Balanced Scorecard REPORT
INSIGHT, EXPERIENCE & IDEAS FOR EXECUTING STRATEGY

Article Reprint No. B0711B

Initiative Management: Putting Strategy into Action

By Peter LaCasse and Travis Manzione

HARVARD BUSINESS SCHOOL PUBLISHING

BALANCED SCORECARD COLLABORATIVE
A Palladium company

This article is licensed to you, Jose Fernandez of Cinepolis, for your personal use through 03/16/17. Further posting, copying or distribution is not permitted. Copyright 2007 Harvard Business Publishing. All rights reserved.

For a complete list of Harvard Business School Publishing newsletters:
http://newsletters.harvardbusinessonline.org

For reprint and subscription information for *Balanced Scorecard Report*:
Call 800-988-0866 *or* 617-783-7500
http://bsr.harvardbusinessonline.org

For customized and quantity orders of reprints:
Call 617-783-7626 *Fax* 617-783-7658

For permission to copy or republish:
Call 617-783-7587

This article is licensed to you, Jose Fernandez of Cinepolis, for your personal use through 03/16/17. Further posting, copying or distribution is not permitted. Copyright 2007 Harvard Business Publishing. All rights reserved.

Initiative Management: Putting Strategy into Action

By Peter LaCasse, Initiative Management Practice Leader, and Travis Manzione, Senior Consultant, Palladium Group, Inc.

Most organizations, regardless of their size, industry, or degree of complexity, struggle with their strategic initiatives—with identifying, prioritizing, planning, and/or managing them. Although these organizations recognize the vital role initiatives play in advancing their strategic goals, most fail to ensure their initiatives are actually doing so. Each year, they spend millions on the wrong initiatives and waste millions more on unsuccessful ones. The four-part program described here will help bring discipline to your initiative management approach—and help deliver the results you're counting on to achieve strategic success.

It's a simple equation: execute your initiatives successfully, and you'll be executing strategy successfully. Yet, according to the Palladium Group's 2007 Global Survey of Strategy-Focused Organizations (see Reprint #B0711A), 79% of respondents believe their organizations are either "OK" or worse at ensuring that initiatives are well aligned to the strategy. Furthermore, 69% rated their organizations "OK" or worse at holding executives responsible for their initiatives. For organizations striving to compete in today's fiercely competitive global markets, these are dismal statistics.

Before we proceed, let's define "initiative." An initiative is any project or program outside of an organization's day-to-day operational activities that is meant to help the organization achieve its strategy. Initiatives include such things as instituting change, creating a capability, improving performance, and improving a process—for example, restructuring the company's sales process, which might involve retraining sales associates, developing new sales collateral, and remapping sales territories.

Why do so few initiatives achieve the desired results? Among the key reasons we've found:

- ***Initiative overload.*** The organization tries to implement too many initiatives at once and ends up spreading its resources too thin.
- ***Lack of alignment.*** One or more initiatives may not be well aligned to the strategy.
- ***Conflicting initiatives.*** One initiative is at cross-purposes with another.
- ***Inability to prioritize the initiative pool.*** Leaders might not agree on which initiatives should be made top priority, resulting in the adoption of initiatives that are strategically less relevant and therefore garner only lukewarm support.
- ***Insufficient resources.*** The right resources are either not made available or not applied.
- ***Poor project management.*** Initiatives are either mismanaged or not managed through to completion.

Underlying these problems is a deeper problem: the lack of a structured, consistent process and standardized tools to support the initiative investment decision-making process as well as ongoing initiative management.

Successful initiative management requires a consistent process that is integrally tied to the organization's BSC (or other strategic framework)—a process that includes standardized strategic alignment, cost/benefit and risk assessments, project plans, resource allocation determinations, and routine process checks, among other steps. We have helped many organizations establish just such a disciplined approach to initiative management with a rigorous four-part process: *initiative identification, prioritization, planning and approval,* and *ongoing management.* Most organizations that we have assisted have saved at least 20% in costs—and enjoyed significantly higher returns on their initiative investments—by adhering to this management approach.

