From Strategy to Execution

By Stefan Stötter

"How Basic Tools Help to Define and Develop a Long-Term Strategy"

The main objective of any healthy business in a free market economy is to establish itself securely in the marketplace and gain a competitive edge over its peers. To ensure that the success achieved is sustainable, organizations need to define a strategy or "guidebook" by which to achieve their corporate goals. Without a clear but sophisticated course of action and attainable targets to aim for, businesses and their staff will fight a losing battle to uphold motivation and efficient working practices.

However, it is not easy to define the right long-term strategy when many of the developments and trends on which companies rely are unpredictable and subject to constant change. To position a corporate strategy on a sound foundation, uncertain factors must be replaced with a basis which allows us to reliably assess and forecast the future right now.

Placing a strategy on a firm footing is only the first step. Even the best guidelines need to be regularly reviewed and updated and this monitoring process should be anchored as firmly in the corporation as the strategy itself. Optimum strategy-finding therefore incorporates both the targets and the measures for achieving these, plus the day-to-day procedures for keeping the strategy alive and kicking.

Tefen follows this approach when overhauling the strategy finding processes at its customer companies. In one case, our mission was to totally

realign a German company to the challenges of the future within only 5 months. In brief, the job comprised creation of a regulatory system for identifying and anchoring a corporate strategy which clearly and simply linked all relevant process steps at the company with one another.

The original situation involved definition of the corporate strategy by the executive management, according to their personal assessments and opinions. Our project aimed to include all companies within this corporate group in the definition of a long-term strategy which could be universally applied throughout the group. We wanted staff to be able to recognize the strategy as an evolving "organism" which requires ongoing development and regular revision. The strategy itself should cascade uniformly down all areas of the corporate group, allowing staff to make personal contributions to what is a measurable, traceable and structured process, anchored in their daily lives and in the financial plans of the corporation.

To achieve this desired result, we applied three key tools: megatrends, a strategy map and a strategy clock.

These tools help us to ensure that the relevant data and information is collected, the optimum

targets defined, operative measures for their achievement are specified and that this entire process is documented and imbedded into the existing (planning) processes for that company.

Step 1: "megatrends"

Megatrends are the drivers with the most profound influence on the corporate players in our society. These drivers have a significant effect on all future developments, including the markets. Expected to materialize with high probability, megatrends and their effects are mostly of a reliably long-term nature. It is therefore easy to use these megatrends as a basis for firm planning. We replace uncertainty with certainty and set our sights not on guesswork but on topics which we already know will come to pass.

The first step in our strategy-finding process is therefore to question existing targets and, through examination of megatrends, to identify relevant influences for the corporation and the consequences of specific targets. Now is the time to ask whether the company has adequately taken into account the effects of certain trends or to find out which measures would be necessary in order to profit from trends in the future.

By examining eight different trend groups, ranging from social to technological, we can cover a
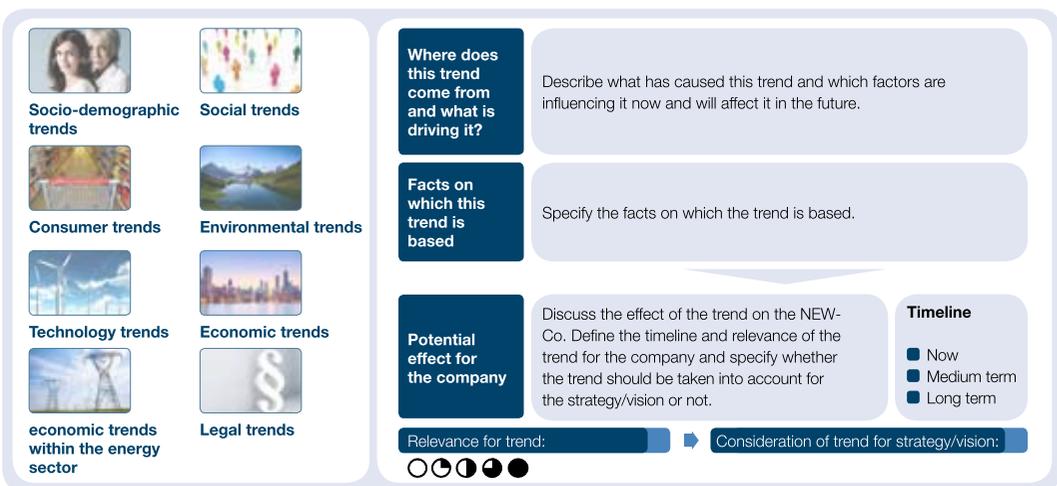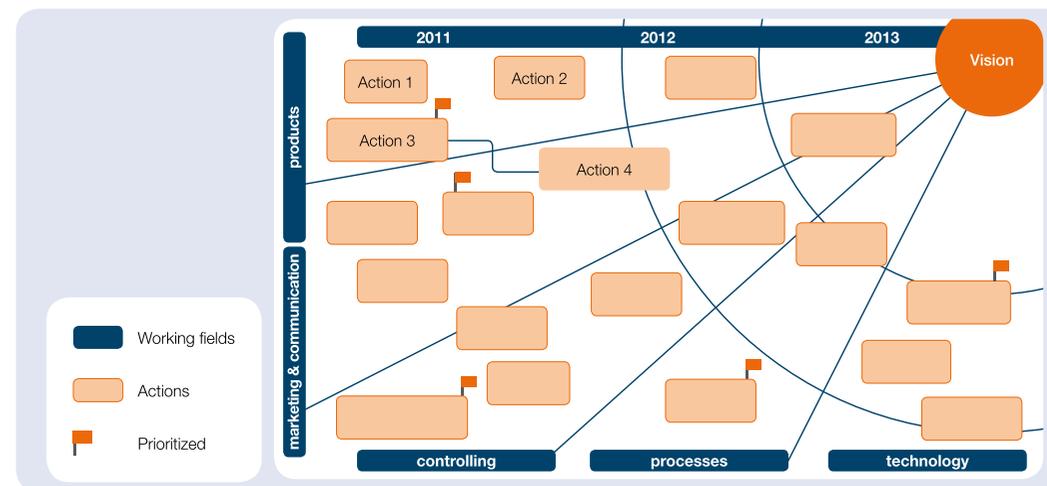
wide scope of topics. The megatrends from each of the eight areas are analyzed in detail. The main focus lies on identifying the effects of each trend for the company and any developments which already substantiate these.

Together with the customer, we discuss the extent to which trend influences will affect the corporation's business model and the degree to which it can and should react to these influences. By breaking down the influences, we highlight the individual corporate levels, including products, marketing, communication etc. and then examine the existing target to find out where change is required. This assessment of trends and their effects enables initial priorities to be set: the results flow directly into the corporate strategy. The next step is then to formulate individual activities and measures which can be used to achieve the strategic targets.

Step 2: translating strategy into specific measures

The challenge is now to "translate" the influences and topics from the megatrend results into operative measures which will serve the corporation, member companies and their units for the coming years. These activities should enable the corporate players to either achieve the set targets or to make substantial steps towards this achievement.

Megatrends chart

Socio-demographic trends	Social trends
Consumer trends	Environmental trends
Technology trends	Economic trends
economic trends within the energy sector	Legal trends

Where does this trend come from and what is driving it?
Describe what has caused this trend and which factors are influencing it now and will affect it in the future.

Facts on which this trend is based
Specify the facts on which the trend is based.

Potential effect for the company
Discuss the effect of the trend on the NEW-Co. Define the timeline and relevance of the trend for the company and specify whether the trend should be taken into account for the strategy/vision or not.

Timeline
- Now
- Medium term
- Long term

Relevance for trend: ➡ Consideration of trend for strategy/vision:

Strategy map chart

| | 2011 | 2012 | 2013 | Vision |

products
- Action 1
- Action 2
- Action 3
- Action 4

marketing & communication

- Working fields
- Actions
- Prioritized

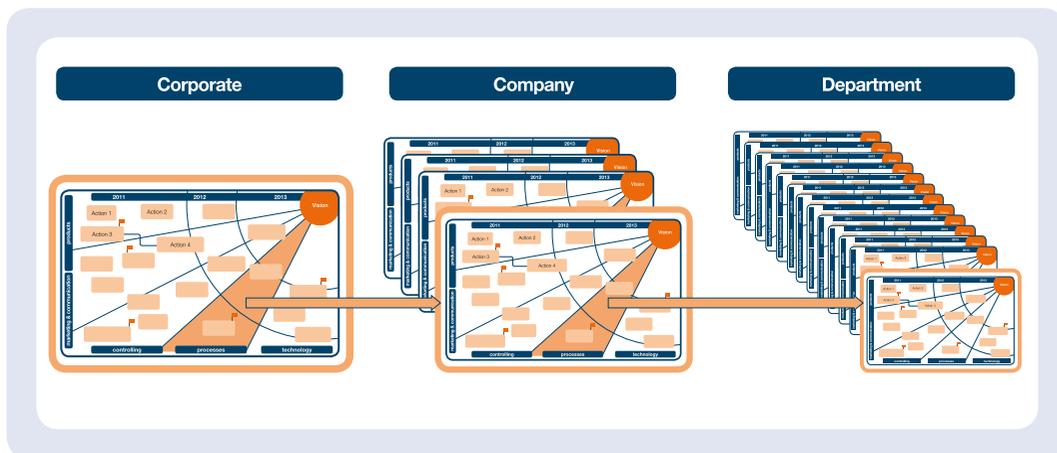controlling | processes | technology

Short-term measures for the next one to three years are planned using "strategy maps". The focus on this foreseeable "future" ensures that the operative tasks planned are based on tangible and reliably forecast able factors.

