

Unlocking the Power of Strategy in the Middle East

By
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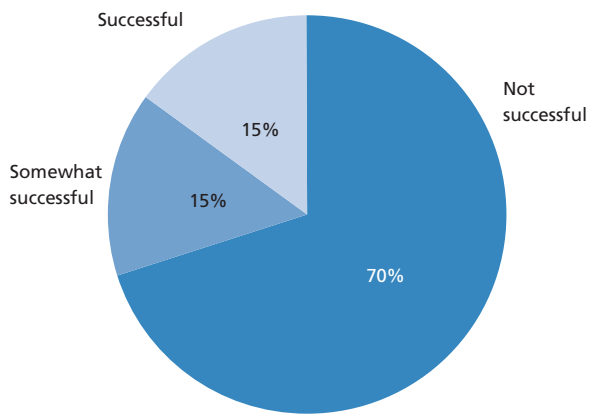
Over the past decade, many public and semi-public organizations in the GCC region have been actively engaged in the development of strategies focused on performance improvement and government policy implementation. Starting at first with multi-day workshops where leadership would emerge with a vision and a list of values to post on websites and in hallways, the process lately has been dominated by the development of squiggly-lined strategy maps in tribute to successful workshop facilitation by balanced-scorecard 'gurus'. According to GCC market research performed by Oliver Wyman, moving from strategy planning to successful strategy implementation, however, is a step that has eluded the majority (70 percent) of regional entities (Exhibit 1).

As can be seen below, an overarching reason for why strategy execution fails is that organizations often do not successfully translate their strategic objectives into specifics that impact employees' daily work. In some cases, we found that strategies focused only on functions that dealt with external constituents, leaving support functions such as

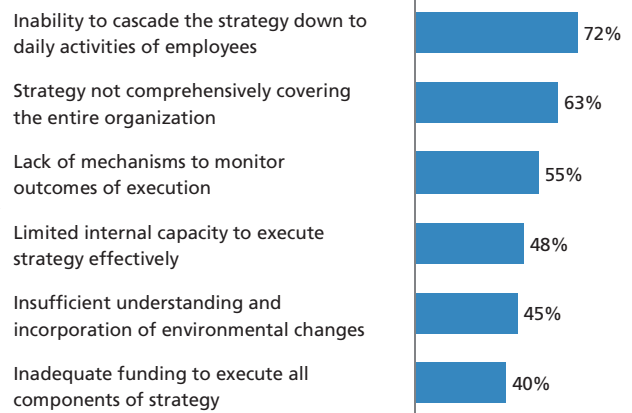
human resources and finance without a direct connection to the strategic plan. Without 'line-of-sight' linkages and the ability to cascade the top-level strategy throughout the organization, the power of strategy to unlock the potential of the organization will remain untapped.

Exhibit 1 Why Strategy Execution Fails

How successful would you rate your strategy execution



Common pitfalls and reasons for strategy execution failures (multiple answers possible)



"We developed a really good strategy but most of our employees couldn't see how it linked to their work"

"Establishing clear accountability was a challenge...we couldn't establish clear links between daily activities and distinct objectives"

"We have many performance measures but they're not clearly linked back to the strategy and its expected outcomes"

"Our support functions aren't really a part of our strategy, they're non-core"

"Our entire strategy got approved but our finance department issued a significant budget cut, so..."

"We started all 30 initiatives but I'm not sure of their status and progress"

Source: Oliver Wyman research on a sample of GCC public/semi-public sector organizations.

Oliver Wyman's Integrated Strategy Development Methodology (ISDM)

Based on dozens of successful strategy planning and implementation projects for leading GCC organizations, Oliver Wyman has developed an approach that can provide missing 'line-of-sight' connections from strategic objectives to daily work, which we call our Integrated Strategy Development Methodology (ISDM). This approach, as described herein, ensures every department has a direct link to top-line strategic objectives through an integrated strategy creation and implementation procedure that is embedded into the everyday operating systems of the organization. This direct linkage and its supporting strategy delivery process, which helps to build sustainable internal capacity, is particularly important to government and semi-government sectors in the GCC, which dominate the economies of their countries. Thus, the effectiveness of their strategy implementation determines the success of governmental policy in important fields such as economic diversification and human capital development.

As shown in Exhibit 2, Oliver Wyman's methodology is built on four pillars of success that each play

a critical role in not only developing sound strategic plans, but more importantly, in ensuring their effective execution.

This methodology ensures all-important buy-in at both the leadership and the 'cubicle' level within the organization, to ground the strategy and deliver sustainable, long-term results. Following the adage, 'go slow to go fast', this methodology drives understanding and ownership into the working levels and thus increases the rate of change as the strategy moves further into its implementation phases.

Comprehensive and Exclusive Coverage of the Entire Organization

Strategic objectives must be individually distinct (exclusive) in what they tell the organization to accomplish; must provide clear statements of desired outcomes that can be defined or measured; must provide in aggregate a measureable performance challenge for all functions, departments, directorates, sections, etc. within the organization; and must provide some measure of focus to aid people in prioritizing their work (Exhibit 3).

Exhibit 2 Oliver Wyman's Integrated Strategy Development Methodology (ISDM)

Comprehensive coverage delivers:

- Strategic objectives that address all parts of the organization
- Distinct areas of focus which complement, but do not overlap

Cascading the strategy creates:

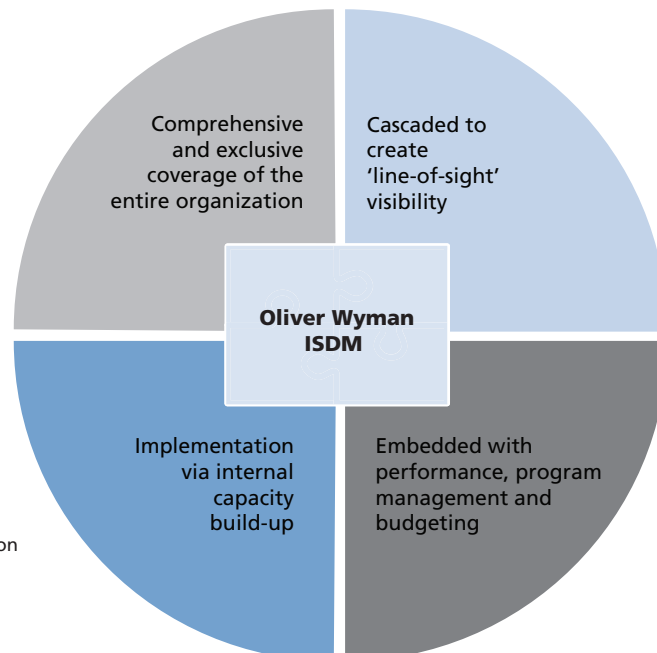
- A 'line of sight' between the strategic objectives and the activities of the organization
- The opportunity for the operational teams to make a linear link to the strategy

Implementation via internal capacity build-up leads to:

- Increased buy-in and ownership of strategy plan within operations
- Ability to drive strategy execution from within and ensure sustainability of change improvement initiatives

Embedding with operational systems and processes drives:

- Accountability for performance at the working levels of the organization
- Execution tracking of key implementation milestones
- Budget rationalization decisions based on strategic impact



Cascading to Create 'Line-of-Sight' Visibility

Supported by strategic initiatives to address organizational gaps (strategically defined new services or major reform of existing functions), strategic objectives can then be cascaded into and across the organizational structure to directly link operational services (e.g., providing human resources services or policy development support) and underlying activities to individual strategic objectives (Exhibit 4). The strategy development process achieves this by first defining 'key success factors' (KSF's) and then identifying services and strategic initiatives which contribute directly to strategic objectives, thus cascading strategic objectives into services necessary to support and reach set goals.

When this process is completed, each organizational function (e.g., directorate, department, section) will have defined its primary roles (services) as a purpose statement in support of the strategic objectives. This process pulls the strategic objectives to the activity level, with each work team able to make a direct connection of their work and activities to a

strategic objective. This 'line of sight' visibility is one of the most significant success factors in any strategy development process.

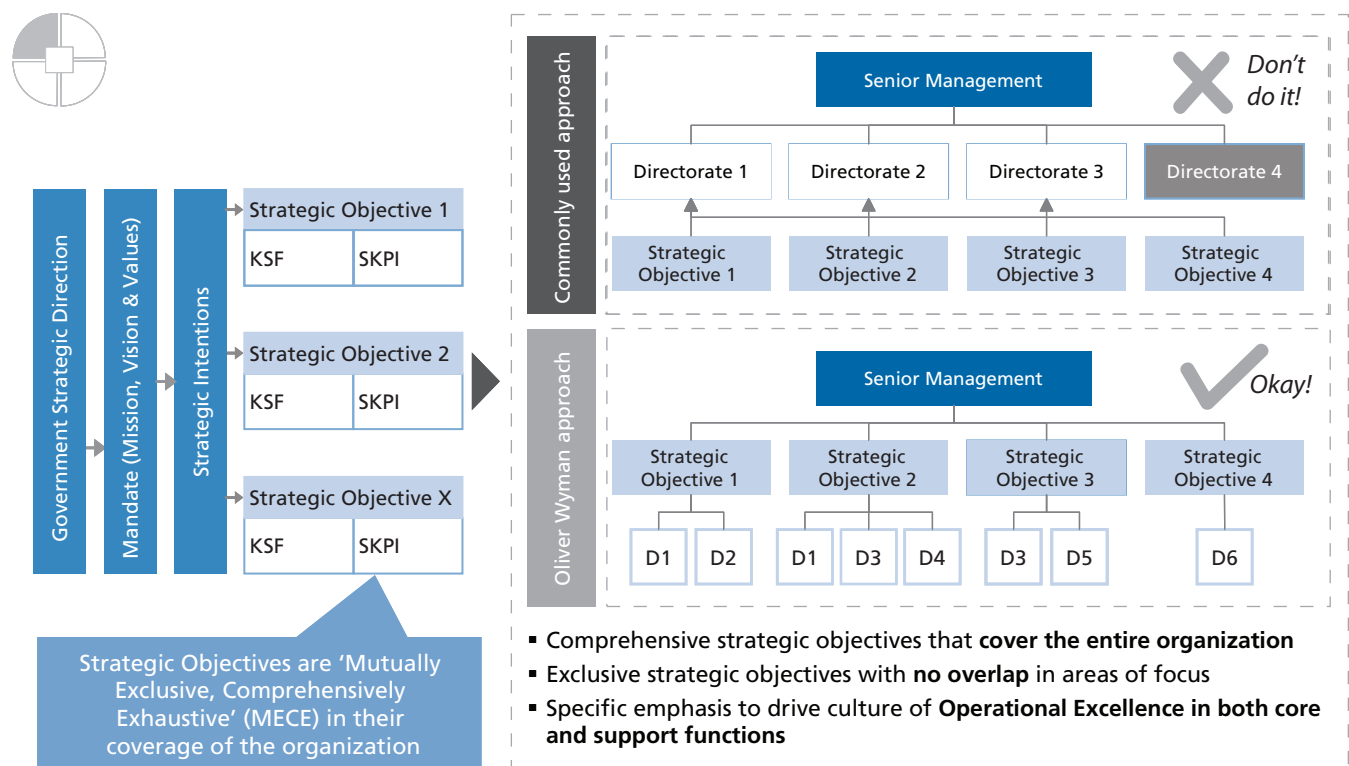
Embedding with Operating Systems

At each level of detail (e.g., strategic objective, initiative, service, activity), measurement criteria are defined and become inputs into one of the three key operating systems (Exhibit 5). At the top level, strategic key performance indicators track progress toward strategic goals—targeted outcomes from the work accomplished are inputs into the performance measurement system. At the mid-level, accomplishment milestones are inputs into the program management system for initiatives. At the operating service and activity levels, resource requirements and workload output for activities build the budget and operating plans for the entity.

Implementation Through Internal Capacity Build-up

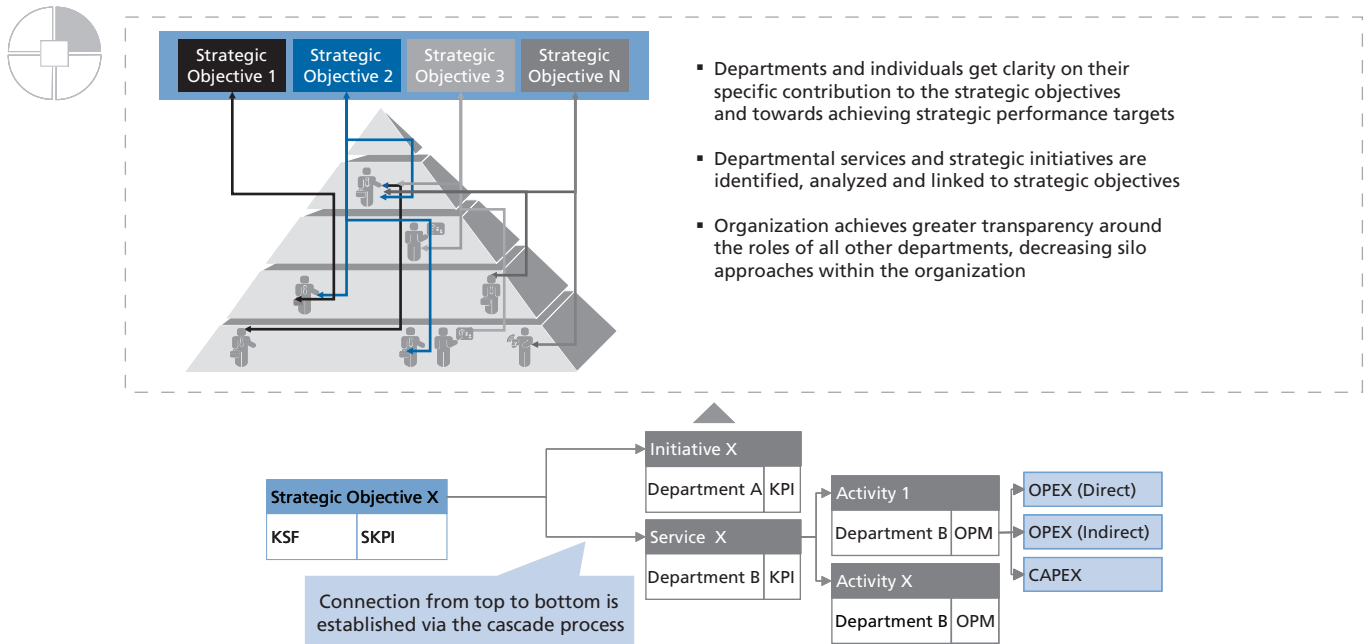
At this point, the organization will have a well structured plan with descriptions of what to do and what outcomes are required, but without buy-in and

Exhibit 3 Ensuring Comprehensive and Exclusive Coverage of the Entire Organization



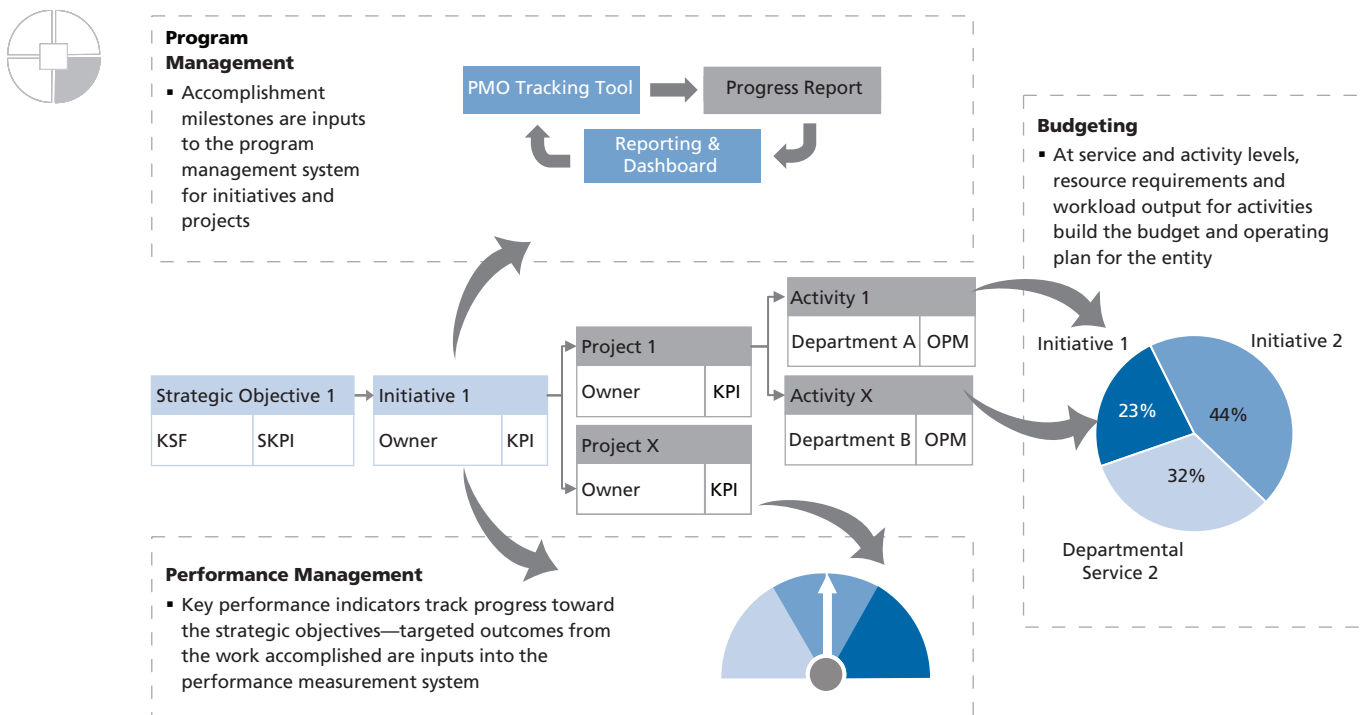
Note: KSF = Key success factor. SKPI = Strategic key performance indicator. D = Directorate.

Exhibit 4 Cascading Strategic Objectives to Create 'Line-of-Sight' Visibility



Note: KSF = Key success factor. SKPI = Strategic key performance indicator. KPI = Key performance indicator. OPM = Operational performance measure.

Exhibit 5 Integration with Performance, Program Management and Budgeting



Note: KSF = Key success factor. SKPI = Strategic key performance indicator. KPI = Key performance indicator. OPM = Operational performance measure.

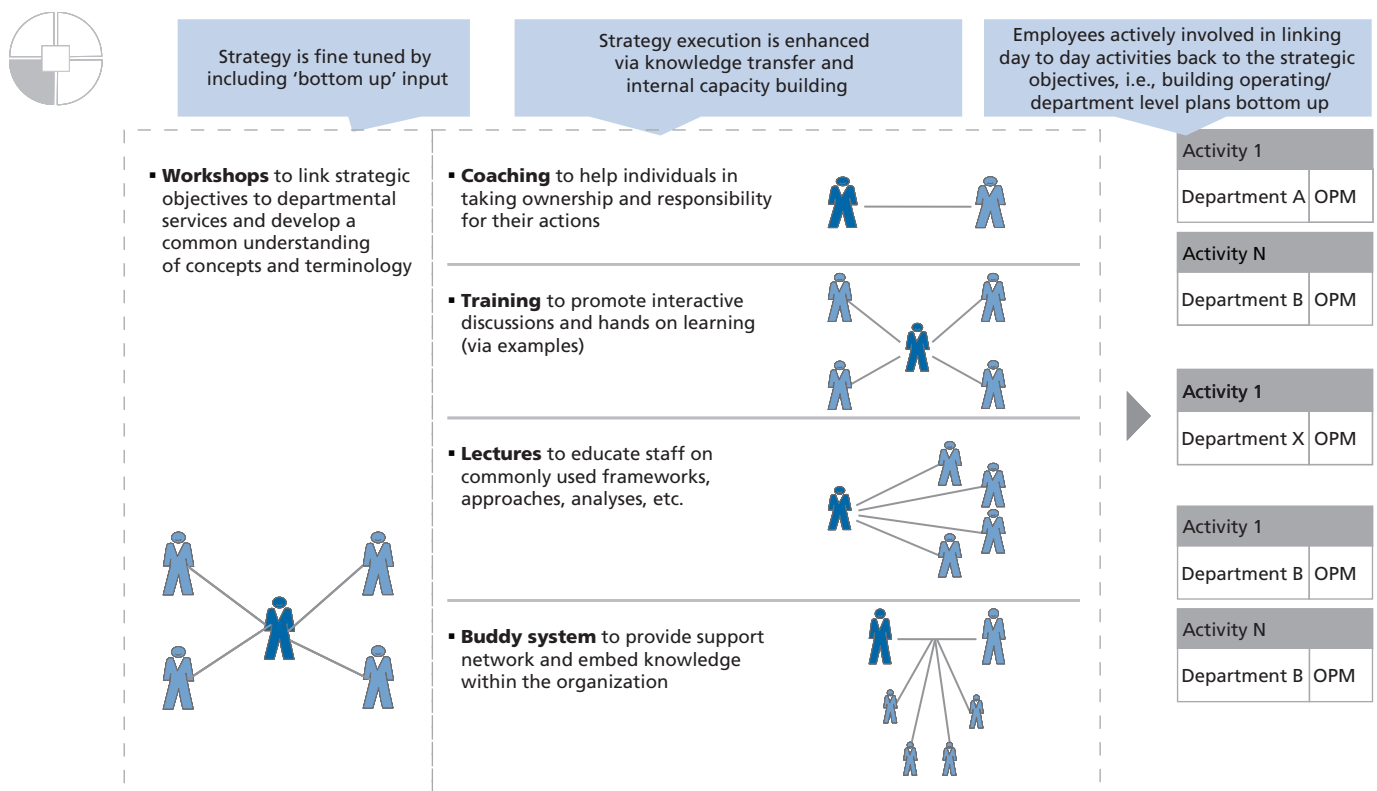
knowledge transfer (referred to as internal capacity build-up): it will lack the tools to implement the plan. How people are socialized into understanding and agreeing to the plan is key to implementation. In Oliver Wyman's past projects, at each step in the strategy development process, client teams have the opportunity to put their stamp on the strategy 'product'—addressing how the work should be measured, justifying what tools or resources will be needed for it to be successful and developing an

understanding of how they will tackle changes and build confidence in their ability to handle required tasks. Coaching, teaching and mentoring of staff during plan development is the start of implementation success (Exhibit 6).

ISDM Implementation Success Factors

In addition to the above methodology components, interactive strategy development and execution require several external and internal factors to be

Exhibit 6 Implementation Through Internal Capacity Build-up



Note: OPM = Operational performance measure.

specifically addressed to ensure successful implementation.

- The plan must be strategically aligned with the interests of the government or leadership to which the organization answers. This alignment is demonstrated through the clarity of the mandate and strategic intention statements.
- A fact-based understanding of both external and internal environment factors must be integrated. This work is traditionally expressed as a SWOT analysis (strengths, weaknesses, opportunities, threats). An Oliver Wyman SWOT is derived from external performance benchmarking and in-depth evaluation of externalities followed by a comparison-based internal 'health check' around the organization's key enablers.
- The strategic plan must be well integrated with existing operating systems (performance mea-

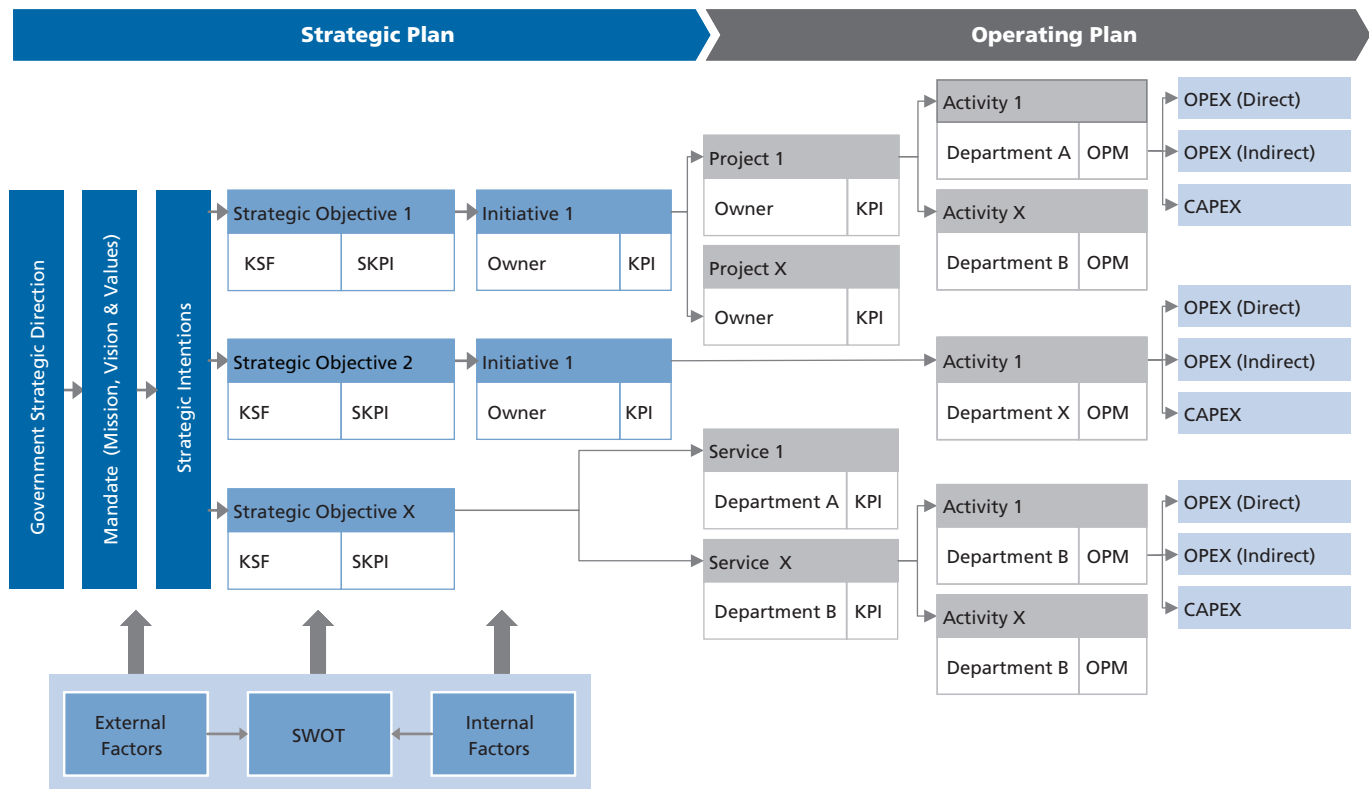
surement, program management, and budget system), utilizing benchmarking work to develop performance standards (i.e., targets).

- The integration of all of the organization's staff is also crucial: their understanding and utilization of the strategy development process will increase organizational capacity through a structured skills transfer process.

Putting Oliver Wyman's Integrated Strategy Development to Work

Using the Oliver Wyman ISDM, linear strategic relationships can be built (as shown in Exhibit 7), together with the performance measurement system, implementation plan and budget. During this process, it is important to ensure that strategic objectives have clear tangible goals and are both comprehensive and mutually exclusive in nature; implementation should be planned and executed using a program management approach.

Exhibit 7 Oliver Wyman's Strategy Planning and Execution Framework



Note: KSF = Key success factor. SKPI = Strategic key performance indicator. KPI = Key performance indicator. OPM = Operational performance measure. SWOT = Strengths, weaknesses, opportunities, threats.

1. Setting the Mandate and Achieving Directional Clarity

The Oliver Wyman process first aligns mission and vision (something we refer to as setting the mandate) and the entity's strategic intentions with the overarching government strategy. This top-down alignment process entails a review to ensure that no internal or external factors might 'get in the way' of the strategy. The critical parts of this step are:

1) determining how like entities describe their mandate and deliver services and 2) connecting with the higher-level government vision that should be guiding the organization's strategy.

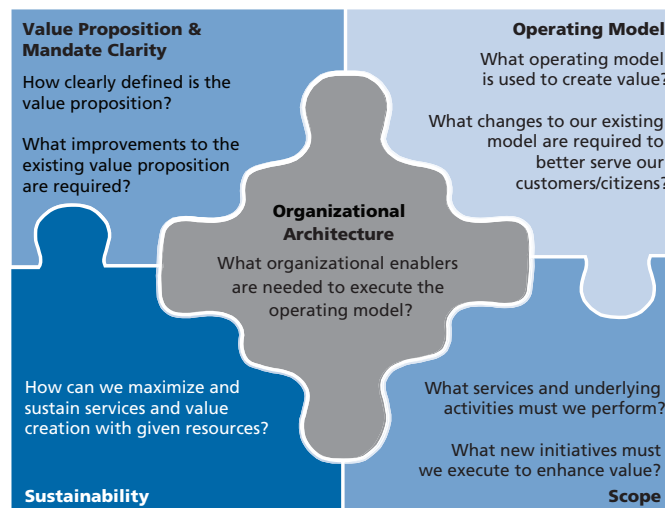
Exhibit 8 illustrates a framework that Oliver Wyman has designed for organizations to use in determining their strategic direction through the definition of the mandate, operating model, service portfolio (scope of services) and key enablers (people, systems, processes, etc.) required to perform at a sustainable level. Sustainability in this context focuses on operating within given budget constraints and avoiding cost escalations.

2. Developing Strategic Objectives and Goals

Mandate clarity and articulation of strategic intentions are foundational, but meaningless unless they can be cascaded into the organization in a linear manner—this step starts with the development of strategic objectives. Strategic objectives are not as simple as making a list of 'feel good' goals or open-ended statements that lack specificity; rather, they are the link between the external environment, including customers or beneficiaries of services (i.e., citizens) and the strategic intentions of the entity.

A full-fledged external assessment is first required to bring the view of the external environment into the strategy development process. The next step is formulating a set of comprehensive strategic objectives that address the entire organization, without overlapping—a condition we refer to as being mutually exclusive. It is no small trick to set strategic objectives that are both comprehensively exhaustive and mutually exclusive, while keeping the list manageable in size. But the ability to cascade the strategy into the organization is dependent upon achieving this balance.

Exhibit 8 Setting Strategic Direction



Finally, once agreement has been reached on what the strategic objectives are, tangible goals must be set for each objective (i.e., ‘how to know when the objective is reached’).

3. Defining the Requirements of the ‘Success Path’

Strategic objectives and goals set direction. The next step is to figure out what the success path might require. We do this by considering key success factors (referred to as KSF’s) for each of the strategic objectives, answering the question, ‘what are the most critical things that will need to be in place to reach these goals?’ These KSF’s help determine strategic key performance indicators (referred to as SKPI’s) that align with the strategic objectives, allowing the organization to measure its progress toward the ultimate goals defined for each strategic objective.

Once the organization has defined strategic objectives and measurable goals, key success factors and associated strategic key performance indicators, it will have a much better understanding of its ultimate destination, making the implementation road map much easier to construct.

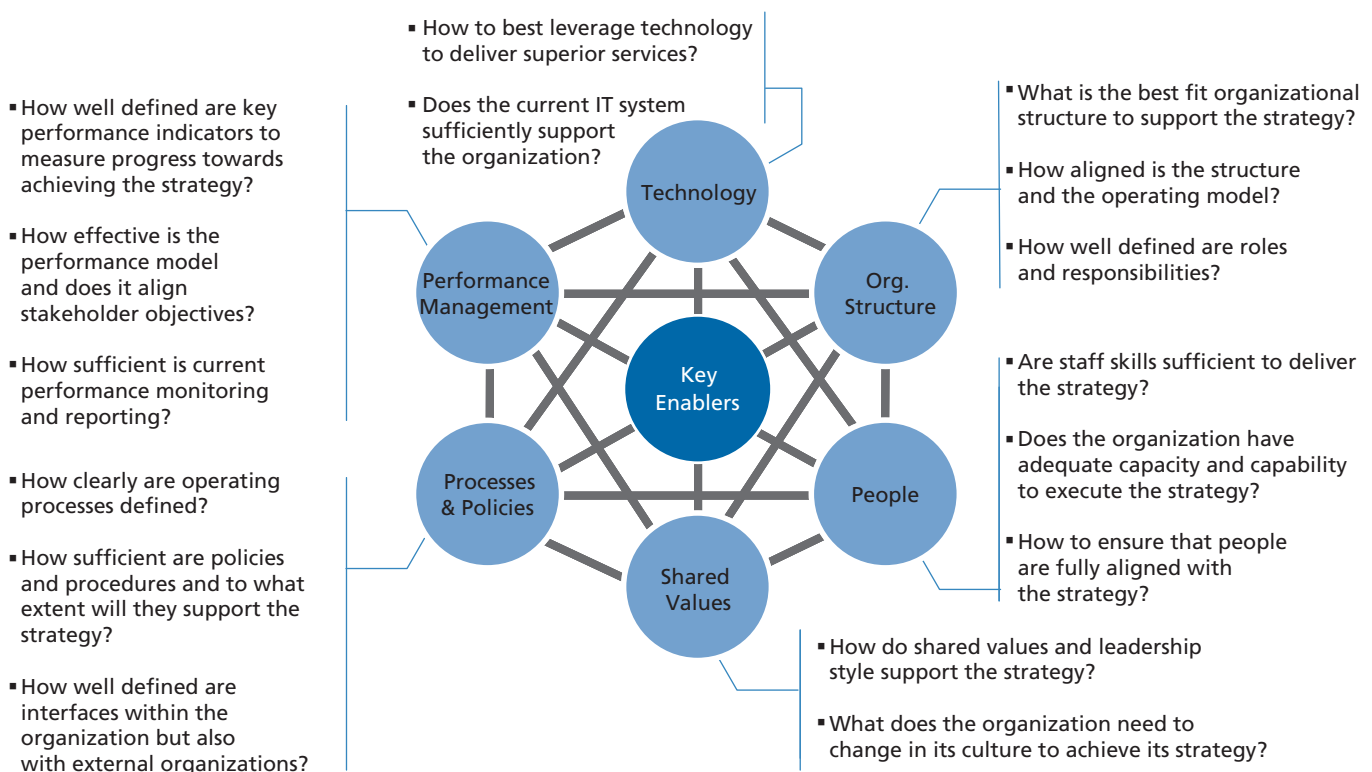
4. Conducting an Organizational ‘Health Check’

Before moving on to implementation of the strategic plan, it is crucial to first develop a comprehensive understanding of how well the existing organization is performing against best-practice organizational peers. We refer to this as an organizational architecture ‘health check’ (Exhibit 9). Key organizational enablers are assessed against benchmarks that define good organizational performance and service levels as well as in comparison to the practices of other entities that are considered successful at delivering similar types of services. This process identifies the organizational ‘gaps’ that will need to be filled if strategic implementation is to succeed.

5. Identifying Strategic Initiatives to Achieve Objectives

At this point, the organization will know what gaps must be closed to accomplish each of the strategic objectives. The next step is to identify the major initiatives that must be implemented to realize these objectives. Some initiatives may be needed to fill gaps between organizational capacity and benchmark standards. Others may be required to deliver new services or to introduce transformational

Exhibit 9 Internal Assessment: Organizational Architecture ‘Health Check’



technologies that will improve performance across the organization. As initiatives are considered and approved, each should demonstrate a clear, linear link to a mutually exclusive strategic objective. Each initiative can then be fleshed out through the development of a charter that defines its purpose, scope and boundaries; initiative sponsor/owner and key stakeholders; expected outcomes and key performance indicators; and implementation timeframe and costs.

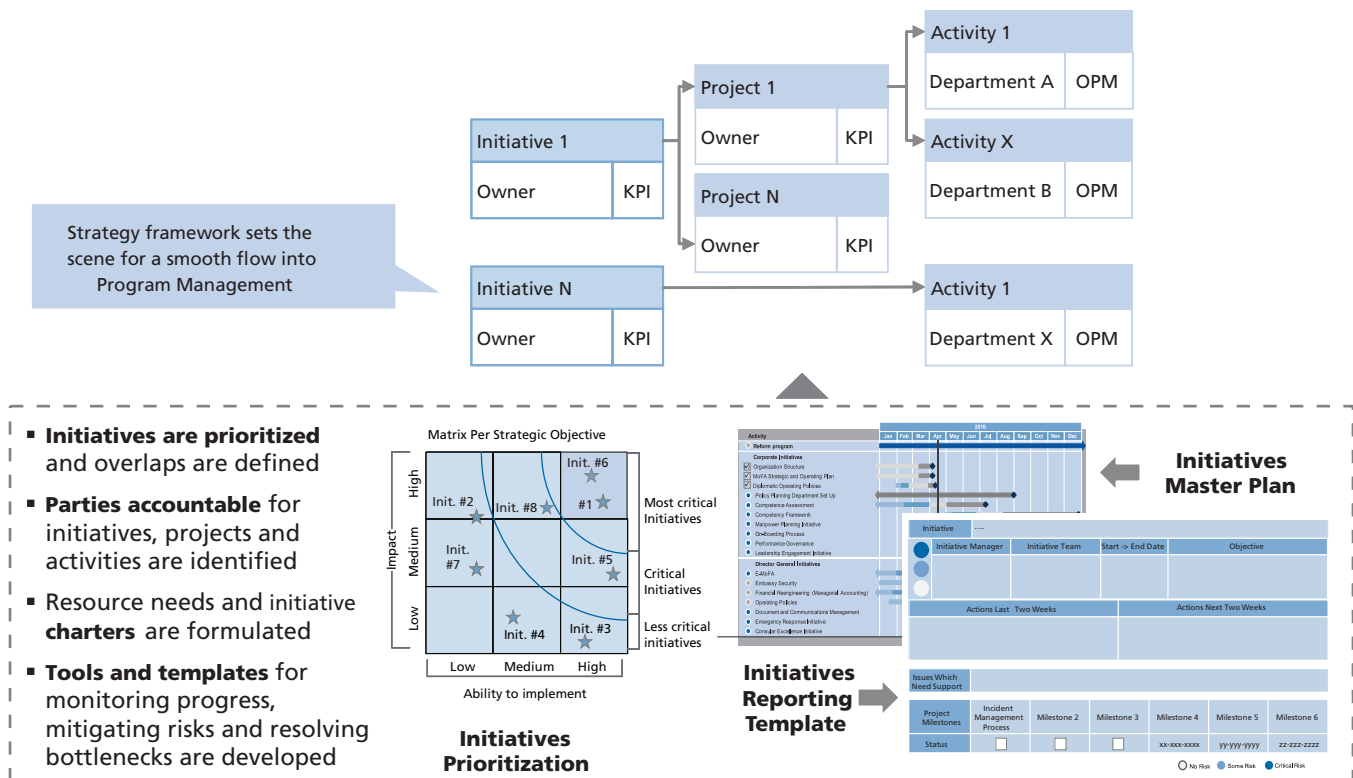
As most organizations are resource constrained and cannot tackle all initiatives at once, the initial list of initiatives should be prioritized, based on level of impact versus ease of implementation. The prioritized initiatives can then be captured in a master plan which lays the foundation for program management and determines who is responsible for reviewing, monitoring and reporting on implementation progress (Exhibit 10).

This identification of major initiatives and the scheduling of their implementation with accompanying milestones or KPI's is generally considered to be the final top level strategic plan for the entity before developing operational plans. This is about as far as strategy development can be taken as a top-down planning exercise, without operational involvement.

6. Cascading Strategy to Operations

Obviously, the top-down 'strategic plan' is not a comprehensive set of instructions for the organization to implement. And, if the next step to be undertaken is the traditional bottom-up budget exercise, the most likely result will be an operating plan that drives off of last year's work program and that potentially lacks strategic connectedness and detail. Furthermore, when the inevitable budget rationalization exercise is undertaken, the leadership will have limited information to assess the relationship between spend and strategy or to understand the

Exhibit 10 Embedding Strategy Through Program Management



Note: KPI = Key performance indicator. OPM = Operational performance measure.

impact of potential budget cuts on strategy outcomes.

Oliver Wyman believes that at this point it is critical to break initiatives down to their operational level of detail (projects and activity levels). In addition, a bottom-up exercise should be undertaken with organizational departments to define their strategic service portfolios, i.e., the key services the departments deliver to their beneficiaries as well the services underlying activities. Operational activities can then be linked back via departmental services to individual strategic objectives.

7. Aligning Strategic and Operational Planning Through Operational Systems Integration

For each level of detail in the performance measures, such as SKPI's for strategic objectives and KPI's for initiatives or services, operating key performance indicators (OPM's) for activities are identified and fed into the performance measurement

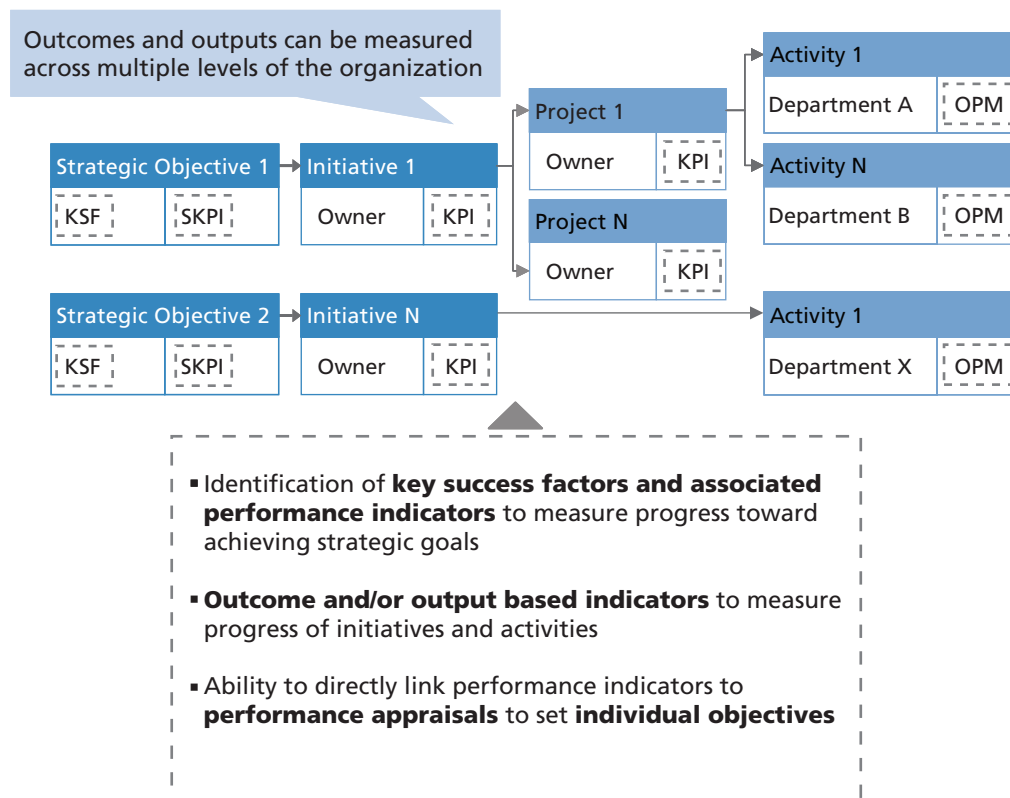
system. When completed, the entire organization is mapped and measured (Exhibit 11) to the strategic objectives and a true 'line-of-sight' is created for each team in the organization.

The budgeting exercise, conducted at the individual activity level, can then be mapped back directly to each strategic objective, allowing a direct analysis of spend versus objective. When budget rationalization is required (as it usually is), the inevitable choices of which initiatives or services to focus on can be made from a strategic perspective, as the cost for each activity and ultimately for each strategic objective can be immediately identified for both the strategists and the finance department (Exhibit 12).

Summary

The lessons learned from Oliver Wyman's strategy work and proprietary research on public and semi-public sector strategy implementation in the GCC support the need for organizations to do

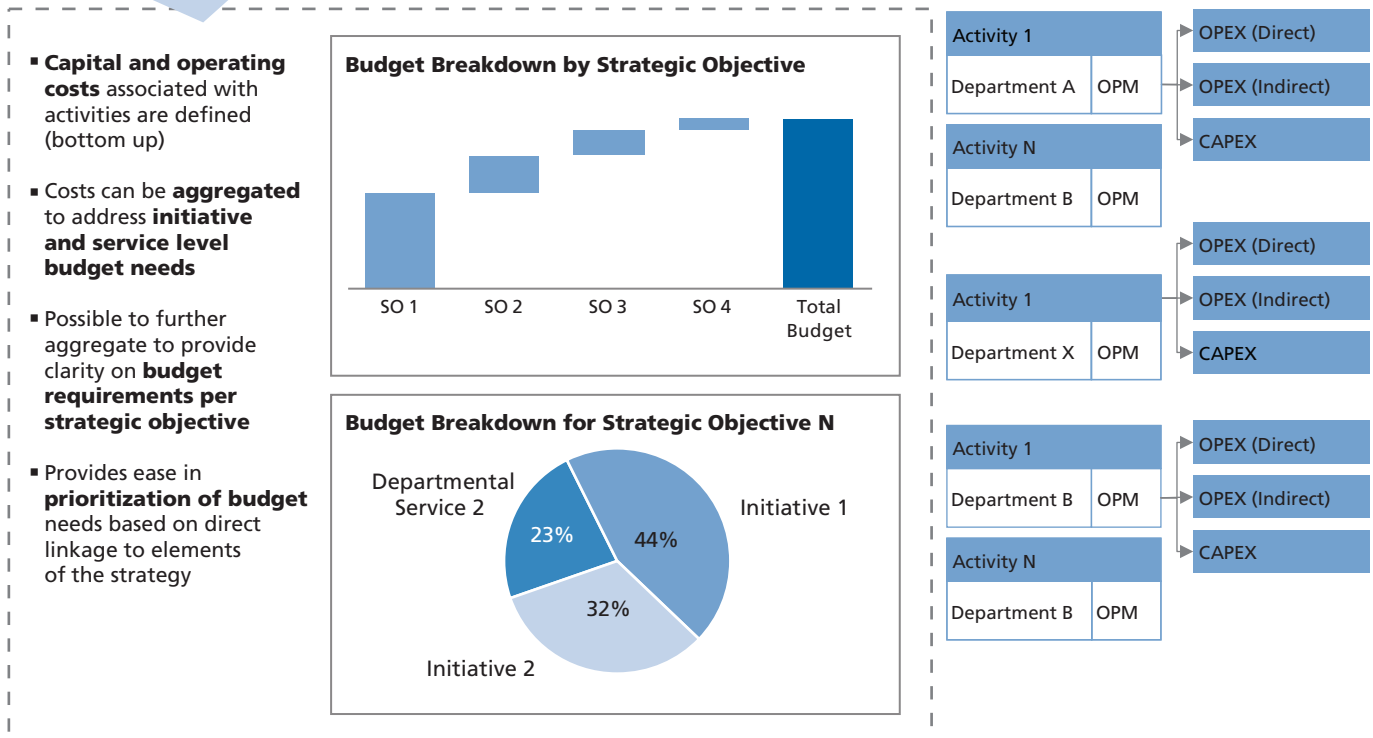
Exhibit 11 Embedding Strategy Through Performance Management



Note: KSF = Key success factor. SKPI = Strategic key performance indicator. KPI = Key performance indicator. OPM = Operational performance measure.

Exhibit 12 Embedding Strategy Through Budget Planning

Strategy framework produces a link between spend and strategy execution



Note: SO = Strategic objective. OPM = Operational performance measure.

a much better job of connecting desired strategic changes with delivery. To do this within the context of GCC public entities, although strategy development starts at the top, it must cascade into bottom-up implementation planning that offers activity-level teams direct line-of-sight perspective on how strategic objectives, initiatives and service delivery activities ultimately tie together. And, the strategy must be integrated into the operating systems that drive daily work, i.e., directly link to the budget and the perfor-

mance measurement system, as these reinforce priorities and the focus of daily activities.

Backed by alignment of the strategy with government objectives and best practice external/internal benchmarking and a comprehensive focus on building internal capability in strategy execution, this methodology can ensure that strategic plans don't just sit on the shelf, but actually drive desired organizational change and growth. ❖

About Oliver Wyman

With offices in 50+ cities across 25 countries, Oliver Wyman is an international management consulting firm that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development. The firm's 3,000 professionals help clients optimize their businesses, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is part of Marsh & McLennan Companies [NYSE: MMC]. For more information, visit www.oliverwyman.com.

Oliver Wyman's Middle East Practice

Oliver Wyman helps leading enterprises throughout the Middle East to develop, build and operate strong businesses that deliver sustained shareholder value growth. Oliver Wyman is based in Abu Dhabi, Dubai and Riyadh and serves clients in Bahrain, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, the UAE and beyond. Oliver Wyman's industry focus in the region includes public sector, energy, aviation, telecommunications and transportation.

Our presence in the region has allowed us to support our clients in a broad range of assignments, including the development of strategy plans, reorganization and large-scale transformation and change management programs, among others.

Our consultants are recognized industry experts, and we recruit globally from top academic programs. With more than 24 nationalities, 17 languages and the benefits of a thriving region, Oliver Wyman's regional offices allow us to deliver unrivalled knowledge and expertise from around the world to our clients in the Middle East.

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