How To Create and Flawlessly Execute a Strategic Plan
Hospitality Financial and Technology Professionals

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Agenda
1. Panel Discussion
2. Strategy Management: Translating Vision to Flawless Execution
3. Q&A

Strategy Panel
Hospitality Financial and Technology Professionals
Panel

- Christopher Garland is a consultant and director on the HFTP Global Board
- Raman Rama, CHA Emeritus, CHAE, CHTP is executive vice president and CTO/CIO at JHM Hotels, HFTP Global Past President and HFTP Paragon Award Recipient
- Prakash Shukla is Managing Partner of Solrex Ventures, past HFTP global board member, and inductee into HFTP Technology Hall of Fame
- Larry Wolff, Moderator, is a partner with Fortium Partners, LP and a 20+ year CIO and head of corporate strategy

Strategy Panel

1. Please describe your business in two minutes.
2. How do you differentiate from your competition?
3. How would you describe your ideal customer?
4. Please describe your strategic planning process in two minutes.
5. How do you translate strategy into executable initiatives or projects?
6. Do you define your strategy in terms of measurable objectives?
7. Who is involved in the strategic planning process?
8. How do you communicate the strategy with your employees?
9. How do you align compensation with strategy?
10. What works best in your strategy management process?
11. Where do you see gaps in your strategy management process?
12. What else would you like to share with the audience?

Strategy Management

Translating Vision to Flawless Execution
Agenda

1. Introduction
2. Strategy Management Definition
3. Strategy Definition
4. Intangible Assets
5. Customer Value Proposition
6. Strategy Management: How to Align Your Team for Breakthrough Results
7. HFTP Bonus: Sample IT Strategy Map

Fortium Partners, LP

- Strategic technology consulting
- CIOs from recognizable companies
- Average 20+ years C-suite experience
- Complex, high risk, business and technology challenges
- Create more value in less time with less risk
Larry Wolff

- 20+ years as CIO and head of corporate strategy
- Recognized expert in
  - Strategic planning
  - IT-business alignment
  - IT transformation
  - Disruptive technologies
  - Merger integration
  - Large scale project implementation and rescue
- Turnaround team for Hotel and Travel Index
- Partnered with Microsoft to create Expedia

2. Strategy Management Definition

What is Strategy Management?

Alignment of all resources in the organization to flawlessly execute well-defined actions to achieve measured, strategic objectives
Why is Strategy Management Important?

- "Vision without action is a daydream. Action without vision is a nightmare." —Japanese proverb
- "Building a visionary company requires one percent vision and 99 percent alignment." —Jim Collins and Jerry Porras, Built to Last
- "Strategy execution is the responsibility that makes or breaks executives." —Alan Branche and Sam Bodley-Scott, Implementation

When is Strategy Management Used?

Strategy management is a way of life

Who Uses Strategy Management?

Board Oversight

- Senior Mgt: Set Objectives, Monitor, Adjust
- Middle Mgt: Set Measures, Oversee Daily Execution
- Employees: Define and Execute the Plans
Where is Strategy Management Applied?

ACTIVITIES THAT DON'T SUPPORT STRATEGY

ALIGNMENT

Every operation

Strategy Management

How is Strategy Management Done?

- Well-defined process and a flexible set of tools
- Exercises with executives, middle managers and staff result in
  - Strategy Maps
  - Balanced Scorecards
  - Action Plans
  - Budgets
  - Communication Plans
  - Performance Management Plans
  - Progress Reporting Templates
  - Progress Tracking Meetings
  - Processes for Corrective Action
- and other tools to ensure Flawless Execution

Formula

Describe the Strategy
+ Measure the Strategy
+ Manage the Strategy

Breakthrough Results
Remember

“The ability to execute strategy is more important than the strategy itself”

3. Strategy Definition

What is Strategy?
Strategy is About Choice

“The art of strategy is to identify and excel at the critical few processes that are the most important to the customer value proposition”


Strategy Balances...

- Cost reduction and productivity improvement
- Profitable revenue growth

Five Mgt. Principals to be Strategy Focused

1. Translate strategy to operational terms
2. Align the organization to the strategy
3. Make strategy everyone’s everyday job
4. Make strategy a continual process
5. Mobilize change through executive leadership

That’s Strategy Management
4. Intangible Assets

What are Intangible Assets?

- Human Capital (strategic competencies)
- Information Capital (strategic information)
- Organization Capital (culture, leadership, alignment, teamwork)

Value of Intangible Assets

Intangible Assets <-> Tangible Assets

- Value creation is indirect
- Value is contextual
- Value is potential
- Assets are bundled
Creating Value

Strategic alignment determines the value of intangible assets

- Human Capital – skills, talent, and knowledge
- Information Capital – databases, information systems, networks, & technology infrastructure
- Organization Capital – culture, leadership, employee alignment, teamwork, knowledge management
Customer Value Proposition

The value proposition communicates what the company expects to do for its customers better or differently than its competitors.

Customer Value Proposition

- Best Total Cost
- Product Leader
- Corporate Customer Services
- System Lock-In

Strategies for Customer Value Proposition

Operational Excellence Strategy

Customer Intimacy Strategy

Product Leadership Strategy

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Internal Business Processes

- **Operations Management**
  - Develop & sustain supplier relationships
  - Produce products & services
  - Distribute/deliver products & services to customer
  - Manage risk

- **Customer Management**
  - Select customers
  - Acquire customers
  - Retain customers
  - Grow relationships with customers

- **Innovation**
  - Identify opportunity for new product/service
  - Manage research & development portfolio
  - Design & develop new product/service
  - Bring new product/service to market

- **Regulatory & Social**
  - Environmental performance
  - Health & Safety performance
  - Employment practices
  - Community investment

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6. Strategy Management

How to Align Your Team for Breakthrough Results

**Challenge**

Persistent gap between vision and performance

*Disconnect Between...*

**Strategy Creation**

and

**Execution**
Examples of Root Cause

7 of 8 companies in a global sample of 1,854 large
76% of middle managers and more than 80% of
front-line employees have a strategy that is not
thought to be aligned to strategy or linked to the
company's strategic plans with higher targets


Developing Strategy

When We Manage Strategy, We…

Consistently achieve expected results
Make "execution" a recognized competency
Provide tools to focus resources, measure progress and mitigate risks
Align employees
What is Strategy?

Strategy is About Choice

“The art of strategy is to identify and excel at the critical few processes that are the most important to the customer value proposition.”


Strategy Management Framework

Challenge

95% of employees in most organizations don’t understand the company strategy

A Visual Framework to Translate Strategy to Execution

Tools:
Strategy Map  Goal Map  Action Plan

Architecture of a Strategy Map

Financial
Organizes Strategy by Four Balanced Perspectives

Customer

Internal Process

Learning & Growth

Shows Critical Objectives  Illustrates Cause and Effect

May Further Organize by Related Themes
Sample Strategy Map for a Bank

- Financial
  - Increase ROIC by 2%
  - Introduce four new products
  - Reduce servicing costs by 1.5%
- Customer
  - Increase share of market by 3%
  - Improve customer retention by 2%
  - Introduce four new products
- Internal Process
  - Improve operational efficiency by 6%
  - Reduce fulfillment time by 6%
  - All employees devote 40 hrs/year to development
  - 100% of employees have goals aligned with strategy
- Learning & Growth
  - Improve revenue per employee by $2,000
  - 70% of employees have goals aligned with strategy

Challenge

7 of 8 companies in a global sample of 1,854 large corporations failed to achieve profitable growth, though more than 90 percent had detailed strategic plans with higher targets.

Disconnect Between...

- Strategy Creation
- Execution

Strategy Map to Goal Map

- Financial
  - Increase ROIC by 2%
  - Introduce four new products
  - Reduce servicing costs by 1.5%
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  - Improve revenue per employee by $2,000
  - 70% of employees have goals aligned with strategy
Challenge

Most organizations have a strategic plan but no coherent approach to manage the execution.

Goal Map to Action Plans

<table>
<thead>
<tr>
<th>Objective</th>
<th>Measure</th>
<th>Target</th>
<th>Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve cross‐sell ratio</td>
<td>Improve cross‐sell ratio</td>
<td>33%</td>
<td>Outsource call center, implement decision‐making system</td>
</tr>
<tr>
<td>Reduce error rate</td>
<td>Reduce error rate</td>
<td>4%</td>
<td>Implement quality control process, train all operations staff, revise bonus objectives</td>
</tr>
<tr>
<td>Minimum segment profitability</td>
<td>Minimum segment profitability</td>
<td>28%</td>
<td>Analyze segments, shed unprofitable products, shift lines to best segments</td>
</tr>
</tbody>
</table>

Action Plans

1. Target profitable segments
2. Improve cross‐sell ratio
3. Reduce error rate
4. Minimum segment profitability
Challenge

70% of middle managers and more than 90% of front-line employees have compensation that is not linked to strategy.

Goal Planning & Performance Management

- **Objective Measure Target Action**
  - Plan
  - Target
  - Profitable segments
  - Minimum segment profitability
    - 28%
  - Analyze segments
  - Shed unprofitable products
  - Shift lines to best segments
  - Cross sell
  - Improve cross-sell ratio
    - 12%
  - Outsource call center
  - Implement decision mgmt system
  - Minimize problems
  - Reduce error rate
    - 4%
  - Implement quality control process
  - Train all operations staff
  - Revise bonus objectives

Cascade Goals...
To Each Senior Leader...
And To Every Employee
Challenge

Most organizations have a strategic plan but no coherent approach to manage the execution

Program Management

- Every strategic initiative has:
  - Executive sponsor
  - Project manager
  - Project team
- Program manager integrates project plans
  - Ensures resource availability
  - Manages inter-project dependencies
  - Identifies domino effect of risks across strategic plan
- Weekly status reporting
- Monthly executive review
  - Executive sponsor & project manager report to CEO & program manager
  - Standard format
  - 15 minute meeting
  - Corrective action approval
- Quarterly board review

Challenge

7 of 8 companies in a global sample of 1,854 large corporations failed to achieve profitable growth, though more than 90 percent had detailed strategic plans with higher targets
Strategic Outcomes

• Impact of delays or other issues is understood on a weekly basis
• Corrective action is taken
• No surprises!!

Recap

Financial
Customer
Internal
Process
Learning & Growth

Improve Returns
Broaden Revenue Mix
Improve Operating Efficiency
Increase Customer Confidence in Our Financial Advice
Improve Customer Satisfaction Through Superior Execution
Target Profitable Segments
Shift to Appropriate Channel
Develop New Products
Minimize Problems
Cross-Sell
Provide Rapid Response
Align Personal Goals
Develop Strategic Skills
Access to Strategic Information
Improve Employee Productivity
Improve ROIC by 2%
Introduce four new products
Reduce servicing costs by 1.5%
Increase share of market by 3%
Improve customer retention by 2%
Introduce four new products
Improve cross-sell ratio
Reduce error rate by 4%
Reduce fulfillment time by 6%
All employees devote 40 hrs/year to development
Improve revenue per employee by $2,000
100% of KPI's are derived from core systems
100% of employees have goals aligned with strategy
Shift customers to most cost effective channel
Minimum segment profitability of 28%
Objective Measure
Target Action
Plan

Objective Measure
Target Action
Plan

Global Strategy

Objective Measure
Target Action
Plan
Align Your Team for Breakthrough Results

Reconnect...
Strategy Creation
and
Execution

7. HFTP Bonus: Sample IT Strategy Map

MAINTAIN

Maintain a Secure and Reliable Infrastructure
Meet Service Level Commitments
Maximize Quality While Reducing Unit Costs
Support Business Needs with Timely Enhancements
Partner with Customers to Understand Their Needs
Embrace Effective Governance
Deliver Quality Enhancements Within Stated Time, Scope, Budget
Drive Business Success with Innovative Solutions
Research Applicable Technology
Align Technology with Application with Business Needs
Optimize Transformational Solutions

ENHANCE

Ensure Shareholder Value
Ensure Budgeting Discipline
Lower Cost of IT Service
Impact Business Outcomes
Deliver Quality Service at Competitive Cost
Maintain a Secure and Reliable Infrastructure
Meet Service Level Commitments
Maximize Quality While Reducing Unit Costs
Support Business Needs with Timely Enhancements
Partner with Customers to Understand Their Needs
Embrace Effective Governance
Deliver Quality Enhancements Within Stated Time, Scope, Budget
Drive Business Success with Innovative Solutions
Research Applicable Technology
Align Technology with Application with Business Needs
Optimize Transformational Solutions

TRANSFORM

Align Business Success with Innovative Solutions
Research Applicable Technology
Align Technology with Application with Business Needs
Optimize Transformational Solutions

Efficiency

Customer Quality

Internal Process

Learning and Growth

Financial Perspective

Customer Perspective

Internal Process Perspective

Learning and Growth Perspective

Outcomes

(Perspective)

(Perspective)

(Perspective)

(Perspective)
### Customer Perspective

**Value for End-User**

<table>
<thead>
<tr>
<th>MAINTAIN</th>
<th>ENHANCE</th>
<th>TRANSFORM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimize Total Cost of Ownership</td>
<td>Complete 90% of Steering Committee approved enhancements on time and within budget</td>
<td>Deliver solutions that contribute $10M of incremental earnings and satisfy 80% of the year's strategic technology initiatives</td>
</tr>
</tbody>
</table>

- **MAINTAIN**
  - Reduce TCO for end user computing by 8% and improve customer satisfaction by 4% by end of year

- **ENHANCE**
  - Maintain 99.999% availability for infrastructure and applications
  - Zero material weaknesses and significant deficiencies
  - Deliver 90% of the year's projects on time, on scope and within budget

- **TRANSFORM**
  - Prototype three transformational technologies, aligned with business strategy, by end of year

### Internal Process Perspective

**Continuous Improvement**

<table>
<thead>
<tr>
<th>MAINTAIN</th>
<th>ENHANCE</th>
<th>TRANSFORM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain 99.999% availability for infrastructure and applications</td>
<td>Each IT leader conduct a minimum of 3 customer interviews quarterly and align IT priorities accordingly</td>
<td>Report to business leaders monthly on competitive and disruptive technologies</td>
</tr>
<tr>
<td>Meet Service Level Agreement (SLA) for IT Customer Service</td>
<td>Zero material weaknesses and significant deficiencies</td>
<td>Quarterly business review &amp; update of enterprise architecture</td>
</tr>
<tr>
<td>Maximize Quality with Balanced Scorecard</td>
<td>Deliver 90% of the year's projects on time, on scope and within budget</td>
<td>Deliver Transformational Solutions</td>
</tr>
</tbody>
</table>
| Improve data quality by 10% by end of year and another 5% by year end and reduce data maintenance costs by 12% by year end | Deliver 10/20/2016

### Learning and Growth Perspective

**Value for End-User**

<table>
<thead>
<tr>
<th>MAINTAIN</th>
<th>ENHANCE</th>
<th>TRANSFORM</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT members complete 40 hours of training annually, 24 of which are related to skills outlined in the IT training plan</td>
<td>Update the SDLC consistent with the application development roadmap by end of Q2</td>
<td>Publish specified IT metrics to all employees on a quarterly basis</td>
</tr>
<tr>
<td>Managers complete 100% of quarterly employee performance reviews</td>
<td>Implement new automated application testing tools by end of Q2</td>
<td>Present strategic IT metrics to senior management on a monthly basis</td>
</tr>
<tr>
<td>Celebrate project successes for 100% of projects within 15 days of completion</td>
<td></td>
<td>100% of IT employees and contractors participate in 3 hours of customer service development per quarter</td>
</tr>
</tbody>
</table>

