



Fail to Plan? Plan to Fail.

How professional service firms are closing the gap between strategic planning and execution

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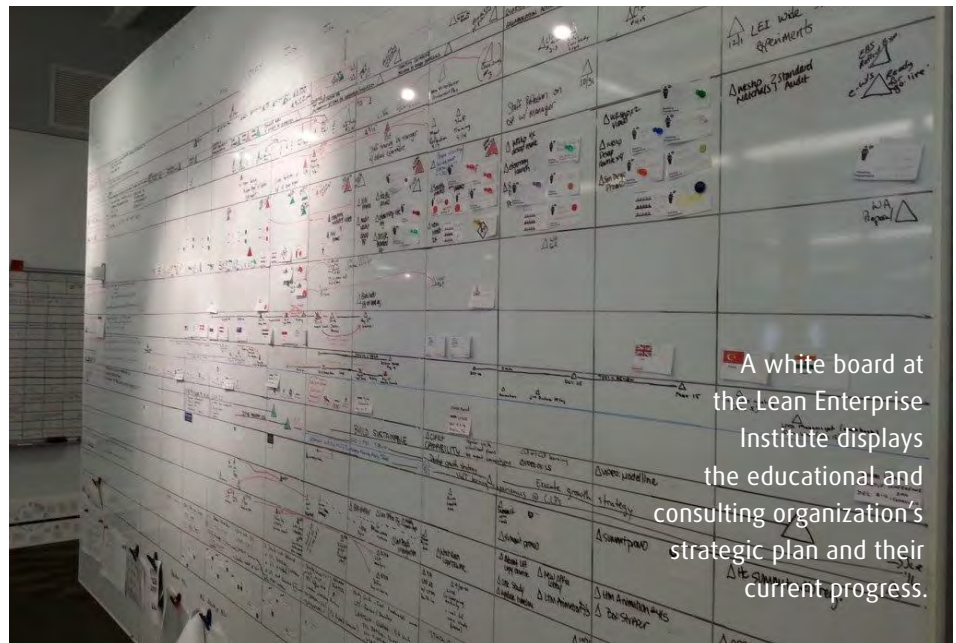


Strategic planning sessions can be like getting ready for one of your “bucket list” vacation destinations, and then being stopped at the door with suitcases in hand. Everyone emerges from these offsite planning meetings full of excitement and anticipation about the future destination of the organization. But then the plan doesn’t go anywhere near the initial vision.

It’s understandable why people become disillusioned after participating in the planning process year after year and seeing little or no progress toward long-term objectives. In many professional service firms this disappointment is compounded by the amount of non-billable hours invested by partners and managers internally on strategic planning. When such efforts fail to live up to expectations, it’s a costly distraction from client service and revenue-generating work.

Not that anyone would suggest doing away with strategic planning altogether. But like any area of management, some firms clearly do it better than others. What exactly are they doing differently that makes them more successful at developing and executing their strategy?

As the management observers and business leaders in this management briefing attest, successful execution comes down to three primary factors: 1) an action-oriented



A white board at the Lean Enterprise Institute displays the educational and consulting organization's strategic plan and their current progress.

planning process; 2) tracking progress and accountability; and 3) cross-functional alignment.

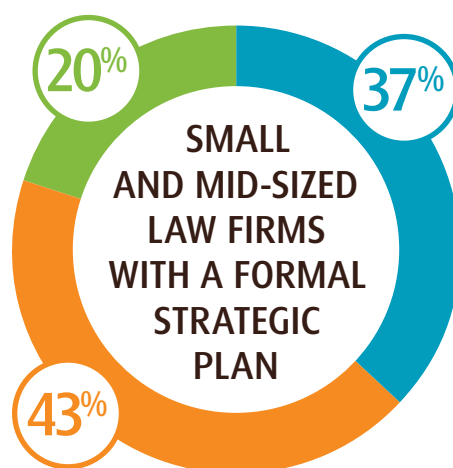
No Magic Strategies Exist

Successful execution starts with a having a strategy from the beginning. That may seem obvious but many professional service firms don't have a formal strategy in place. For example, only 37% of small and mid-sized law firms have a written strategic plan, according to recent research by Thomson Reuters and The Managing Partner Forum.

