WORKPATH

How to get your CFO's buy-in for an Outcome Management solution

workpath.com

CONTENTS

01 Introduction

We live in volatile times and the only certainty is that there will be more uncertainty, as the pace of change accelerates. Every layer of business is now affected - some positively, some negatively - from technology breakthroughs to rising energy prices, supply-chain shocks and pandemics; the fact remains the same: you have to take action.

If 90%* of all organizations fail to execute their strategies, it's time you think and act differently. And the way to do that is to shift your operating model towards an outcome-based model; A model shaped around business outcomes, strategic clarity, alignment, speed in execution and adaptability.

*90 Percent of Organizations Fail to Execute Their Strategies Successfully: A White Paper to Help You Avoid Being a Statistic - IntelliBridge

What this eBook is about?

This eBook provides guidance on how you can show to your CFO that investing in an Outcome Management software will enable you to achieve your company's strategic goals faster, more efficiently and with a decreased risk of failure.

What is an Outcome Management software?

An Enterprise Outcome Management software is a tool with associated enablement that helps businesses define and achieve their most important goals through better collaboration and strategy execution across departments.

02 What do CFOs care about?

Operational efficiency and cost-savings

It's important to show what efficiencies are gained with this new solution. Will it help reach your cost savings goals faster? Will it improve operational efficiency in your department? Will it optimize the resources spent on projects? Will it positively impact productivity in your business unit and thus the business? Showing your CFO that you can connect these dots can make all the difference in getting the buy-in you need.

Risk reduction

Risk reduction is another important aspect to demonstrate that the solution can address: from strategic risks - such as not reaching your time-to-market or delivery commitments to your customers, all the way to financial risks - such as projects taking too long to close and thus running into lack of resources.

Clarity, predictability and speed in strategy execution

Most strategy changes or big-bet projects fail to get traction or milestones are reached too late due to a variety of reasons: employees are not clear on the strategic goals, they don't see a clear connection between their work and the company goals, critical projects are underfunded and employees eventually become disengaged. Your CFO cares about clarity, predictability and a solid executional cadence. Hence, connecting the dots between an Outcome Management solution and these pain points can help you get the buy-in you need.

03 Operational efficiency and cost-savings

Operational efficiency and cost-savings

There was never a time when a CFO wasn't preoccupied with savings and ops efficiency. But now, in these volatile and uncertain times, securing cash and making the most of what you have is essential for survival. And while cutting costs might be easy to do, there are two things to keep in mind:

Firstly, you have to cut the right costs - those that don't make a significant impact on outcomes while making sure your strategic projects get all the funding they need. Only 11% of managers believe that all strategic priorities get the resources needed for success* and according to a study by McKinsey, firms that actively reallocated capital expenditures across business units achieved an average shareholder return 30% higher than the average return of companies that were slow to shift funds.

11%

of managers consider the strategic projects are underfunded

30%

increased shareholder return for companies that are quick to shift funds

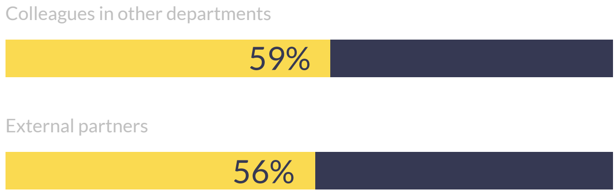
*Why Strategy Execution Unravels—and What to Do About It

Where Execution Breaks Down

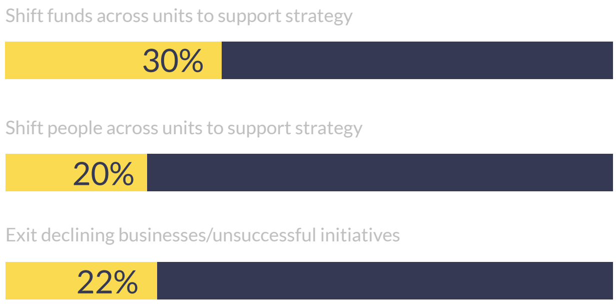
Over the past five years the authors have surveyed nearly 8,000 managers in more than 250 companies about strategy execution. The responses paint a remarkably consistent picture.

We can rely on people in the chain of command, suggesting that alignment up and down the hierarchy is not a problem. Share who say they can rely all or most of the time on:

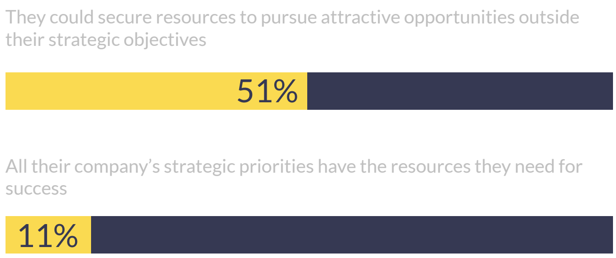
But coordination is a problem: People in other units are not much more reliable than external partners are. Share who say they can rely all or most of the time on:



We don’t adapt quickly enough to changing market conditions. Share who say their organizations effectively:



And we invest in too many nonstrategic projects. Share who say:



Why Strategy Execution Unravels - and What to Do About It

Source: Donald Sull, Rebecca Homkes, and Charles Sull - HBO.ORG

What is organizational alignment?