The Strategic Framework as Organizing Framework

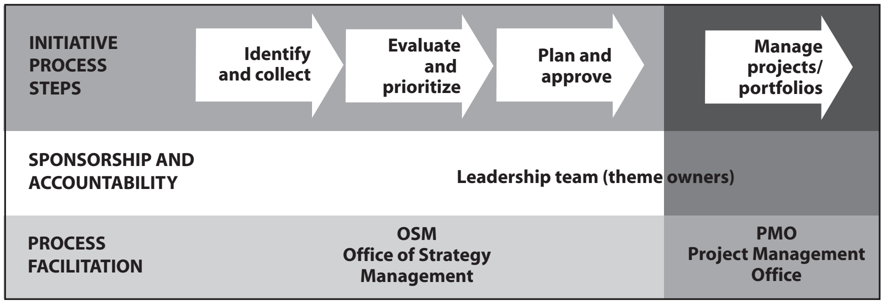
When it comes to initiatives, many organizations overlook a seemingly obvious truth: the best decisions are those made using the most relevant criteria. If the purpose of initiatives is to advance strategy, then the organization must first and foremost ensure any initiative under consideration is aligned with key organizational goals and objectives. Strategic frameworks enable organizations to group initiatives by major goals—individual strategic objectives or a set of related objectives (i.e., a strategic theme) to create a portfolio of strategically related initiatives aligned to each strategic theme in the organization's BSC. By organizing related initiatives into portfolios, an organization can now analyze them in order to:

- Understand how initiative portfolios, individually and in the aggregate, impact the organization's strategic goals.
- Determine the impact of one initiative on another within a given portfolio.

This article is licensed to you, Jose Fernandez of Cinepolis, for your personal use through 03/16/17. Further posting, copying or distribution is not permitted. Copyright 2007 Harvard Business Publishing. All rights reserved.

Copyright © 2007 by Harvard Business School Publishing Corporation. All rights reserved.

Figure 1. Division of Labor for the Four Initiative Management Steps



The OSM supports and facilitates initiative management by providing a consistent, systematic process and tools and templates.

- Stagger initiative returns to meet short- and long-term goals.
- See the total investment made to support each strategic goal and measure the return from that investment.
- Prioritize initiatives within each portfolio and reallocate resources to those with the greatest impact on the strategic goal, deferring those that will have less impact.
- Kill initiatives that don't support the strategy.

Initiative portfolios become, in effect, the organizing framework by which leadership teams can make important investment decisions designed to ensure they successfully execute strategy. Because the Office of Strategy Management (OSM) facilitates cross-functional, cross-business processes, it is a natural "owner" of the initiative management process, ensuring the coordination and execution of initiatives. (See *Figure 1*.)

Using the strategic framework, organizations must establish a consistent initiative management process, from idea gathering to ongoing initiative management and reevaluation. Let's examine the four key elements of the initiative management process.

1. Identify and Collect Ideas

It's hardly surprising that some of the best initiative ideas come from frontline employees. Organizations should therefore do everything possible to be democratic in valuing good ideas, whatever the source. It's essential to create mechanisms that allow the initiative idea pipeline to be fed from employees of all levels. Without such mechanisms, leaders may never get wind of a worthwhile idea—or only get incomplete information about it. Some companies use technology (such as intranet channels) to open—and speed—the flow of ideas from all sources to decision makers. But organizations shouldn't just depend on ideas flowing in; they should establish procedures for managers and leaders to solicit ideas, too. Some wisely provide incentives or rewards to encourage employees to propose good ideas.

To submit an idea, the employee should write a broad-brush description of the initiative, including a list of its objectives, an explanation of how it aligns to the strategy, and a high-level benefit and cost assessment. This does not constitute the formal proposal, but provides management with enough information to prescreen potential ideas. Next, the leadership team (typically, top management and key decision-makers of the enterprise, business unit, or functional area) reviews submissions, with assistance from the OSM, and selects the initiatives they believe deserve sponsorship. The team appoints a sponsor from its ranks to steward each potentially worthwhile initiative idea through each step. Initiatives that do not receive sponsorship should be removed from the pipeline at once. The sponsor's job will be to martial resources behind the initiatives that he or she thinks will have the most positive impact on the organization. Establishing leadership accountability through sponsorship is important for another reason: it discourages people from overstating the value and understating the costs of a potential initiative.

2. Evaluate and Prioritize Ideas

After ideas are identified, collected, and assigned a sponsor, the next step is to evaluate each idea and prioritize the pool of ideas, using an established set of criteria to ensure objectivity. Too many organizations evaluate and prioritize on the wrong basis: the loudest voice on the leadership team, company politics, or even an innocent misunderstanding of the objectives, scope, or resource requirements of the potential initiative. Evaluating an initiative based on any one of these reasons invariably leads to disappointing results, if not outright failure. A fact-based approach makes it easier for leaders to decide what to endorse. Moreover, we've observed that leadership teams are more comfortable supporting initiatives when politics are removed from the decision-making process and decisions are based entirely on objective information. This comfort level is critical, since initiatives commonly require coordination and collaboration across functional or divisional lines, which only those with any organizational authority can guarantee.