“For those that do have a strategic plan, the benefits include improved cohesiveness, higher profitability and better performance, which they can attribute directly to the plan,” says John Remsen, Jr., a law firm advisor and CEO of The Managing Partner Forum.

When law firms conduct strategic planning, he says they often come up with too many objectives and pursue too many projects. Remsen challenges firm leaders to focus on no more than three major initiatives over a 12-18 month period. “If you take on more than that, you really start to spread yourself too thin and take on too much with too little resources,” he explains.

On the execution side, he says the keys to success include assigning clear responsibility, holding people accountable, and being very specific about projects and objectives. “A plan is not something that you do once and forget about. It lives and breathes. You should review the plan at least quarterly at partnership meetings, and measure your progress against the goals,” Remsen adds.



● Yes ● No ● Work in progress

Source: Thomson Reuters, Managing Partner Forum, March 2015



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Of course, uncertainty and constant change makes planning more difficult. In the U.S. today, while the economy is on relatively stable footing, changes in the healthcare system, price sensitivity, and new technology continue to upend established business models for professional services.

“We’re confronted with a very fast paced and rapidly evolving business and social environment,” says Jim Powers, CEO of Crowe Horwath LLP, a top 10 public accounting and consulting firm. “To be strategic and long-term in vision is harder, in my view, than it’s ever been before.”

“I don’t know that there are any magic strategies out there that no one else has,” he adds. “Maybe in some areas, there are. I haven’t found them though. To me it really comes down to having a relentless focus on executing the strategy.”

When Powers became CEO and wanted to communicate and execute Crowe’s strategy, he expanded the role of the firm’s innovation leader to that of “chief strategy and innovation officer.” It’s now this executive’s responsibility to monitor how the firm is implementing its core strategies, holding the course or making adjustments as appropriate.

As part of these efforts, in addition to reporting operating revenue and profitability, the firm’s business unit leaders monitor progress toward key long-term strategies on a month-to-month basis. They use a green, yellow or red reporting system to indicate if key initiatives are on track or not.

“Obviously, if it’s yellow or red, we’re diving in and trying to figure out what we can do to get it green,” says Powers.

A Strategic Plan Is a Living Document

Establishing a review and recalibration process is essential for executing a strategic plan after it has been created. When she works with executive leadership teams, Linda Pophal starts the planning process with a discussion about how the plan will be implemented, including the key metrics, review process, management responsibilities, and links to budgeting and performance review. Pophal is CEO of Strategic Communications and author of *The Complete Idiot’s Guide to Strategic Planning*.

“A strategic plan should be a living document, not a document that sits on a shelf, computer drive, or in the cloud somewhere,” she writes. “I generally recommend a monthly review comprised of the individuals who are ultimately charged with achieving the various plan strategies.”

One of the reasons why organizations struggle with implementation, she says, is because the assignments that emerge from planning sessions get piled on top of everything else managers are already doing. When it’s done right, strategic initiatives should complement the work managers do every day.

Pophal emphasized the importance of leaders talking about and communicating the strategy at every opportunity — to the point of obsession. Surprisingly, some executives don’t really believe in open communication of the business strategy.

“I have actually worked with organizations who have said, ‘We can’t share this [plan] with our employees,’” she recalls. “That makes no logical sense to me, because if they can’t share their plan with their employees, how do they expect to get the plan accomplished?”



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In contrast, the Lean Enterprise Institute (LEI) openly displays its strategic plan—and current progress—on the largest wall of its headquarters office in Cambridge, Mass. It currently shows the educational and consulting organization’s four primary objectives for this year and where they stand on each one. They actively use the display to review and discuss their progress every month.

“If something is behind, it’s in red,” says Mark Reich, LEI’s COO. “It’s the manager’s responsibility—it’s my responsibility or others—to help get that caught up.”