This involves aligning the measures – on a topic-by-topic basis – towards an overall target and along a timeline. Correlations between individual measures are taken into account during this planning stage. Practically, we need to use standardized templates to help us define each measure in detail. In addition to the detailed examination of each measure, these templates

help take into account the relevant milestones, responsibilities and interfaces. Any corresponding financial data can also be identified. This makes each activity measurable and traceable. The measures required to reach specific goals are clearly set down and can be assigned to and understood by individual members of staff within different groups, departments or corporate levels.

The strategy map and measure templates together form a valuable tool for day-to-day translation of corporate targets. Since the same tool is used for the entire corporation, everybody speaks the same "language", enhancing informa-
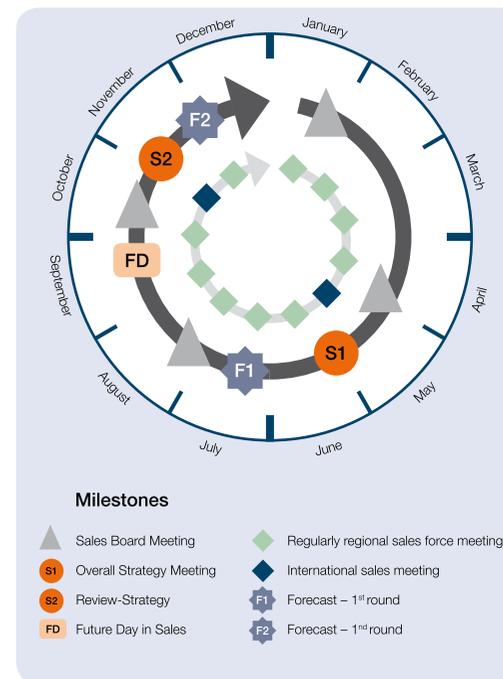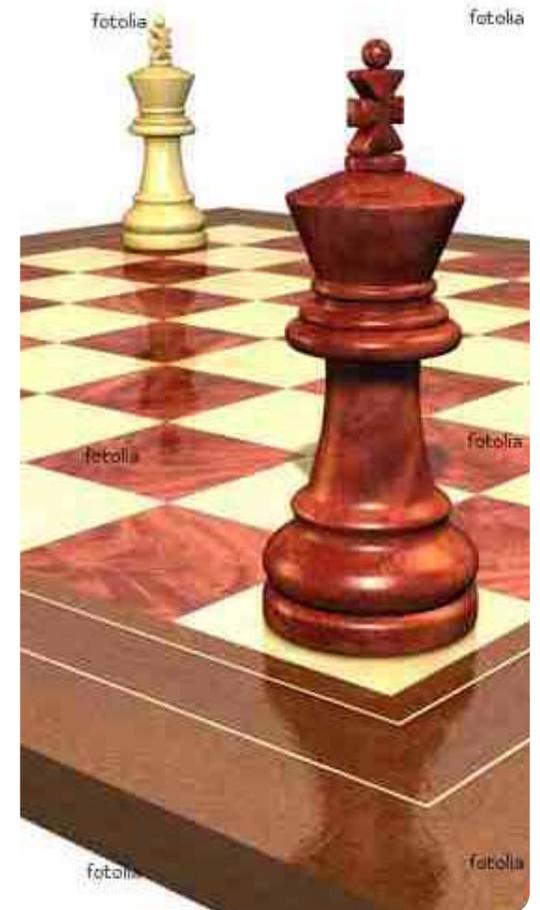
tion transfer and communication. Furthermore, this strategic approach not only improves planning but also gives a clearer retrospective overview of progress and degree of target achievement.

To summarize both the targets set and the measures used to pursue these targets, we compile a strategy plan reflecting both the data gathered from the megatrends, their effects and the resulting strategy maps. This plan serves as a reference work for all corporation staff. Taking the corporate vision as the starting point, it documents the corresponding goals and activities, to which market, product and customer data plus financial figures are added to form a compact "business plan" for each of the group companies.

Step 3: the strategy clock – anchoring the process in the corporation
As we have seen, strategy development is a dynamic process which needs to be sustainably anchored in the corporation and reviewed on a regular basis. To ensure that the strategy is up-

dated and advanced at set intervals, a regulatory framework is needed. These regulations forge the strategy with the financial planning and directly impact the targets for each individual member of staff. A "strategy clock" dashboard illustrates this cycle and sets clear benchmarks for recurring activities. These individual activities are logically coordinated and linked to one another throughout the corporation to create a business routine of standardized processes and practical strategic measures which demonstrate the successful transition "from strategy to execution".

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