Organizations should put in place a few important tools to enable employees to submit idea proposals that contain the information

This article is licensed to you, Jose Fernandez of Cinepolis, for your personal use through 03/16/17. Further posting, copying or distribution is not permitted. Copyright 2007 Harvard Business Publishing. All rights reserved.

necessary for evaluating and prioritizing them fairly. Such tools ensure the application of consistent, standardized criteria. An initiative proposal template, for example, would typically require a description of the initiative, the strategic objective or theme it supports (that is, alignment to the strategy), its purpose (expected results and benefits), a list of resource requirements, and anticipated costs. For example, a manager within a division might work with the leadership team sponsor, the OSM, and other subject matter experts to put together a high-level business case for the initiative that contains a rough estimate covering these factors.

The leadership team should then use an initiative evaluation and ranking "filter." (See *Figure 2*.) Each filter contains a set of standard criteria with which to rank each initiative. The evaluation criteria, detailed in the initiative proposal, often include strategic fit, financial and strategic return, resource demands, and risks. Figure 2 uses a 1, 3, and 9 ranking scale (based on the Six Sigma rating scale approach), where "1" represents high risk/cost or low strategic fit/return, "3" represents medium risk/cost or fit/return, and "9" represents low risk/cost or high strategic fit/return. The risk and cost scores are added together; the higher the number, the better the ranking. Clearly, criteria should be customized to fit both the organization's strategy and its priorities. For example, a less mature organization focused on growth and increasing market share may give greater weight to an initiative's benefits and a lower weight to its risks than a more mature organization that is looking to standardize and optimize its processes.

The prioritization process calls for a team of people to not only help develop and review initiative proposals but also to run the initiatives through the initiative filter. This team should consist of centralized staff (ideally in the OSM) with expertise in proposal writing and the newly developed initiative management process. The team checks the ranking calculations and presents the initiative rankings of each portfolio to the leadership team, which then discusses each candidate and finalizes the prioritization list. Next, the leadership team works to build a priority list, using facilitation techniques to build consensus, vote, and, if necessary, mediate disagreement. Once the prioritization phase is completed, initiative managers are identified by the leadership team and notified so they can begin planning. Initiatives that don't receive priority ranking—those deemed too risky, too resource-intensive, or not as fruitful as originally forecast—should flow back to the initiative pool for possible future reconsideration.

3. Plan and Approve Implementation

Once an initiative has received priority ranking, its implementation must be planned. Planning helps organizations better manage their critical resources during any given time period. The initiative plan should define the purpose of the initiative and demonstrate its alignment to strategic and operational objectives. The plan should also define what resources will be needed, and how and from where they will be allocated; outline project management, stipulating personnel, milestones,

Figure 2. Sample Initiative Evaluation and Ranking Filter

	CRITERION 1	CRITERION 2		CRITERION 3
	50%	**30%**		**20%**
	Strategic fit and benefit	***Resource demands***		***Risks***
		FTEs and duration	**Cost**	
	• Screen for strategic relevance • Map to objectives and determine impact • Determine strategic benefit	• Number of people/amount of resources • Duration of project	• Investment • SG&A	• Project risk (changes, complexity, implementation, or operational problems) • Budget • Staff and skills
Key to scoring	1 – Not well aligned to the strategy; little strategic benefit 3 – Aligned to the strategy; modest strategic benefit 9 – Aligned to the strategy; major strategic benefit	1 – Requires many valuable resources to implement and sustain 3 – Requires some resources to implement and sustain 9 – Requires few resources to implement and sustain		1 – High risk 3 – Medium risk 9 – Low risk

Each of the three criteria is weighted and then ranked on a 1, 3, 9 scale. The ranking is multiplied by the weighting for each criterion. All sums are added together for a total score. The higher the score, the more promising the initiative.

This article is licensed to you, Jose Fernandez of Cinepolis, for your personal use through 03/16/17. Further posting, copying or distribution is not permitted. Copyright 2007 Harvard Business Publishing. All rights reserved.

and deliverables; assess the cost/benefit tradeoff; identify risks; and establish a start date. Initiative plans naturally vary in detail, depending on the scope and complexity of the initiative.

The initiative sponsor and leadership team members should review the initiative plan to ensure all questions are addressed. If the plan is insufficient, demonstrates a less-than-expected value or greater-than-projected cost, or does not adequately address implementation risk, it may not be approved by the leadership team. For approved initiatives, resources are allocated and the initiative enters the project and portfolio management phase. The OSM plays an important role in this stage: facilitating the leadership team's planning of each initiative portfolio to ensure that the appropriate resources are available and that support functions are not swamped with resource requests, and in general, to help determine that the purported benefits do in fact align with organizational goals. The OSM also should track which critical resources are available for new initiatives and help the leadership team identify areas of resource constraint. This can be done formally through time-tracking processes, or informally through quarterly resource-availability assessments. This may lead to a reallocation of resources among initiatives or a schedule change.

To ensure robust initiative planning capabilities (and to facilitate planning for large, complex initiatives), organizations should create planning templates and invest in and dedicate the necessary resources, such as project management software, project management best practices, scenario planning tools, and finance and project management experts. The OSM should organize this planning effort to ensure consistency across initiative plans and coordinate interdependent initiatives.

Once initiative plans have been reviewed and approved by the leadership team, start dates are communicated to the initiative managers and the required resources are released. The initiatives are added to the relevant portfolio for ongoing review and management by the sponsor, leadership team, and OSM. Plans should also be reviewed after the initiative is completed so the organization can identify performance deviations and planning miscalculations, advance organizational learning, maintain sponsor and initiative manager accountability, and generally improve the initiative planning process.

4. Institute Project Management and Portfolio Management Practices

Implementing standard project and portfolio management practices is critical for successfully managing initiatives, particularly given the many moving parts that must be coordinated and overseen. It's also important because of the long time frames required to complete many initiatives—projects frequently span multiple quarters or even years. Without these practices in place, organizations run the risk of not keeping initiatives in step with changing organizational goals and needs. The end result: initiatives that don't produce the intended results, or that simply wither away as they run into problems or are neglected. Such wasted resources are not only a drain on other initiatives, but they may undermine the strategy itself.

Project management ensures that an initiative is actively managed throughout its life cycle. It also enables leaders to apply their problem-solving skills and resources to get the most out of every initiative. With regular reviews, companies can be sure that each initiative is hitting its milestones, that its costs and benefits are tracked, and that problems are addressed in a timely way. Major initiatives should be reviewed by the sponsor and leadership team once a month; less complex initiatives can be reviewed quarterly.

Portfolio management focuses on maintaining the most strategically valuable set of initiatives within each portfolio. As strategic and operational goals evolve, an organization's leadership can make sure that they are implementing the right initiatives to achieve these goals. During the initial review (or "rationalization") of each portfolio, this can mean canceling up to 20% of existing initiatives because they are strategically off the mark. Through the portfolio management process, leadership teams ensure their portfolios are able to support the achievement of both short- and long-term goals and that they maintain a healthy risk/return balance. Portfolio reviews should be conducted quarterly or semiannually, and adjustments made for changing conditions such as market shifts, competitors' actions, or updated organizational goals. Once decisions are made to reallocate resources or change the initiatives within a portfolio, the leadership team must be sure to communicate these decisions to initiative managers and to pull resources from the canceled initiatives. Strange as it may seem, many organizations fail to carry out these last steps.

Together, project and portfolio management help to keep individual initiatives on schedule, on budget, and faithful to their purpose, while maximizing each portfolio's return on investment. Since these two types of management involve specific capabilities,

This article is licensed to you, Jose Fernandez of Cinepolis, for your personal use through 03/16/17. Further posting, copying or distribution is not permitted. Copyright 2007 Harvard Business Publishing. All rights reserved.

many organizations assign them to their Project Management Office (PMO) and OSM.

With Discipline, Results

A disciplined, systematic initiative management program can provide the right information, tools, leadership participation, and accountability organizations need to optimize their decisions and ensure that initiatives deliver their promised value. ■

TO LEARN MORE

See "Charting New Horizons with Initiative Management," by Terry S. Brown and Matthew R. Gill, BSR *September–October 2006 (Reprint #B0609D).*

This article is licensed to you, Jose Fernandez of Cinepolis, for your personal use through 03/16/17. Further posting, copying or distribution is not permitted. Copyright 2007 Harvard Business Publishing. All rights reserved.