CLOSING THE STRATEGIC PLAN/IMPLEMENTATION GAP: THE LOGITECH BENCHMARK

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ABSTRACT

The paper focuses on how a company can close the gap between its strategic plan and its engineering/project implementation, and thereby create a sustainable competitive advantage. The paper identifies critical integrative links and presents a Strategic Management By Projects (SMBP) model as an approach to tightly integrate the strategic plan with its implementation. Research results and application to hi-tech benchmark company, Logitech, demonstrate how a company can achieve high velocity implementation of its strategic portfolio of strategy fulfilling projects to create a sustainable competitive advantage.

KEY WORDS: Engineering Management, Strategic Management by Projects, Project Portfolios.

1.0 INTRODUCTION and OVERVIEW

Rapid technological and business change continues to challenge the competitiveness, even the survival, of companies. For a company to be competitive, it must have a clear and highly effective strategic plan. In addition, the implementation of the strategic plan must be fast and highly integrated. Frequently, however, implementation approaches are slow, and not directly connected to executive vision. A gap exists. Implementation of the vision falls short.

The paper first reviews the Strategic Management by Projects (SMBP) model, and the Critical Integrative Links (CILs) which close the gap. The model is high velocity, focused, and flexible. It tightly integrates the plan and its implementation, and thereby closes the gap to create the desired sustainable competitive advantage. The SMBP model involves: (1) the critical integrative links, (2) the strategic portfolio of programs and projects, and (3) a project implementation approach that is highly integrative and adapts to changing environments. It maximizes the throughput velocity of the strategic portfolio.

The paper then summarizes the research study that validates the model and then focuses on the benchmark study of Logitech, a company that has successfully implemented the SMBP model. Logitech has achieved tight linkage of the strategic plan and its implementation through the CILs and other processes in the model. As a result, Logitech has attained a high velocity implementation of their strategic portfolio of strategy fulfilling projects to create a sustainable competitive advantage, as shown by Logitech being chosen by the high technology periodical [6], Business 2.0, as the "best high-tech company in the worst of times."

2.0 STRATEGIC MANAGEMENT BY PROJECTS (SMBP)

Effective strategic management involves the process of both formulating strategies and then executing those strategies to create a sustainable competitive advantage. However, a perfect strategic plan is meaningless without its effective implementation. Similarly, effective implementation without a good strategic plan will not work in the long term. It is like getting to the wrong place faster.

Therefore, the five-stage Strategic Management by Projects **(SMBP)** approach is proposed for effective strategic management and attainment of a sustainable competitive advantage. SMBP bridges the gap, and is summarized by:

Conceptual Model: SMBP = SP x CILs x SIBP x Operations x CI

Where, Strategic Planning **(SP)** is the strategic planning activity typically conducted by companies each year. Critical Integrative Links **(CILs)** are the critical components that tightly link the strategic plan with its project implementation. These components include driving the strategies of the plan down to a set of programs and projects. This set is called the strategic portfolio. When implemented, the portfolio will achieve the strategic plan. In large corporations, each division will have its own portfolio.

Strategic Implementation By Projects **(SIBP)** is the project management system consisting of processes, tools, and people skills used to implement the strategic portfolio and thereby the strategic plan. On-going Operations (**Operations**) receives the projects where they become part of the company's better / faster / cheaper value generation essential for sustaining the company's competitive advantage. Finally, Continuous Improvement **(CI)** refers to the feedback and organizational learning which improves the processes in the SP, CILs, SIBP, and Operations stages over time, thereby making these processes even more difficult for competitors to imitate.

Each stage in the SMBP equation must be in place and working well for SMBP to be fully effective. If SMBP is to be 100% effective, then all 5 stages must be 100% effective. If any stage is missing, or working poorly, then SMBP quickly becomes ineffective.

2.1 STRATEGIC PLANNING PROCESS

Strategic Planning **(SP)** refers to a company's normal strategic planning process. This is often different for different industries and companies. Different approaches can be found in the references provided [1,4,7]. Overall, an effective strategic plan must possess clear and powerful thinking, and pass the following tests:

1. An assessment of external factors related to the rapidly changing environment, accelerating technology, and competitive pressures as an integral part of the SWOT (Strengths, Weaknesses, Opportunities, and Threats).
2. A clear vision of strategic direction and future end-state.
3. Goals that clarify specifically what the organization intends to attain in order to achieve the vision.
4. Goals which, if all are achieved, collectively attain the vision.
5. Strategies that are internally consistent with the vision and goal statements.
6. Strategic plan components (vision, goals, SWOT, strategies), in short, are integrated, aligned, and attainable.

Strategies are a comprehensive set of actions or activities which guide and direct the use of the company's resources (means) to accomplish the organization's vision and goals (ends). They thereby enable a sustainable competitive advantage (ultimate end). Strategies are broad action plan statements. An organization should have only a few strategies.

2.2 CRITICAL INTEGRATIVE LINKS (CILs)

In the past and in less chaotic environments, strategies were the final outputs of the strategic plan. They were implemented by delegating responsibility for each strategy to appropriate VPs of the various functional organizations. In today's rapid change environment, with strategies containing numerous cross-organizational change requirements and competitive advantage demanding execution oriented capabilities [8], implementation through delegation is no longer a practical solution.

Rapid implementation of a strategic plan requires Critical Integrative Links (CILs) so as: (1) to transform the broad plan output into specific integrated action steps, and (2) to establish processes that enable the high-velocity strategic implementation. Since strategies are short on specifics, they must be driven down to the next level. They rapidly explode into a large number of programs and projects, after taking into account the company's resources, constraints, and alternatives. Projects from the strategic plan contain specific cross-organizational changes that are required to implement the strategies, goals, and vision of the strategic plan. For companies in a rapid change environment, the volume of change-projects can be quite large.