LEI uses a strategy development and execution process known as hoshin planning, which is sometimes called policy or strategy deployment. Previously, Reich worked in the corporate strategy group that managed the North American hoshin planning process for Toyota.

Without going into a detailed explanation, hoshin planning is more bottom-up than the traditional strategic planning process. The executive team still establishes broad objectives, but then managers provide input on how to achieve the objectives using a “catchball” process. Hoshin planning requires managers at all levels to be more innovative and strategic thinkers. Consequently, it places a heavy emphasis on developing employee’s strategic knowledge and skillsets.

According to Reich, it’s not easy and takes time to fully develop the top-down, bottom-up process, along with the capability of people to think in new ways. “You have to live it for several years to start to see the benefits,” he says.

Of course, developing people’s talents and capabilities is a critical part of any professional service firm’s strategic planning and execution process. Leadership succession and development is certainly a core element of Deloitte & Touche LLP’s long-term strategy, according to Alicia Rose, a Boston-based partner in the global consulting firm’s audit and enterprise risk services practice.

“For professional service firms, our professionals are everything to us,” says Rose. “We can’t just think about what we want to deliver. We need to think about who and how we’re going to deliver it to our clients.”

To meet that need Deloitte created a “next generation” leadership program (of which Rose is a graduate) to ensure that the firm’s most talented people get the right education, experiences and coaching to assume future leadership roles. The two-year program places high-potential leaders in challenging assignments that will expand their experience.

On a more general level, when it comes to executing a business strategy, Rose also stresses the importance of communication. A firm’s leaders have to communicate what the strategy is, why it’s important, and how everyone can help execute it. “Communication has to not only be clear and consistent, but I would say continuous. Our leaders have really made an effort around making [their] communications inspirational and actionable,” she says.

The More People Involved in Strategic Planning, the Better

While essential, the need for communication as a part of strategy implementation can also be a sign of a poor planning process, says Scott Hammond, PhD., a



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“There’s a huge communication problem, and a huge communication gap, when you do traditional strategy,” says Hammond. “In most strategic plans what happens is you come up with something amazing and incredibly eloquent... and then you spend all kinds of money and time and effort convincing people that it’s the right thing to do.”

As an alternative to the top-down strategic planning approach, he recommends a process that involves as many stakeholders as possible—employees, customers, shareholders, suppliers, subcontractors, and so on. Capturing the input and intelligence of as many people as

possible not only leads to a better strategic plan, he says, it makes implementation much easier.

“It seems complicated, and it is, but going slow early to go fast later is the best way to do strategy, and the best way to avoid passive or active resistance to implementation,” says Hammond.

Following the spirit of such advice, when MBAF does strategic planning, it gathers together all of the firm’s partners, directors and senior managers. Most recently, for the top 40 public accounting and advisory firm, that added up to 65 people. According to MBAF’s chairman and CEO Tony Argiz, they discussed accounting and tax changes, internal challenges, new technology developments, and

other issues. Because of the limited timeframe, they created task forces to address the firm’s top priorities.

“Why task forces? Because we want to solve the problem and get it done and not have a committee that meets all throughout the year,” says Argiz. “Recently, we wanted to become a best place to work. So we had a task force that looked into that, and made some recommendations.”

Some of the other recent strategic issues at the top of MBAF’s agenda include succession planning, regional office inefficiencies and making the firm a more appealing place to work for the millennial generation (men and women born in the 1980s or later). “Millennials are becoming the majority of the workforce today, at least in our

Five Myths of Successful Execution

Many widely held beliefs about implementing strategic plans are wrong, according to a recent article in Harvard Business Review.* After surveying 7,600 managers in 262 large companies, researchers offered these alternative perspectives on five popularly held execution myths, which are useful to leaders in any sector to keep in mind.

