Creating Competitive Advantage with Strategic Execution Capability

By embracing the Strategic Execution Framework, organizations can identify and resolve internal stress points that could cause major transformation initiatives to fail.

Executive Summary

Businesses face the challenge of increasingly commoditized business strategies and compressed cycle times to define and successfully implement strategy. As a result, effective strategic execution is increasingly becoming a critical differentiator for competitive advantage, and failure is becoming potentially catastrophic.

A recent survey by the Project Management Institute reveals that businesses with low project execution capabilities are at risk of wasting 14 times more money on projects than high performers. Put another way, for every $100 million of project investment, $28 million is at risk of being wasted (vs. $2 million for high performers).¹

Bearing in mind that effective strategic execution requires strong program execution capability, which is dependent upon project execution success, the failure rate at the lowest level of these three layers should raise concern for any business tackling complex change.

This paper describes one approach – the Strategic Execution Framework® – for addressing the complex components of a business in a holistic manner, with the goal of identifying and resolving problems to deliver effective strategic execution.

A Situational Analysis

Over the next decade, businesses will need to increasingly shift their focus from strategy definition (“thinking”) to strategic execution (“doing”). Simply defining a strategy is increasingly a commoditized activity, while the latter is growing ever more complex, time-constrained and critical to success.

This shift, in our view, will dramatically increase the failure rate of strategy execution, as critical linkages in the internal and external business environment become ever more stressed through a combination of three drivers:

- The increased complexity of delivering strategy in today’s interconnected world.
- The magnitude of transformative changes needed to compete effectively.
- The increased pressure to deliver a faster cadence of expected outcomes.

In this environment, the most successful businesses over the next decade will be those that can execute strategy better than their competitors by ensuring alignment with strategy creation without overstressing their organizations.
Given this, how can your organization become one of the next decade’s leaders, while also taking into account its unique nature?

The Strategic Execution Framework (SEF) is one model that attempts to address the strategic execution challenge through a holistic view of the complex inter-relationships of six key capabilities (known collectively as INVEST). When these capabilities all work well together, they drive effective strategy definition and delivery (see Figure 1) to create competitive advantage.

What INVEST Means

The SEF is a model that helps align strategy creation (thinking) with strategic execution (doing) by considering six important capabilities, all of which must be aligned and able to function as one to deliver strategy effectively. INVEST is defined as follows.

- **Ideation:** What is the fundamental rationale for the business, described in terms of purpose, identity and long-range intention?
- **Nature:** What are the unique characteristics of the organization in terms of culture and structure?
- **Vision:** What are the key measures for the business in terms of goals and metrics?
- **Engagement:** What is the strategy, in terms of a portfolio of business initiatives to translate the vision into reality?
- **Synthesis:** How is the portfolio structured in terms of programs that, in turn, comprise projects?
- **Transition:** How can we transition “change the business” projects into “run the business” operations?

How SEF Advances Strategic Delivery

So how can an organization use the SEF to increase the probability of strategic execution success?

We have developed a diagnostic that rapidly assesses how strong a business is in each of the six INVEST capabilities.
the INVEST capabilities and rates it against an absolute score. This diagnostic can be run as an online self-assessment or through interviews and workshops.

Once the initial diagnostic is complete, the INVEST capabilities (and, more importantly, the “linkages” between them) can be assessed in more detail to identify pragmatic improvement efforts that enable the system to function as a whole. These improvements are typically aimed at supporting current “in-flight” initiatives to reduce the risk of failure.

A critical element at this stage is objectively prioritizing efforts into a balanced portfolio to deliver clear objectives, which is a challenge for many organizations. One example is a global conglomerate based in Germany that reviewed a $400 million portfolio of business initiatives and identified a potential $80 million in cost savings through a process called “RED” (redirecting, ending or deferring initiatives). Unfortunately, because the company could not bring itself to abandon in-flight initiatives that were failing (and in some cases had already failed), it realized only $25 million in savings. More importantly, the full realization of the RED effort would have released substantial organizational capability tied up in failing initiatives. These resources could then have been applied toward accelerating key strategic initiatives (such as new product launches), representing a lost revenue opportunity that added up to many times the value of the cost savings.

In addition, some progressive businesses are starting to use the SEF to identify longer-term capability improvements to ensure that future execution programs can be delivered more effectively. For example, one large U.S. retailer identified the need to develop a strategic program management capability within three years. With this capability, the business would be able to support an increasing number of complex programs that it would never be able to deliver with its current level of “synthesis” capability, despite having strong project skills. The retailer is now investigating portfolio and program management as a service (PMaaS) to provide accelerated competency development and a global capability to deliver such capabilities via a third-party partner.