Strategic Portfolio, the first Critical Integrative Link (CIL), is the strategic plan driven down to a portfolio of projects and programs. In the strategic portfolio, all projects and programs map to a strategy or goal. Also, we need the ability to create new projects and respond to the competitive or environmental changes during the year, not just at planning.

Critical Integrative Links (CILs). The Strategic Implementation by Projects (SIBP) process should have the following foundational CILs to integrate and tightly link the strategic plan and its implementation.

1. The **Strategic Portfolio (SPP)** is a group of programs and projects which provides the aligned and integrated focus for effective high-velocity implementation of the strategic plan.
2. The **Strategic Decision Guidelines (SDG)** are a set of guidelines developed as an outcome of strategic planning for making decisions. The SDG are used during implementation to resolve conflicts with project priorities, project delays/modifications/additions, resource contentions, and other multi-project trade-off decisions.

3. The **Project Steering Team (PST)** is a cross-organizational team made up of 5 to 8 committed individuals who are VPs or who report to the VP levels of the organization. They manage the content of the Strategic Portfolio, and make decisions involving multi-project tradeoffs and conflicts. The Director or Manager of Project Management (MPM) may chair the PST.
4. The **Project Office (PMO)** is the organizational support for the management of major projects, project management education, training, oversight, and consulting activities. It is headed by the MPM, who reports at a high level in the organization (e.g., the President or a VP).
5. The **Project Management Reference Guide (PRG)** is a handbook, tool, guide, information system, or database that defines the company's project management process and standards.
6. **Portfolio Prioritization (PPP)** is a process used by the PST which enables the company to perform resource loading and leveling, and work within its resource capacity. Prioritization also enables the PST to ensure adherence to the strategic direction identified in the strategic plan, and to quickly adapt to sudden changes, whether those changes come from technology, market, or competition.

2.3 STRATEGIC IMPLEMENTATION BY PROJECTS (SIBP)

The CILs above collectively bridge the gap between the strategic plan and its implementation, and establish the framework for an implementation process infrastructure, which is called Strategic Implementation By Projects (SIBP). The Strategic Portfolio maintains focus on the strategic plan, and the other CILs assure that linkages are tightly integrated. SIBP results in the highest priority projects being completed quickly, while other projects move at a more natural pace. Some projects are put on-hold until resources are available. Other projects are terminated. SIBP delivers the strategic direction, yet operates within the project resource capacity of the organization. Previous papers by White and Patton [9-12] have identified critical processes and activities essential for successful SIBP.

2.4 ON-GOING OPERATIONS

Completed projects flow into on-going operations. Operational processes and activities are not the focus of this paper. While operational excellence is outside the scope of this paper, it must be noted that world class performance in operations is also a critical necessary condition for SMBP to be highly effective and for sustaining the competitive advantage of the company. Further, there are many metrics that have, in the past, been used to measure only operational performance that can also be good measures of strategic planning and implementation performance.

2.5 ORGANIZATION LEARNING (Metrics and CI)

Finally, the last stage of the SMBP model is the feedback to the prior stages for continuous improvement (CI) of each stage and overall organizational leaning. The identification and usage of best practice performance metrics and CI are essential for the company to sustain its competitive advantage. Otherwise, competitors will catch up by learning and imitating the leading company's best practices. Neither metrics nor CI are central to the focus of this paper. So for brevity of the paper, the reader is referred to other sources [1,7,12].

3.0 RESEARCH UNDERWAY

The SMBP model and the CILs are based on the authors' experience with more than 500 companies and the research underway for validating. The research targets companies from a mix of industries with sales from $300 million to $60 billion and with 1,000 to 100,000 employees. The research can occur with a single business unit of the whole enterprise – or with multiple business units. The research uses a questionnaire, personal interviews, and other information. The questionnaire (web-based or paper) uses the 5-stage SMBP model and measures five levels of effectiveness for the stages. The research scope has been limited to the first 3 of the 5 SMBP stages. The questionnaire is completed by a strategy executive (CEO, business unit VP, or Chief Strategy Officer) and an implementation executive (the VP of engineering, Chair of PST, or director-level person familiar with both the strategic plan and its implementation challenges). The questionnaire has nine sections. There is one section each for the strategic planning stage, for the project implementation stage, and for business results. The other 6 sections are for each of the 6 CILs. Each section (except business results), consists of up to 10 questions and the responses to these questions then map to a response level (from 1 to 5) similar to the PM Maturity Model [2,3]. The average of the 6 CIL sections determines the level for the overall CIL stage.

Exhibit 1 shows the overall results for the first 3 stages (SP = Strategic Planning, CIL = average of all 6 CILs, SI = Strategic Implementation) for the low, mean, and Logitech. Since the Logitech results were at the high, or very close to the high, the high was not shown separately. Any stage at the 50% to 60% level (= level 2.5 to 3) or below has substantial room for improvement. Therefore, both the low and mean values show substantial room for

improvement in the gap (CILs) and the implementation (SI) stages. The SMBP results shown are calculated by multiplying the values from the first 3 stages (i.e., SMBP = SP x CIL x SI). Overall SMBP results of less than 50% show how quickly the strategic management effectiveness deteriorates when each stage is less than 100% effective.

Exhibit 2 shows the results for each CIL and the overall CIL for 2 sample companies, the mean, and Logitech. The lowest company (C3) has an overall CIL of 40% (Level 2) and each component CIL is 50% or below, except for the SPP (= strategic project portfolio). Surely much can be done to improve the gap for company C3. The same is true for the mean companies. Company C2 shows widely divergent CILs, while Logitech is relative strong for most CILs. This shows that Logitech's gap between strategic planning and implementation has been significantly closed when compared to other companies. