that only **55% of middle managers** they surveyed could name even one of the company’s top five priorities!

These findings are consistent with an even more staggering data point: according to research conducted by Robert Kaplan at Harvard Business School, **95% of a company’s employees** are unaware of, or do not understand, its strategy.
Why do we perform so poorly?

3. Smaller Margins for Error
The average lifespan of an S&P 500 company has decreased from 67 years to just 15 years. You can slide in ranking from #1 to 10 in your industry in a very short span of time.

Companies today:
- Need to innovate more just be at par with their competitors or to maintain their competitive edge.
- Achieve smaller ROI from investments they make in their strategic initiatives.
- Enjoy any competitive advantage they obtained from those investments for a shorter time.

The far-reaching impact of technology obsolescence and accelerating innovation, combined with shorter product life cycles and with markets that can shift at faster speeds than they use to, raise the stakes of strategic initiatives.

4. Slow Organizational Reflexes
Even after having invested billions of dollars in knowledge management software, communications, mobility and internal collaboration tools, companies are still relatively slow to respond to changing circumstances in the business environment.

According to research by Donald Sull at MIT Sloan, only 30% of managers think their organizations are effective at shifting funding across business units to support the company strategy and only 22% think the company is effective at exiting declining businesses and failing opportunities.9

"One reason for the difficulty of ending projects is that companies do not want to admit that they have failed."
Antonio Nieto-Rodriguez, Chairman, PMI

TAKEAWAY:
Failures that a company could have absorbed 10-15 years ago, are fatal today.

Share of managers who say their organization effectively:

| Shifts funds across units to support strategy | 30% |
| Shifts people across units to support strategy | 20% |
| Exits declining businesses/failing initiatives | 22% |

Source: Harvard Business Review 9
The Case for Agility
One2Team has worked with hundreds of large, global corporations and thousands of executives on their strategic execution challenges.

Based on our experience and on evidence in the field, we believe that the key capability companies must cultivate to bridge the gap between strategy and execution is agility.

Booz & Company has published research that uncovers a strong correlation between organizational agility and performance, looking at market performance data over a span of 30 years. They found out that companies with high scores in certain agility capabilities are six times (18 percent vs. 3 percent) as likely to be outperformers in their industry in terms of Return on Assets.¹⁰

Percent of years Return-on-Assets was above industry average

<table>
<thead>
<tr>
<th># of agility routines with above average scores</th>
<th>Less than 30%</th>
<th>51-79%</th>
<th>More than 80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-4</td>
<td>6% of firms</td>
<td>30%</td>
<td>18%</td>
</tr>
<tr>
<td>&lt; 3</td>
<td>27%</td>
<td>15%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: University of Southern California, Booz & Company ¹⁰

When we compared our survey and interview data with the performance data, we observed a strong relationship between a company’s basic approach to management and its long-term profitability patterns. When markets and technologies changed rapidly and unpredictably the outperformers had the capability to anticipate and respond to events, solve problems, and implement change better than thrashers. They successfully adapted. They were agile.”

Booz & Company
Merriam-Webster defines agility at “the ability to move quickly and easily.” In the context of business we find that this definition encapsulates the essential meaning of agility:

Agility is the ability to rapidly respond to inputs and change direction without impact on business performance or loss of momentum.

**Rapid Response**

To respond rapidly, a system needs a way to sense what is happening. Agile companies have developed good sensing habits and structural incentives to facilitate the real-time flow of information among stakeholders, customers, suppliers, employees and management. They actively disseminate information internally on competitive threats and potential opportunities and make sure to interpret them with intellectual honesty.

**Change of Direction**

The ability to change direction depends on organizational clarity on who has the ultimate say on a specific decision, the ability to take decisions quickly and the ability to transmit those decisions effectively throughout the organization.

**Maintaining Performance**

Agile companies are able to maintain superior performance while adapting to significant shifts in their industries and markets. They are able to do so because the organization internalizes what the key priorities and metrics are. These companies are disciplined in keeping their core set of priorities consistent, focused and simple, and resist the temptation to allow objectives and metrics to proliferate.