**Typical Weaknesses Identified by the SEF Review**

Based on numerous reviews we have conducted, key weaknesses are evident in many businesses:

- A lack of understanding of the inter-relationships among different SEF elements.
- One or more sub-par INVEST capabilities.
- Poor “synthesis” (moving from thinking to doing).
- Poor transition from “changing the business” to “running the business.”
- Insufficient momentum to overcome organizational inertia.
- Alignment systems that do not support the strategy.
- Poorly defined or unbalanced metrics and measures.
- Poor prioritization.
- Unstoppable momentum, or the inability to cancel or redirect in-flight activities that will not deliver.
- Inadequate sponsorship to drive change and remove roadblocks for mission-critical initiatives.

**Operationalizing SEF Thinking**

Given these issues, we have identified 10 critical success factors to effectively deliver strategy in a way that considers the complexities of the 21st century world:

- **Understand your unique capabilities** and relative strengths and weaknesses to ensure the business is not overstretched.
- **Develop programs** to up-skill core capabilities before addressing complex change.
- **Develop partnerships** to provide noncore capabilities where rapid progress is needed.
- **Define a balanced scorecard** of goals and measures comprising both leading and lagging metrics focused on business outcomes.
• Ensure alignment at the highest level before initiating major change and continuously focus on cascading this alignment throughout the organization.

• Take sponsorship of key initiatives seriously, with an understanding of the elements required and assurance that the right combination of leaders are engaged.

• Spend more time, money and effort than anticipated building momentum to overcome organizational inertia through extensive planning, alignment and rapid-start mobilization activities.

• Think integration rather than division of initiatives to identify duplication, white space and acceleration opportunities.

• Drive toward parallel realignment of processes, systems, people and organization through aligned design principles and goals.

• Understand that changing the hearts and minds of staff to overcome inertia is the hardest element and always requires more time and effort than planned.

**Envisioned Benefits**

While the SEF is not a panacea for all of these highly complex issues, it does provide a starting point for a holistic view of key obstacles that hinder effective strategic execution. SEF identifies the six core INVEST capabilities and emphasizes the critical linkages and connections within a business that collectively both define and constrain an organization.

With the SEF as a foundation, organizations can assess their unique nature to identify areas of concern when embarking on a transformational journey. With the emphasis on maximizing alignment across all the different elements of the SEF, an organization can understand where disconnects or disparities exist. Indeed, these may be so severe that failure to address them will cause fractures in the business – ultimately leading to either transformation initiative failure or, possibly, disrupted business operations.

**Looking Forward**

Businesses that see strategic execution capability as a corporate asset are already starting to distance themselves from competitors. Today, these organizations are successfully delivering multi-billion dollar benefits through highly complex initiatives, such as post-merger integration or transformation – sometimes simultaneously.

These organizations have taken the time to understand their unique nature and initiated corporate-wide initiatives to bolster their critical weaknesses in light of their strategy. In the next decade, we expect to see these organizations increase their competitive advantage as their strategic execution capability continues to mature.

**Footnotes**


2 The SEF was developed jointly by IPS and the Stanford Center for Professional Development (SCPD) and is a key feature of the Stanford Advanced Project Management (SAPM) program curriculum. The SEF model – with its “INVEST” acronym – is also featured prominently in the book *Executing Your Strategy: How to Break It Down and Get It Done*, published by Harvard Business School Press.

3 Cognizant is building a global database to enable relative benchmarking of an organization to be conducted in confidence vs. key pools by vertical or geography.

4 PMaaS provides tailored services of project, program and portfolio management to businesses to supplement or upskill in-house skills to meet the needs of complex business initiative delivery.
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Jon Hughes is a Vice President and Head of Program Management Consulting Americas for Cognizant Business Consulting. He has more than 30 years’ experience leading multi-disciplinary strategy execution programs focused on delivering tangible business results across a wide range of industries. He has led a number of post-merger integration, separation and complex transformational programs that encompassed disruptive change across people, process and technology. Prior to joining Cognizant, Jon spent time as a partner, program management practice head and business transformation practice head at various global management consulting firms. Over the past two decades, he has developed and refined the design and delivery approaches for numerous global consulting organizations. His Crucible™ large-scale program mobilization approach has been used for initiating multiple mission-critical programs in the U.S. and Europe. Jon holds a Combined Honors Degree in Computing and Physics from Aston University (UK) and an M.B.A. specializing in Strategy from Aston Business School (UK). He initiated his D.B.A. in Post Merger Integration in the UK before moving to the U.S. in 2004. He can be reached at Jon.Hughes@cognizant.com | LinkedIn: https://www.linkedin.com/in/jonhughes.