- **MAINTAIN**
  - Assess, develop, and retain the next generation of leaders

- **ENHANCE**
  - Provide tools & techniques for enhanced visibility

- **TRANSFORM**
  - Ensure discipline, aligned culture

- **Score**
  - 22
Financial Perspective Outcomes

- Create Shareholder Value
- Ensure Budgeting Discipline
- Lower Cost of IT Service
- Deliver $10M of incremental business value by year end

90% initiatives completed within budget for the year
IT within capital and operating budget for year
Reduce TCO for end user computing by 8% and improve customer satisfaction by 4% by year end
Reduce cost per feature for software applications by 8% by year end

Summary

- Strategy Management spans from Planning to Execution
- Strategy is about Choice
- Leaders describe “what” and employees describe “how”
- Strategy Map describes objectives
- Goal Map translates objectives to measures
- Balanced Scorecard translates measurable objectives to action plans
- Program management and communication are critical success factors

Aligned teams execute better. Period.

Q & A
Strategy Map Template

**Financial Perspective**
What are our expected financial outcomes?

**Customer Perspective**
What do our customers expect from us?

**Operational Perspective**
How can we satisfy customer expectations?

**Organizational Perspective**
Any challenges we may face?

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Complementary Themes

- **Strategy Map Template**
- **Customer and Operational Perspectives**
- **Financial Outcomes**
- **Organizational Challenges**

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**Theme 1**

*How should we appear to customers?*

*At what do we need to excel to fulfill customer expectations?*

*How will we sustain our ability to improve?*

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**Theme 2**

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**Theme 3**

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### IT Balanced Scorecard (Template)

<table>
<thead>
<tr>
<th>Strategic Area</th>
<th>Performance Indicator</th>
<th>Target</th>
<th>Strategy Direction</th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation &amp; Learning</td>
<td>Innovation-diffusion curve</td>
<td>Back to black</td>
<td>Increase innovation</td>
<td>%</td>
</tr>
<tr>
<td>Customer Value</td>
<td>Customer satisfaction</td>
<td>90%</td>
<td>Increase customer satisfaction</td>
<td>%</td>
</tr>
<tr>
<td>Internal Process Efficiency</td>
<td>Process efficiency</td>
<td>85%</td>
<td>Improve internal processes</td>
<td>%</td>
</tr>
<tr>
<td>Financial</td>
<td>Operating margin</td>
<td>15%</td>
<td>Increase operating margin</td>
<td>%</td>
</tr>
</tbody>
</table>

**Strategic Support Services Portfolio**

- **FIN – Financial Services Portfolio**
- **IT – Info Capital Portfolio**
- **HR – Strategic HR Services Portfolio**

**Alignment Steps**

- Enterprise value proposition
- Board & shareholder alignment
- Corporate office – support unit alignment
- Corporate office – business unit alignment
- Business unit – support unit alignment
- Business unit – customer alignment
- Support unit – supplier alignment
- Corporate support

**Closing the Loop**

- Alignment Champions
- Cost/Benefit/ROI
- Requirements
- SLA's
- Alignment Steps

**Alignment with Strategy**

- Enterprise Strategy (Strategy Map)
- Strategic Support Services Portfolio
- Functional Organization (Strategy Map)
### Managing Alignment

- Office of Strategy Management
- Relationship manager
- Integrated planning process
- Service agreements
- Internal customer feedback
- Assessment of cost and benefits

### Activities of the OSM

- Create & manage the scorecard
- Align the organization
- Review strategy
- Develop strategy
- Communicate strategy
- Manage strategic initiatives (that cross functional lines)
- Monitor progress of strategic initiatives
- Integrate strategic priorities with other support functions