Organizational alignment represents the degree to which all teams, departments or Business Units are:

Vertically aligned.

This means working on goals that support top level company goals or KPIs and eliminate or dedicate less capacity to those projects or work streams that do not directly contribute to these strategic goals.

Horizontally aligned.

This means that teams divide the workload accurately, eliminating redundancies and duplicate work and are clear on how each team contributes or not to other teams' priorities.

The entire organization needs to be aligned around these shared priorities. Misalignment is costly and eliminating it will unlock significant improvements. Aligned companies churn 36% fewer customers each year and close 38% more sales proposals. Generally, roughly 10% of a company's spending is wasted to misalignment. While highly aligned companies grow revenue 58% faster* and are 72% more profitable than their misaligned counterparts.

10%

of company spend is wasted on misalignment

58%

faster revenue growth for highly aligned companies

Organizational Alignment Research Model | LSA Global

How an Outcome Management software can help you reach your cost-saving goals?

TYPICAL PROBLEMS IN OPERATIONAL EFFICIENCY AND COST-SAVING PROGRAMS

Lack of strategic clarity

Lack of clarity leads to lack of focus, with teams doubting how their work contributes to top level goals.

Misaligned teams

Misalignment can lead to duplicate work, working at cross-purposes or even more dysfunctional behaviors.

Sub-optimal project portfolios

Critical projects that get underfunded while "zombie" projects are still getting resources, draining the budgets.

8/10 managers say their companies fail to exit declining businesses or to kill unsuccessful initiatives quickly enough.

HOW AN OUTCOME MANAGEMENT SOFTWARE CAN HELP

Increases focus and clarity

It helps you define strategic goals and KPIs and then cascade those down to business units and teams - fast and efficiently.

Improves vertical and horizontal alignment

It helps your teams align both vertically but also horizontally - with other departments, making everybody more efficient.

Strategic portfolio optimization

Helps you identify and clarify - through alignment - which projects are critical or not serving the strategic goals. Thus, it helps your CFO see where deprioritization makes sense and re-allocate budgets faster.

Why Strategy Execution Unravels and What to do about it - HBR

Operational efficiency calculator

For example, if your company's Portfolio Management budget is $100M across 3 years and 10% is wasted due to misalignment, then $10M is depleted with no impact.

Based on our implemented projects, we see that our Outcome Management solution brings a 50% reduction in misalignment waste resulting in an extra $5M and increased portfolio efficiency.

Here's how to do the calculation:

WITHOUT WORKPATH:

Spent on Portfolio Management across 3 years = $100M

Misalignment rate = 10%

Wasted budget = $10M

WITH WORKPATH:

Spent on Portfolio Management across 3 years = $100M

Misalignment rate = 5%

Savings = $5M to allocate on other initiatives

Thanks to the Workpath software, we can see at a glance which goals from different teams and levels drive each other. So, reciprocal responsibilities and dependencies are made transparent, especially across team boundaries.
This is essential for an organization of our size.

Timo Salzsieder
CIO, METRO AG

04 Risk reduction

Risk reduction

Risk reduction is always high on a CFO's agenda. Be it strategic risk, operational risk, financial risk or even compliance risk. Transparency and predictability are key.

Consider that 90% of businesses fail to meet their strategic targets* and 24% of managers say their organization completely loses sight of strategy over time. This is a significant amount of risk that in volatile times your company cannot afford.

90%

of businesses fail to meet strategic targets

24%

of managers consider strategy to be lost in the process

Some types of risks that arise when strategy execution or important projects fail:

Strategic risks

Time to market is increased and competitors may capture the market first.

Development cycles are longer than planned.

Goals and projects lose their relevance and don't meet their expected ROI (as initial circumstances have changed too much in the prolonged time span).

Operational risks

When a project extends beyond its timeline, scope creeps and teams lose sight of goals.

Project delays cause teams to become demoralized and attrition increases.

Financial risks

Additional resources are needed to finish the project/reach the goal.

You need to hire again for critical roles that have seen voluntary attrition.

Good Strategies Often Unravel – Why Does Yours?

