

# I Strategy and Execution: A Continual Process | By Mark L. Frigo

In many organizations, strategy is treated as an event rather than as a continuous process. Yet the most successful and effective organizations in the world have a process of strategy and execution that is seamless and continual. This is true of companies with superior performance that I've

studied in the Return Driven Strategy Initiative. And it's true of companies that successfully use the balanced scorecard and strategy maps to enable management teams to describe and refine strategy.

So why do so many organizations continue to treat strategy as a discrete event? And, more importantly, how can they break out of this dilemma and make the leap to create processes where strategy is continual?

## The Symptoms

Consider some of the following symptoms. A common situation today finds management focused exclusively on budgets and operating plans, which are often flawed and may not be aligned with strategy. The problem: Management doesn't have a framework for describing and executing strategy and translating this strategy into the budgets and operating plans.

In another common situation, management doesn't conduct regular reviews of its strategy. Robert S. Kaplan and David P. Norton, in their book *The Strategy-Focused Organization*, indicate that 85% of management teams

spend less than one hour per month discussing strategy. Not only that, but strategy is often relegated to infrequent

retreats. In these situations, there's a serious risk that the strategy won't be aligned with significant forces of change. Many organizations use a three-year strategic planning cycle, but forces of change and assumptions in the strategic plan aren't static. As a result, strategy and strategic plans may be seriously flawed, as will execution. In these organizations, management focuses on tactics driven by budgets and the operating plan and by the latest strategic initiative du jour or emergency.

Two complementary approaches can help organizations in these situations: strategy and execution reviews and strategy maps.

## Strategy and Execution Reviews

Strategy and execution reviews are ongoing reviews of strategic plans, planning processes, and execution plans that are deeply rooted in the tenets and foundations of Return Driven Strategy. Return Driven Strategy (see the February 2002 column, Frigo and Litman, "What Is Return



Driven Strategy?") provides a set of guidelines for continually assessing and refining the strategy of an organization. These reviews can keep strategy and its execution on track.

Many organizations will develop strategic plans and then rush to execution, thinking they are "done" with strategic planning. What is needed in this situation is an ongoing review and assessment of strategic plans in light of what has been accomplished, how and how well it has been accomplished, and, most important, what significant forces of change or assumptions in the original strategic plan need to be reconsidered. Making the strategy a continual process will help management to continuously refine the strategic plan and its execution. A powerful ancillary benefit of this approach is the constant building of strategic and execution skills and strategic thinking throughout the organization.

Organizations also end up rushing to execution before their overall strategy is fully developed, tested, or understood in terms of how it will generate cash flows and return on investment. Here, the risk is in implementing a strategy that may be inherently flawed. Strategy and execution reviews can help management teams review the planning process, the strategic plans, and the execution processes, coaching management teams and proposing execution pathways, including balanced scorecard metrics and strategy maps.

## Strategy Maps

Strategy maps provide one of the best opportunities for organizations to understand, communicate, and refine their strategy. They (see the Kaplan and Norton article, "Strategy Maps," in the March issue) can help management make the connection

between strategic objectives, strategy, and performance measures. (Strategic objectives are word statements of what the strategy must achieve and what's critical to its success.) In balanced scorecard strategy maps, the customer value proposition will drive the internal process initiatives. How well aligned is the customer value proposition in your strategy maps to the customer needs in the targeted market segments (the goal tenets of Return Driven Strategy)? If this question isn't fully addressed, the organization may be executing on a flawed strategy. Strategy maps can provide the strategic momentum needed for making strategy a continual process. But what also is needed is strategy guidelines for reviewing and evaluating strategy.

Now, let's consider three case vignettes.

### Case 1: The Three-Year Strategic Plan

This organization used a three-year strategic planning cycle and developed its most recent three-year strategic plan in 2003. Its management team used the tenets and foundations of Return Driven Strategy to develop the strategy and strategic plan. By the end of the year, the CEO commented that the company was doing very well and had more than achieved its targets. He said the management team regularly reviewed the strategic plan and checked off what was done. What's the next step for this organization? It needs a process for continually refining the strategic plan and its execution. Although year-one targets have been achieved, the strategic plan is probably becoming flawed. What's needed is a strategy and execution review that will reenergize the planning process and use of strategy maps and the right balanced scorecard metrics.

### Case 2: The New Strategy

This company held a dominant position in various industry segments but was facing serious competitive pressures, so it needed to develop a new strategy. Its CEO charged the management teams to develop a new strategy and strategic plan. The company had previously implemented a Six Sigma program company-wide that wasn't achieving intended results. Its management teams used the Return Driven Strategy framework to develop its strategic plan and prioritize the strategic business options. This provided a disciplined approach and strategic way of thinking for prioritizing strategic options and for evaluating which strategic options were best for the company. Strategic options teams used the goal tenets of Return Driven Strategy and incorporated deep segments-needs analysis to "boil down the ocean" in terms of strategic initiatives. The strategic plan was developed quickly, and management rushed to develop the performance measures and targets for execution.

What's the next step for this organization? First, strategy and execution reviews, which would be deeply grounded in the tenets and foundations of Return Driven Strategy, can help these management teams review the planning process, the strategic plans, and execution processes. Strategy maps will help this organization describe its strategy and develop the right performance measures for execution.

### Case 3: The Strategy-Focused Board

This large nonprofit organization undertook a balanced scorecard initiative and used Mission Driven Strategy (see the August 2003 column, Frigo, "What Is Mission Driven Strategy?") as its strategic planning

platform. The strategic plan and balanced scorecard were developed by the board of directors and staff during a one-year period. Balanced scorecard strategy maps were being used at the board level and at the staff level. The linkages between the tenets of Mission Driven Strategy and performance measures were made clear using strategy maps. When strategy and execution reviews were mentioned as the next steps, this strategy-focused board enthusiastically embraced the idea. This is an example of a board and management committed to the tenet of making strategy and execution a continual process. This commitment was based on the strategic skills developed by using strategy maps along with the right strategy guidelines.

### Choosing the Right Path

Every organization is looking for ways to improve its strategy and execution. Many have embarked on execution initiatives or have attempted to adapt strategic activities of “great” companies. Making strategy and its execution a continual and seamless process is one of the key principles to keeping your organization on the right path. Consider how strategy and execution reviews and strategy maps can help. ■

*Mark L. Frigo, Ph.D., CPA, CMA, is director of the Center for Strategy, Execution and Valuation and Eichenbaum Foundation Distinguished Professor of Strategy and Leadership in the Kellstadt Graduate School of Business at DePaul University. He is also a leading expert in strategy design and execution, including balanced scorecard initiatives. You can reach Mark at [mfrigo@depaul.edu](mailto:mfrigo@depaul.edu).*