**Keeping Momentum**

Companies that develop strong agile capabilities tend to also establish processes and infrastructure that enable continuous improvement. They capture learnings and shared knowledge, pragmatically standardize proven methods and cut unnecessary, low-value add activities. This allows teams to avoid “reinventing the wheel” and keep momentum as conditions change.
Companies strive to achieve agility.

According to research from the Economist Intelligence Unit, companies feel like they are becoming less agile than they were. While data may show that they are not, executives perceive a deterioration in organizational agility because it has become such an essential organizational trait to stay competitive in today’s marketplace.

If you do not improve on the agility front, you lose. From the Economist Intelligence Unit report:

“Companies will not necessarily differentiate themselves by their ability to see how markets are moving; they will set themselves apart by carrying out the necessary strategic response as quickly as possible.”

In a recent interview with One2Team, business author of People Before Things and former executive Chris Laping put it very clearly:

“What brands need to do right now, is they need to be extremely agile. It’s not the big eating the small in the marketplace right now, it is the fast eating the slow. And what I know from my experiences in my career is that companies are fast when cross-functional teams are working really well together.”

Reaping the Benefits

Companies that develop agile habits and processes reap the benefits. Respondents to a PMI survey on organizational agility reported, among the top benefits of agility:

- Faster response to changing market conditions
- Overall improved organizational efficiency
- Improved customer satisfaction
- More profitable business results
- Organizational changes made more quickly or efficiently
- Faster completion of projects
- Improved employee satisfaction
- Cost savings
- Improved risk identification and mitigation

Source: EIU/PMI

Share of managers who say their organization has high, medium or low agility:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>High</th>
<th>Moderate</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>23%</td>
<td>61%</td>
<td>15%</td>
</tr>
<tr>
<td>2012</td>
<td>12%</td>
<td>54%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Source: EIU/PMI

“\得意 the big eating the small in the marketplace right now, it is the fast eating the slow.”

Chris Laping, People Before Things
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The 3 Stages of Agility Development
For all its substantial and measurable advantages, the quest for organizational agility and its goals can feel like an elusive pursuit.

There is no single, one-size-fit-all formula to achieve agility. Nor should agility be considered a static target, but rather akin to the development of an “organizational muscle”, that must be trained through practice, application and constant tuning.

How can we frame a process to build this capability?

Our agility blueprint is rooted in:

- Our formal research, interviews and informal feedback we receive from global project management executives and stakeholders we work with on a daily basis.
- The work on the Agility Factor and Routines of Agility by Thomas Williams (Booz & Company), Christopher Worley (NEOMA Business School) and Edward Lawler III (Marshall School of Business).
- Frameworks and literature developed by McKinsey within its Organizational Health Index practice.

Stability + Speed = Agility

There is an intuitive assumption that agility is incompatible with stability and process. But our experience is that agility is not the same as raw speed.

McKinsey found out that, on the contrary, a combination of speed AND stability wins:

“A 2015 analysis of McKinsey’s Organizational Health Index showed that companies with both speed and stability have a 70 percent chance of being ranked in the top quartile by organizational health.”

The lesson here is that a backbone of core, stable elements, in the strategy, in the organization design, in operating processes and shared tools is key to allow the company to respond and react with quickness.
Agility requires focus and a precise understanding of the strategy throughout the organization, from top to bottom. This cannot be accomplished if the strategy formulation and the planning process are too complex or arcane.

1.1 Simplify the strategic portfolio

- Most organizations cannot effectively disseminate and pursue more than a handful of strategic goals.
- A good rule of thumb is 3 to 5 for most companies.
- Invest in a ruthless exercise of strategic synthesis and distill the absolutely critical priorities.
- Define what success looks like (i.e. a general framework to evaluate if an initiative is working).

1.2 Emphasize purpose

- Consider redefining the company strategy in terms of intent and purpose rather than detailing how strategic objectives should be met.
- Be clear about what products and services the company delivers and the customers and markets it serves.
- Articulate clearly to the whole organization how the company is differentiated from the competition.
- Re-align incentives and performance management with purpose and outcomes, not process.

55% of middle managers cannot name even one of their company's top five priorities.

