

Migration Management: An Approach for Improving Strategy Implementation

By Gary Getz, Chris Jones, and Pierre Loewe

Most strategies don't deliver the results promised¹. Many line executives explain the problem by reminding us that "strategy is easy, but execution is hard." Often they blame failure on marketplace discontinuities that render strategies obsolete. Arguing their side, most strategists contend that creating a differentiated, sustainable, winning strategy is the truly hard job. In their view, failure is an execution issue.

This argument leads nowhere. A poor strategy cannot deliver good results². Conversely, a good strategy that is poorly implemented is unlikely to produce sustainable competitive advantage. The pertinent question is how can companies manage both strategy and execution to ensure their superior strategy is turned into action that achieves its intent? We believe the answer is that most companies need to add a critical activity that links strategy development and strategy execution: we call this process "migration management."

The challenges of strategy implementation

Most companies take their business planning and capital allocation processes seriously. They may even pay proper attention both to the engagement and mobilization of their people and to the alignment of their organization and capabilities with their strategy, two critical pre-conditions for implementation success. Yet at many firms, after top management endorses a strategy, concerted action by line management never develops. Or, a year or so after a strategy is

communicated company-wide, strategic coherency vanishes. Our experience across a broad range of companies and industries reveals that this usually happens because companies don't have a formal process to manage five critical challenges:

- Synchronizing the long time horizon of strategic thinking with the short-term focus required for action planning.
- During business planning, distinguishing between strategic "fit" and what's most important to do next.
- Maintaining the distinction between strategic ends and tactical means.
- Balancing constancy of purpose with the reality of business cycles and market perturbations.
- Coping with the fact that strategy implementation is both deterministic and emergent.

The process of migration management offers a set of tools and practices that promotes the linkage between a long-term strategy and the actions needed to achieve it.

Managing migration: connecting strategy with action

Why do companies need a process that connects strategy and implementation plans? First, because strategy formulation and execution operate on such different timetables, a direct leap from strategic intent to detailed tactics is almost impossible to achieve without a guiding



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process. Let's look at how this works in practice.

If done properly, long-term strategy development should be performed infrequently. In contrast, business planning typically operates on an annual cycle. Business managers trying to figure out what projects are crucial to undertake this year typically have only two guidelines – long-term aspirations expressed as an often overly broad and generic vision statement, and a set of very tangible near-term operating requirements. This usually leads them to select initiatives that each meet certain hurdles, but that, as a set, deliver little progress toward the new strategy.

To resolve these challenges, migration management employs two core perspectives – the future state description considers identity and the migration path charts action:

- Future state description – Who do we want to become by the end of the strategic time-frame?
- Migration path³ – What is a plausible and coordinated sequence of actions that will get us to our desired future state?

How is migration management different?

Migration management improves on conventional strategy implementation approaches (which generally build a present-forward roadmap of projects that align with strategic themes) in a number of ways:

- It focuses on making stepwise progress toward a strategic destination.
- It utilizes a future-back approach to identify gaps that must be closed to reach the future state we aspire to reach.
- It identifies the actions that must be taken to close these gaps.
- It sequences these actions over time, highlights long lead-time actions, and explicitly recognizes interdependencies.
- It makes it easier to respond to unanticipated environmental changes, such as a severe economic downturn, without abandoning a sound strategy.
- It makes the assumptions and beliefs underlie the path visible so that implementation vulnerabilities can be monitored and managed.

The use of these two views in combination distinguishes migration management from conventional strategy implementation approaches. Migration management offers companies the ability to start the annual planning process by asking “what actions do the gaps between our current state and future state suggest?” and finish it by asking “if we do these things, will we reach our future state?” Desired identity – the future state – drives action, action enables the achievement of desired identity.

Building the migration path

Building a migration path involves seven steps.

1. Describe the “future state”

The first step in migration management is the final step in strategy formulation: articulating a vivid description of the desired future identity for the business. A well-drafted future state description should address four issues:

- Who have we become? Specifically, what role do we play in our existing or re-defined industry, and on which bases of competition do we play to win?
- What benefits do we deliver to customers and other stakeholders?
- For what accomplishments are we justly famous?
- What capabilities do we have and what future accomplishments do they enable?

The future state is what a knowledgeable observer would write if asked to describe the successful company and its new competencies at the end of the strategy time horizon. It is not simply a set of quantitative goals and objectives. Instead, it looks into the future and describes how a company has transformed and strengthened itself by implementing its strategy. As such, it is much different from typical vision and mission statements that either lack specificity or confuse means and ends by talking about what a company will do rather than what it will become.

2. Identify major gaps between today and the future state

The second step is to draft an initial, high-level “migration path” that identifies implementation gaps and appropriate gap-closing actions. Using the future state as a reference, team members ask, “Could we achieve this destination tomorrow or next week? If not, why not? What's missing?” Consider topics including capabilities required, market presence or customer acceptance needed, missing asset positions, technology requirements, critical stakeholder and regulatory endorsements; everything that stands between your firm and the future state. Be careful, though, not to jump too quickly to specific solutions; for instance, a useful gap statement might be, “We lack the commercial capabilities to enter new countries.” In contrast, a specific solution disguised as a gap would be, “We need a commercial skills training course.”

3. Select gap-closing actions

Consider a variety of ways of closing each gap, and then select a set of gap-closing programs. In our previous example, it may not be clear whether the company should institute a commercial skills training course or to hire a small cadre of commercial experts. In this case, it could add a program called “define optimal approach to commercial skill development” to its list. Implementation tip: Ensure that the list of programs provides a good mix of learning and execution actions. A list with programs that all contain the words “study” or “evaluate” needs a dose of execution vitamins!

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4. Group the actions into four to six themes or clusters

These clusters will depend heavily on the extent and nature of the differences between a company's current position and its future state, and also vary by company and industry. For instance, clusters for a major retailer included category and product mix changes and distribution channel reconfiguration. For a manufacturer, critical clusters emerged around core technology development and transformation of the portfolio of manufacturing locations.

5. Sequence the action steps within each cluster

Ask yourself: What is the very first thing we should do? What is the last action needed to close the final gap? What steps require long lead times? Build a sequenced path of actions for each cluster and then combine them into an overall migration path (see example in exhibit 1). This is a plausible sequence of major actions that takes us from where we are today to where we plan to be.

6. Check overall consistency and interdependencies

As you map the overall path, pay particular attention to interdependencies in each sub-path and to consistency across paths. For each sub-path, ensure that the actions are in a logical sequence – for example, that you don't have a situation where before you can implement action 4, you need to have completed action 6.

7. Develop the future state and migration path for divisions and functions

A migration path for divisions and key functions must then be developed to ensure goal alignment and consistency of progress across the enterprise. They are derived by asking: what has this division or function become in the future state? The approach also applies to support functions. For example, at one major client, the public affairs, HR, research, and information technology groups derived early actions needed to support planned entries into new markets by starting from the higher level migration path.

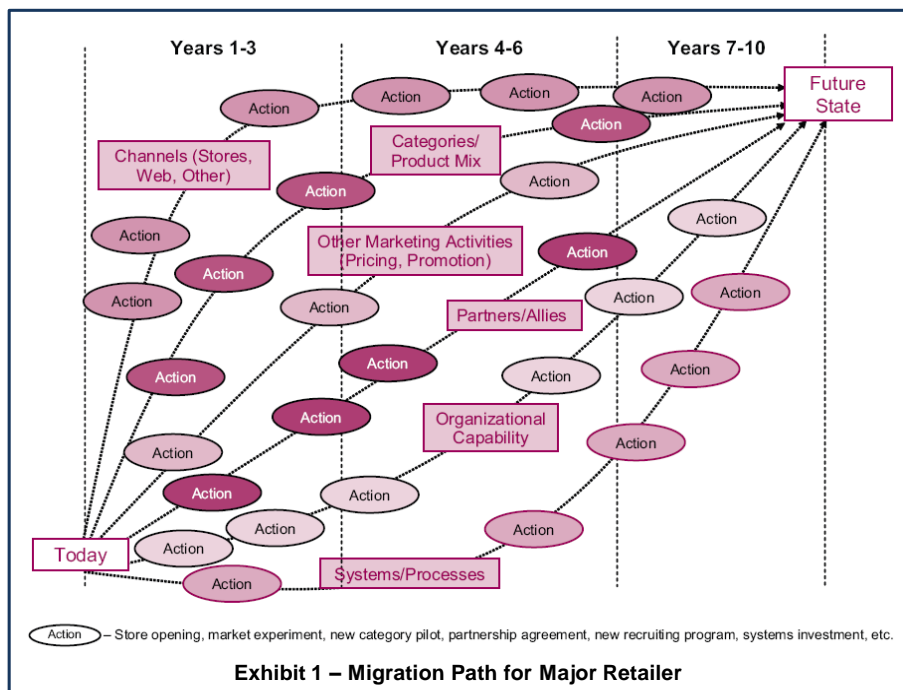
Using migration to guide the development of the annual plan and budget

The next step is to tackle the annual planning and budgeting process – the process during which resource allocation decisions are made. What new projects (or initiatives or investments) will you fund? What projects under way will you discontinue, slow down, or accelerate? What planned projects will you discard or reshape?