Myth	Reality
1 Execution equals alignment	Managers’ goals tend to be fairly well-aligned from a vertical perspective. Execution typically falls apart because they can’t coordinate actions with their colleagues in other functions and business units.
2 Execution means sticking to the plan	“No Gantt chart survives contact with reality.” Plans have to be adapted to market facts in order to overcome hurdles and capitalize on unanticipated opportunities.
3 Communication equals understanding	Just because people hear the message doesn’t mean they understand or retain it. A little over half of managers in one survey could name just one of their company’s top five priorities.
4 A performance culture drives execution	Most companies do a good job of recognizing and rewarding individual performance. Other factors—agility, teamwork and ambition—also need to be rewarded for successful execution.
5 Execution should be driven from the top	Larry Bossidy, the ex-CEO of AlliedSignal, wrote the best-selling book: Execution. But when he retired the company’s famed discipline fell apart. Middle managers need to have the experience and confidence to make execution decisions and own the results.

*“Why Strategy Execution Unravels—and What to Do About It,” Harvard Business Review, March 2015.

profession,” explains Argiz. “What do we need to do differently to motivate them and to keep them happy so we reduce our turnover?”

Such changes in employee expectations and the external environment can have an impact on the strategic planning process itself. Many law firms, for example, in the wake of the 2008-2009 recession, struggled to address changes in client expectations, higher cost sensitivity, and the subsequent need for higher efficiency.

The strategic plan currently being implemented by Bernstein Shur, says CEO Patrick Scully, was designed to address such challenges. Based in Portland, Maine, Bernstein Shur has more than 100 attorneys. The firm’s strategic plan includes eight key initiatives and specifics on how they’re going to be executed. Each member of the board of directors, all of whom are shareholders with full-time practices, is responsible for one of the initiatives.

“For us it was a big step to tell our board of directors that their job isn’t just showing up at a board meeting once a month,” says Scully. “It’s to actually commit some real time and effort to seeing the plan gets implemented. They’re all people with a fair amount of influence in this organization, and we wanted to take advantage of that.”

In the firm’s monthly board meetings, each board member reports on the current status of each initiative, what the holdups might be, and any help they may need. The status is also discussed in staff meetings and reported on the firm’s intranet.

“We’re always bringing what we’re doing back to the plan and making that connection on an



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ongoing and regular basis,” says Scully. Maintaining that drumbeat of communication is important, he explains, to keep everyone connected to the plan, and recognize the progress that’s being made. Their execution plan also emphasized early wins so people could see the results of the planning efforts sooner rather than later.

Any strategically important initiative requires a significant investment of time and money, and there’s always the desire to get everything done as quickly as possible. Scully says that the firm’s initial plan was a bit too aggressive. “We’ve recognized that we have to pace ourselves a little bit more than we thought at the outset,” he adds.

The Power of One

One barrier to executing a strategic plan is the traditional hierarchy and culture of many professional service firms. Successfully implementing any strategic objective will

inevitably require cross-functional cooperation, which can be difficult to establish and maintain.

“The biggest problem that executive teams have in terms of their ability to execute is they don’t really understand alignment,” asserts Bob Rothman, co-chief operating officer of Gap International, a global consulting firm.

The problem, he says, is that executives and managers emerge from strategic planning sessions with a good idea of what they need to do, and what other departmental leaders are going to do. Everything proceeds well initially, but with the first hiccup and first sign of something deviating from the plan, managers tend to hunker down and focus on their own objectives and priorities.

Maintaining organizational alignment requires an ability and willingness to adapt plans as circumstances change without changing the over-riding focus on the desired outcomes, according to Rothman. Leadership’s challenge is to create a culture that embraces the notion of interdependence and working collaboratively.

“If you stay focused on the outcome, you will care a little bit less about how you get there, and you will care a little bit more that you do get there,” he says. Maintaining leadership alignment requires an “authentic oneness,” according to Rothman. Such unity of purpose emerges from honest discussions and debate when issues arise.

“We underestimate the power when organizations can come together and operate as one and be unified and be aligned from a functional level to a business level to a corporate level,” he concludes. ●