How an Outcome Management software can help you reduce risk

TYPICAL PROBLEMS IN STRATEGY EXECUTION THAT LEAD TO INCREASED BUSINESS RISK	HOW AN OUTCOME MANAGEMENT SOFTWARE CAN HELP
Lack of strategic goal clarity Most executives equate good strategy communication with good understanding, however, data shows that only 50% of C-suite and less than 16% of frontline team leads can connect the dots between their work and strategic priorities.	**Increases focus and clarity** KPI trees, goal graphs and easy OKR drafting helps everyone make sense of how their work contributes to strategic priorities. Thus, teams are encouraged to critically assess the value of their work and take better decisions.
Decision making is driven from the top only Frequent intervention from on high encourages middle managers to escalate conflicts rather than resolve them. Also	**Leverages front-line insights and bottom-up contributions** An Outcome Management platform supported by the OKR methodology encourages bottom-up contributions that match the reality in the field to the strategic overview. Thus, plans have a much higher chance of successful execution.
Course-corrects are slow and far in between Leading strategy execution just from the top obscures roadblocks and opportunities, making the strategy just a nice-sounding plan that cannot survive a brush with reality.	**Increases agility and fast reactions** Weekly check-ins and conversation functionalities surface bottlenecks, encourage resolution and highlight opportunities.

Risk-reduction calculator

If your company has the strategic goal to reduce expenses by $500M over 2 years and industry benchmarks say the risk of such a project is about 30%, you can safely assume that without an Outcome Management software, your business will only reach to $350M in savings.

Previous implementations have shown that with an Outcome Management solution, the risk of not reaching fully the strategic goals goes down, by 20 to 35% depending on how many business units and users are involved.(footnote - internal Workpath analysis on 4,000 completed goals)

Here’s how to do the calculation:

WITHOUT WORKPATH:

Planned savings = $500M
Risk rate = 30%
Expected savings = $350M

Lost value = $150M

WITH WORKPATH:

Planned savings = $500M
New lower risk rate = 21%
New expected savings = $395M

Gained value = $55M

“We wanted to make sure everyone understood what our strategic goals were and how each individual could contribute to them. Of course, even before OKRs were introduced, everyone was generally working hard - just not always in the same direction.”

Massimiliano Maiuri
Former VP Project
Management Office, Scout24

*Internal Workpath analysis on 4,000 completed goals.

05

Clarity, predictability and speed in strategy execution

Clarity, predictability and speed in strategy execution

Most companies succeed with textbook strategy, or, said differently - strategy definition. However it's the execution that counts at the end of the day. HBR found that over 75% of executives agree that executing a strategy is much more difficult than creating the strategy. Thus, because execution it's much harder, the goals of the strategy are often lost in the process.

This is due to several reasons among which:

Little time or thought given to goal clarity.

It's a mistake to assume that if you communicate a goal, people will also understand it or know how to put it into practice. Without a clear process around how each team contributes and what resources are needed (both monetary and from other departments) employees become busy but not necessarily more effective. HBR states that a 20% time increase on defining clear goals differentiates high- from low-performing teams. Gartner adds that organizations which are able to unlock capacity to execute new growth strategies increase profitability by 77%.

Lack of clarity around how day to day work connects to strategic priorities.

This lack of clarity is the reason why performance is generally lower than expected. HBR found that less than 30% of managers and 5% of employees can list their company's strategic priorities. LSA Global states that strategic clarity accounts for 31% of the difference between high and low performing organizations in terms of revenue growth, profitability, customer satisfaction, and employee engagement.

Measuring progress based on lagging indicators.

In times of high volatility a lagging indicator takes too long before it shows whether you are on the right or the wrong path. ROI, EBITDA, customer NPS are good KPIs but they cannot show in real-time if you're doing the right thing. For the right progress, you need leading indicators which are the basis of an OKR framework.

Read more on the difference between KPIs and OKRs here.

Leading versus lagging indicators

Lastly, the progress is assessed too rarely, missing chances for course-corrects. Strategy often takes the form of a few critical projects. And these projects are often tracked in xls or PowerPoints. The trouble is, those xls and PowerPoints are inconvenient to update. Thus, few people actually take the time to understand what's going on behind the numbers. In fact, HBR* notes that high-performing teams spend 14% more time checking their progress against strategic goals. Then, they shift resources accordingly. Lower-performing teams spend an astounding 83% more time fire-fighting and dealing with issues at a tactical rather than strategic level.

Performance

Leading indicators give early indications of performance. These indicators "lead" to results by showing the progress you're making toward your goal. Typically, leading indicators are metrics that will help keep you on track so that you hit your strategic objectives.

Time

A lagging indicator is a metric that takes a long time to impact or measure. Because of the time frame involved, lagging indicators are not a good option for providing feedback to teams as to whether their current projects are effective. However, lagging indicators are often the metrics that most accurately measures the actual business impact you're trying to achieve.