The work you have done developing migration paths gives you a big head start. The migration path and future state help you ensure that the actions you are planning to take will generate sufficient progress toward the strategic destination. They also help you screen and eliminate strategically misaligned actions.

To accomplish this, team leaders need to define an intermediate future state consistent with the planning horizon: if we're going to be the company we aspire to be 10 years from now, what identity must we have three years from now? You should expect that the intermediate identity looks considerably more like the current state than the future state, which is one of the strengths of the migration approach. Planning systems not based on migration have a very difficult time balancing persistence and change, precisely because they do not have a view of the longer-term journey or of the intermediate future state. Using a migration-based approach, it becomes much easier to decide, for instance, that certain initiatives, while important, should be done in year six, not in year one.

With the intermediate future state and the overall map as your guides, you can translate the migration path programs into specific projects and initiatives. In



- “We can't plan for a future that doesn't exist” (and its corollary, “The world is so uncertain that we can only take steps that have low downside risks in a large number of scenarios”); and
- “If we study any strategic problem hard enough, we can know the right answer with certainty – so we can't act until we're sure” (or, “Strategy is a long-term deterministic business plan”)

There is a middle ground between chaos and decision paralysis; migration management recognizes that there are both deterministic and emergent aspects of strategy and its implementation, and incorporates both. Few future states or migration paths are likely to play out exactly as initially written. Even so, they provide an aiming point and plausible path so companies can begin to execute early actions in which they have high confidence, and design learning experiments or institute signpost monitoring to buy options on other, less certain elements of the path.

While having a destination and direction is essential to making progress, all strategies contain much that is simply not knowable in advance. The process of migration management allows managers to learn along the way, and with periodic refreshes they can adjust the migration path, tweak the future state, and update their underlying point of view rather than making the too-common error of rushing back to fundamental strategy reformulation.

Migration management: coherent implementation

Migration management is the missing link in many companies’ abilities to convert strategy into coherent and lasting action. By creating and properly using clear statements of desired future identity and sequenced, interrelated paths of action programs within management processes oriented toward learning and adaptation, companies have been able to overcome the dilemmas and challenges associated with traditional approaches to strategy implementation.

Notes

1. Kaplan and Norton in “Mastering the management system,” *Harvard Business Review*, January 2008 assert that “various studies in the past 25 years indicate that 60 percent to 80 percent of companies fall short of the success predicted from their new strategies.” Mankins and Steele in “Turning great strategy into great performance,” *Harvard Business Review*, July-August 2005 state that “companies on average deliver only 63 percent of the financial performance their strategies promise.”
2. Lawrence Hrebiniak, in *Making Strategy Work*, Wharton School Publishing, 2005, describes a survey of obstacles to strategy execution that he conducted with over 400 managers. Poor or vague strategy was one of the top obstacles identified, leading him to state “bad strategy begets poor execution and poor outcomes.”
3. Hamel and Prahalad, in *Competing for the Future*, Harvard Business School Press, 1994, originally described the use of migration paths in making progress toward a long-term strategy.



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Case: a major energy company

Over the past four years, multiple divisions and functions of a Fortune 10 corporation have adopted the future state/migration path approach to strategy management. Key drivers of success included:

1. Active involvement of all members of the relevant executive team in developing each strategy and future state description.
2. Development of shared statements of belief about the external future and internal capabilities.
3. Applying strategies to lower levels of each business and applying migration paths.
4. Significant re-design of the business planning and performance monitoring processes to link them directly to migration, including:
 - A program of milestone management that includes operational, commercial, capability, and strategic learning milestones.
 - Inclusion of migration milestones and migration process accountability in executive incentive compensation plans.
 - Annual updates of the external view that incorporate implementation lessons learned.
 - Identification and monitoring of uncertainties and vulnerabilities associated with the migration path.

The experience of this company and of others that have adopted this approach has also identified some pitfalls:

- Management team turnover can easily result in loss of a shared point of view and lost implementation momentum.
- A focus on exception management is needed to avoid getting lost in a blizzard of migration management milestones and signposts.
- While the migration path should be comprehensive, strategy communication messages must be simple; employees can be baffled by “migration-speak.”
- The migration path can begin to seem deterministic; taking a too rigid view of migration creates a significant risk of being blind-sided by changing circumstances.