Translate strategy into successful action
Introduction

- Managing Organizations means steering the process of value creation across organizational units, functions and cultures. It is a major challenge to align the strategic value creation with profitability objectives and complex day-to-day business operations.

- Recent surveys show that although organizations invested considerable efforts in the top-level strategic direction they experience a gap when it comes down to operational levels.

- Organizations today frequently lack an effective mechanism to translate strategy into action.

- Often, management methods, processes and information systems do not reflect the strategic direction. Additionally there may be a lack of organizational alignment to the strategy.

- Successful organizations have realized that strategy management does not stop below board level; these organizations use flexible Performance Management Methods and Platforms to facilitate management across strategic and operational levels.

- Today SPM does not only mean planning and monitoring the strategic, financial or operational success. SPM enables the realization of full strategy value.

- The basic SPM principles are valid for all types of organizations no matter if shareholder-focused or non-profit-oriented.
IBM adds Value

- IBM Strategic Performance Management supports organizations, helping them to focus on their strategic direction and to improve strategy execution

- IBM SPM provides services from strategy review and formulation through performance management system design, strategy execution support, implementation of management processes and MIS and change management

- IBM SPM uses a proven modular toolset and project approach to focus on clients issues and provides a fast project ROI

- IBM SPM teams uniquely combine all required hard and soft skills to drive successful projects

- IBM SPM has a global reference base and is the leading supplier of Strategic Performance Management Services.

The first step to realize Strategic Performance Management

**IBM Strategic Performance Management**
- Balance Scorecard Concept
  - Strategic directions
  - Strategic model & objectives
  - Measurements & KPIs & Responsibilities

**Business Strategy**
- Vision, Mission
- Strategy review & evaluation

**Shareholder Value Concept**
- Shareholder Requirements

**Value Realization**

**Data Mgmt. Data Logic**

**BSC-Tool Implementation**

**Strategic initiative development**
- The achievement of strategic objectives by supporting projects will be evaluated

**Portfolio management**
- Actual and new projects will be continuously evaluated and prioritized
- Capex Optimization

**Program management**
- Program Management will control the implementation
Managing strategy and value creation is a major challenge for organizations. Often, targets and responsibilities are not clearly set and communicated, and processes and information systems do not reflect the strategic focus.

Effective strategy execution calls for a framework of closely aligned strategic and operational management processes, assigned responsibilities and efficient information systems.

**Best Practice Approach**

**Organizational challenges**

- Board members express concern with their organizations’ ability to translate strategy into action.
- Today many organizations lack an effective mechanism to translate strategy into action.
- Making the connection between strategy development and execution is absolutely vital.
- Investors focus on the ability to effectively execute strategy even beyond the quality of the strategy itself.
- Executives concede that the potential of strategic plans continues to erode as a result of an inability to remove barriers to execution.
- Disappointing consequence: Strategies typically realize only 63% of their potential value to organizations.
- Institutional barriers related to misaligned performance management systems, inflexible resource allocation and unengaged employees erode progress.

**Successful companies**

- Translate company’s mission statement into clearly defined strategic objectives.
- Align performance management systems to strategy goals.
- Align organization around strategy and cascade goals down the line.
- Develop a strategy implementation roadmap.
- Allocate resources to strategic projects when required.
- Make use of a balanced scorecard concept to implement and measure strategies.
- Try to identify strategic improvement potentials within their business units and functions.
- Measure the degree of strategy execution and project success.
- Build support for change across the organization.
- Link strategic success to personal bonuses.

**Best practice approach: Strategic Performance Management**

From a Controlling approach …

… to a Strategic Performance Management model ...

… for short-term controlling and financial steering

… for long-term strategy and action
Main Tools and Techniques – Overview –

A Strategic performance management review guide

- Assessment of the organization’s position in terms of strategic performance management effectiveness and efficiency
- Benchmarking of customer status against industry and cross-industry best practice
- Limited effort required for assessment and draft action plans during initial phases
- Identification of high-priority challenges

B Integrated M-I-S project approach

The SPM team has developed a modular strategic performance management approach (M – I – S) accompanied by active program- and change management.

Management responsibilities
Definition and cascading of corporate objectives and key performance indicators

Information requirements
Transparent cost / revenue structures and clearly defined management and information processes

System integration
Strategy-aligned, company-wide integrated planning- and reporting platforms
Strategy Formulation and Review

Your needs

• Current strategy and strategic positioning has to be assessed and reviewed

• Corporate vision, mission and objectives has to be defined and aligned

• Requirements e.g. for market entry strategies have to be understood

• Industry trends have to be analysed with regard to their impact on strategic options

• Value drivers for selected strategies have to be identified

• Strategy has to be communicated efficiently throughout the organization

Our services

• Assessment of current strategy and strategic positioning

• Development and evaluation of strategic options

• Development of strategic objectives and strategy map

• Alignment of value driver trees based on strategy framework

• Corporate strategy formulation (growth / productivity options)