*How the Most Successful Teams Bridge the Strategy-Execution Gap

How an Outcome Management software can help you reach your goals faster

When making your case to the C-Suite, it helps to make a list of all the ways your organization's strategy execution process is slowed down by substandard practices and map each problem to a benefit of implementing an Outcome Management software.

Use the list below to get started:

TYPICAL PROBLEMS IN STRATEGY EXECUTION	HOW AN OUTCOME MANAGEMENT SOFTWARE CAN HELP
Lack of goal clarity Few employees really understand what the strategic goals mean for their work and how should they adjust, leaving strategy at the text-book level.	**Increased strategic clarity** KPI trees, goal graphs and easy OKR drafting helps everyone make sense of how their work contributes to strategic priorities. Thus, teams are encouraged to evaluate how their work contributes and take better decisions.
Insufficient capacity planning Goals are embraced without sufficient funding, especially capacity planning. Teams find themselves overworked with business-as-usual, and little time to dedicate to strategic objectives.	**Sufficient capacity planning** Capacity planning for all teams can help them correctly assess how much time they dedicate to strategic goals and how much is business as usual, thus helping with prioritization.
Too much reliance just on lagging indicators Lagging indicators don't show if progress is made in the right direction in due time. It often takes 6 to 12 months until errors become apparent, missing precious opportunities.	**Leading indicators complement lagging ones** An OM solution based on the OKR framework relies on leading indicators (as part of a good OKR formulation) thus helping teams assess which metrics can show the right kind of progress.
Agility in resource allocation Connected to the point above, companies thus continue to sink resources in projects that are no longer aligned with the strategic direction.	**Fast course-corrects and re-prioritization** Weekly check-ins and conversation functionalities help keep key metrics top of mind and prioritize or deprioritize projects as market conditions change. Analytics functionality allow you to deep-dive on most pressing topics and take action.

The impact of speed on your strategy execution

Due to supply chain issues and increased transportation costs, your organization is planning to nearshore 100% of its manufacturing capabilities which would lead to savings of $100M in 5 years.

Based on our implemented projects, we see that our Outcome Management increases speed of goal attainment by 15 to 23%. So rather than reaching the savings goal in 5 years, you can achieve the same result 1 year faster, which increases the net present value of the expected savings.

Here's how to do the calculation:

WITHOUT WORKPATH:

Expected savings = $100M
Discount rate = 10%
Year 1 savings = $5M
Year 2 savings = $10M
Year 3 savings = $15M
Year 4 savings = $20M
Year 5 savings = $50M

Net present value of the savings = $68.7M

WITH WORKPATH:

Expected savings = $100M
Discount rate = 10%
Year 1 savings = $10M
Year 2 savings = $20M
Year 3 savings = $25M
Year 4 savings = $45M

Net present value of the savings = $75.1M

"I am going nuts over managing strategic projects in xls. Me and my team spend hours trying to figure out what's behind some colored bars in xls and we often miss the real cause of the issue."

Strategy Director
Large German Tool Manufacturer

Calculate your own with this NPV tool

About Workpath

WORKPATH

Workpath is the Enterprise Outcome Management platform that helps businesses define and achieve their most important goals, especially in tough economic times when resources are scarce.
We help enterprises execute on efficiency and savings goals, identify unseen waste, course-correct quickly and focus resources where they matter most. So that they can achieve their goals and bounce back to growth quicker.

We do this by setting up the performance platform - Outcome Management framework. This framework allows them to focus on clear goals, company-wide alignment, execution tracking and fast adjustments. Workpath's OMF delivers process capabilities, and employee enablement, built around our technology platform.

Our Customer Education organization and Workpath's partner ecosystem enables some of the largest enterprises in logistics, energy & utilities, manufacturing, pharma, automotive and insurance to transform the way they run their businesses - from managing inputs and outputs to managing towards outcomes.
Focusing on customer value and business outcomes is the only way to succeed in the face of volatility and high-paced change.

Customers who use Workpath include Metro, DB Shenker, E-On, Bosch and some of the leading global brands in car manufacturing, ERP and furniture retail.

As one of the fastest growing technology companies in Europe, Workpath is a winner of the Deloitte Technology Fast 50 Award 2022.

Sources and references

Harvard Business Review

Why Strategy Execution Unravels and What to do about it

How the Most Successful Teams Bridge the Strategy-Execution Gap

LSA Global

Organizational Alignment Research Model | LSA Global

The Strategy Group

Good Strategies Often Unravel - Why Does Yours?

Cerius Executives

There is a value when sales and marketing is aligned. There is a cost if sales and marketing are not aligned. Here's a way to calculate the cost of the misalignment between sales and marketing.