“IT IS NO LONGER SUFFICIENT TO DEFINE A SINGLE 10 YEAR STRATEGY IN TERMS OF PRODUCTS/SERVICES AND MARKETS. BECAUSE OF EXPANDING COMPETITION, TECHNOLOGICAL DISRUPTIONS AND CHANGING CUSTOMER EXPECTATIONS, A STRATEGY CAN BECOME DEFUNCT ALMOST AS SOON AS IT HAS BEEN COMMUNICATED. LEADING COMPANIES ARE ALREADY ADOPTING STRATEGIES BASED ON SCENARIO THINKING THAT ALLOW FOR A SERIES OF ALTERNATIVE STRATEGIES TO BE FOLLOWED DEPENDING ON HOW CIRCUMSTANCES EVOLVE.”

The Creativity Era, Arthur D. Little
1.3 Cut underperforming initiatives
- Be ruthless. Inventory all your projects, initiatives and programs and cut every underperforming project.
- Eliminate any activity that is no longer aligned with the company strategic purpose and posture.
- This has the advantage of creating built-in slack across the organization to take on unforeseen challenges or try something new.

1.4 Build flexibility in
- Consider applying iterative project management techniques to your strategy definition process.
- Use scenario planning methodologies to maintain executive alertness to changing conditions.
- Use a variable-resolution strategy timescale. Short-term strategy is detailed in high definition, while long-term strategy is defined in broad strokes.

Scenario planning, also called scenario thinking or scenario analysis, is a strategic planning method that some organizations use to make flexible long-term plans. It is in large part an adaptation and generalization of classic methods used by military intelligence.

“...It is better to think of your strategy as not set in stone but rather as the most recent prototype being tested by the latest marketplace experience. That way strategy will never get out of sync with the competitive environment.”

Roger L. Martin, Rotman School of Management
Organizational Capabilities

*Develop agile habits across the organization.*

Agile organizations have fast response times. That means that decisions are taken at the right level and effectively delegated. Relevant information does not travel through unnecessary managerial layers.

Secondly, they treat experimentation as a vital investment in their future. They reward a scientific mindset and build infrastructure to support a lot of low-cost tests.

2.1 Clarify decision responsibility

- Push as much decision-making power to the *periphery* of the organization.
- Articulate in detail which type of decisions must be *delegated* to lower-level employees and which should be a *prerogative* of executive management.
- Specify and enforce *decision turnaround* time targets as managerial performance metrics.
- In matrixed organizations, enforce clear-cut primary and secondary *reporting lines*.

2.2 Cultivate experimentation

- Allow the spontaneous formation of *small teams* and the allocation of *small budgets* to speculative projects.
- Institutionalize *slack* time into employees’ work and roles, so that they can respond to *unplanned* demands and participate in tests.
- Formalize *experimentation methodology* around critical value-creating processes and workflows.
- Establish company-wide, *standardized* criteria to evaluate experiments and go/no-go gates.
- Require that *learnings* from failed projects are shared internally.

“Both role clarity and operational discipline are highly ranked practices among agile organizations (those in the top quartile of the Agility Index) but not among the least agile ones (the bottom quartile). This is powerful evidence that part of what makes agile companies special is their ability to balance fast action and rapid change, on the one hand, with organizational clarity, stability, and structure, on the other.”

*Why Agility Pays, McKinsey & Company*

“The role of today’s leadership is to remove the speed bumps in the experimenters’ way.”

*Scott Cook, Chairman, Intuit*
Organizational Capabilities

*Develop agile habits across the organization.*

2.3 Cut vertical and horizontal filters

- De-emphasize org charts and emphasize instead competencies and project assignment teams.
- Audit how people spend time in meetings and shift the balance of total time spent from staff meetings to "town-hall" open meetings.
- Make internal employee communities permeable to customers, vendors and other stakeholders.
- Launch internal challenges/competitions where a specific business problem is presented to organizations across the company so that employees can “compete” in suggesting solutions.
- Include “information-sharing” and “speed of communication” as formal measurement areas in employees’ performance management.

2.4 Invest in project management

- Invest in training and development of project execution capabilities that are critical to getting things done at pace.
- Identify and nurture project management talent in the organization.
- Consolidate in a single, empowered team all portfolio management, strategic planning and PMO functions = the Office of Strategy Management.