• Business unit strategy formulation

• Functional strategy formulation

• Strategic investment validation

Case studies: Strategy Formulation and Review

German logistics company

• The client was experiencing increased pressure to internationalize its business

• Foreign market entry was identified as one strategic option

• Cooperating with national experts, SPM analysed the foreign market: Competition, margins, sales potentials, etc. were inspected and a full scope market entry strategy was developed

Swiss railway division infrastructure

• The Swiss rail market has been deregulated, enabling strategic readjustments

• SPM developed the concept, mission and strategies to assist corporate decision-making about competition from private and public rail companies

• In a separate project SPM developed the unique Liberalisation Index currently utilised by the European Union

Pharmaceutical company

• A Swiss R&D division of a global pharmaceutical company engaged SPM in reviewing research strategy

• The reviewed strategy was executed with a research balanced scorecard
Performance Management Framework

Your needs

• The development of a performance management framework, which creates transparency and facilitates the proactive and timely management of changing requirements from the internal and external environment

• The organization’s performance management environment needs to reflect strategic priorities

• Strategic management content and processes need to be aligned with operational management

• Transparency on both strategic and operational levels must be improved

• Performance indicators and incentive systems must be aligned with strategy and individual responsibilities

Our services

• Benchmarking current performance management situation against best-practice models, identify potential shortcomings and define action to plan the new organizational culture

• Development of performance management models (i.e. balanced scorecards)

• Integration of performance management models into management processes

• Development of decision-focused content for reporting tools

• Development of blueprints for PM tool selections and tool implementations

Case study: German Energy and Infrastructure Provider

Situation

• The client needed to significantly improve management processes by aligning strategic directions with operational actions

Action

• Strategy formulation

• Balanced Scorecard development and cascading

• BSC software selection process and vendor analysis

• BSC Business and technical blueprints

• Operational reporting concept and platform selection

• BSC and operational reporting system implementation

• Planning and reporting processes redesigned and aligned

Outcome

• Strategy defined and 10 BSC’s developed

• Future system architecture defined

• Strategic and operational MIS implemented (SAP SEM CPM and SAP BW)

• MIS solution integrated into management processes
Corporate and Business Planning

Your needs

• To reflect real-world market needs in strategy development, instead of theoretical business models

• To plan and manage large organizations, including local subsidiaries around the globe

• To act intelligently in a fast-changing environment

• To identify growth sectors while tightly managing costs and assets

• To prioritise activities and resources according to strategic goals and shareholder’s interests

Case study: German technology company

Situation

• Project objective was the global consolidation of planning data via a single, Internet-based planning and simulation software

Action

• Analysis and definition of planning and simulation requirements

• Implementation of integrated and Internet-based planning and simulation software

• Identification of best practice and policy implications

Outcome

• Implementation of SAP SEM BPS and its integration into existing planning and management processes

• Application for global capturing of planning data and functional simulation of business unit and corporate planning

Our services

• Analysis of strategic and operational planning requirements

• Integration of strategic and operational planning process

• Alignment of planning and management process with organizational structure

• Coordinated and fast iterative process-flow of top-down planning and bottom-up budgeting

• Implementation of integrated planning and simulation software

• Planning business and transformation road maps
Management Information Systems

Your needs

• Alignment of information systems with corporate strategy and information requirements

• Finding and defining the best fit MIS solution

• Movement of legacy and high-cost information systems to future-oriented and flexible platforms

• Reduction in the costs of planning processes

• Improvement of data quality within planning and reporting

Our services

• Assessing the cost optimisation potential within existing IS solutions

• Selection of system processes and vendor assessments

• Reviewing content- and technical issues in existing MIS implementations

• Developing MIS strategy definitions and system prototypes

• Implementing strategic and operational planning and reporting platforms

• Integration of MIS implementations into management processes

Case study: International Luxury Goods Company

Situation

• Uncontrolled growth of current PM processes and systems over the years, with no reflection upon strategic and operational business requirements

• Client had to realign current performance management systems with current and future strategic challenges

Action

• Analysis of client’s PM environment

• Development of strategic priorities action plan and stakeholder buy-in measures

• Top-down definition of strategic objectives and key performance indicators using the balanced scorecard methodology within the “MIS” approach

• Definition of implementation concept and implementation of the redesigned PM framework on the client’s information system platform

Outcome

• A set of globally aligned objectives and measures facilitates effective management within the client’s Marketing, Sales, Logistics and Finance functions

• Decision-relevant information made accessible globally through a cost-efficient Web-based information portal
Our Team

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• Coordination of strategic performance management services.

• IBM BCS-internal experience exchange, leveraging best-practice methods and solutions worldwide.

• IBM BCS strategic performance management centre of excellence is a cross-industry solution hub working internationally.

• SPM actively promotes training and performance management skills development within IBM BCS.