2.5 Create a future-oriented culture

- Create a distributed, cross-functional team of “future watchers” with the responsibility to educate management and the organization on industry trends.
- Formalize occasions, events and spaces dedicated to sharing innovations and learnings from other industries and successful companies.

“[Companies] must consciously build in extra organizational slack—investing in people, money, and time that don’t go directly to the bottom line, but allow the agile organization to rapidly deploy resources against opportunities that may or may not pay off, without jeopardizing day-to-day operations.”

*The Agility Factor*

Management of initiatives that result in sustained organizational change:

<table>
<thead>
<tr>
<th>Project Management Office (PMO)</th>
<th>56%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardized PM practices</td>
<td>27%</td>
</tr>
</tbody>
</table>

- Highly effective
- Minimally effective

*Source: PMI*
3 Systems and Tools

Enable people with the right agile toolbox.

A strong, yet flexible strategic foundation is in place. The organization has established practices and models that strengthen its agile tendencies. Leaders must now turn their attention to the mechanics of collaboration. They need to look at the tools and systems that empower people to do their best work, surface relevant knowledge, filter out the noise and collaborate effectively.

3.1 Use data as a platform

- Invest in real-time project data and business performance data integration across functions, organizations and levels of the company.
- Shift investment from BI-type reporting software tools to analytics and real-time dashboards whenever possible.
- Establish policies that encourage open data stores and pervasive data-sharing across the company.

3.2 Orchestrate agile collaboration

- Take pains to ensure that your selection of tool(s) can fit the broadest collaboration needs, so that the CEO as well as the most junior of interns use the same collaboration solution.
- Implement near real-time unstructured collaboration features (i.e. group chat) as well as contextually relevant asynchronous collaboration features.
- Implement a fully integrated, fast and reliable cloud document and file sharing solution.
- Leverage persona-based software that easily adapt to different roles, masking unnecessary or distracting data.
- Capture repeatable project execution steps, business processes and documentation in dynamic templates and project kits.

“The best IT architectures create tight standards for data that rely on one system that houses all approved data, a single source of truth.”

McKinsey & Company

Strategic Initiatives: The Agility Blueprint | contact@one2team.com | www.one2team.com/demo
3.3 Switch to decision-oriented PM tools

- Implement a single cloud-based project and portfolio management tool.
- Automate project data updates as much as possible by integrating task execution and management features in a single tool.
- Forget traditional charts or resource allocation planning. You can’t be agile working on Excel files. Equip your teams with tools that remove tasks that add no or little value such as reporting or consolidating spreadsheets.
- Implement visual management tools to provide access to relevant information without having to search for it or rework the underlying data.

3.4 Select future-proof solutions

- Partner with software vendors and solutions integrators that can follow you and that have a track record of innovation and future-orientation.
- Select tools that can grow and expand in scope and features with new requirements and that can be deployed in days, customized in hours and adopted in minutes.
- Select solutions that allow for rapid customization and extensive flexibility to create customer-specific solutions that map to your organization’s processes as they change over time.
One2Team
Agile Collaboration Software
Managing Initiatives
Too many strategic initiatives fail. Let's do better.

Executives invest a lot of resources into defining what strategies and innovations will allow their companies to grow. One2Team is the collaboration solution designed to help company decision makers increase their collective ability to execute cross-functional strategic initiatives, transformation plans and digitalization programs.

Taming Complexity
Complex challenges require smart solutions.

New competitors, technological obsolescence, regulatory compliance, faster market cycles are forcing companies to engage on more fronts, run more projects and juggle more demand for their financial resources and people. One2Team helps management teams maintain visibility and control the organization’s performance.

Agile Collaboration
Collaborative superpowers for today’s work.

Organizations that use One2Team increase their capacity to deliver more projects at a faster rate and make employees daily jobs easier. They hold less meetings, send fewer emails and reduce time wasted on reporting. Managers react quickly to changing circumstances and stay in control while empowering their people to move fast.
One2Team allowed us to achieve real-time visibility of the gap between the results achieved on the field and our targets by region, by country, etc. We have achieved our goals because this near-instantaneous data analysis increased our ability to find solutions.”

Christophe Koenig, Head of Strategic Operations Projects, Renault Consulting
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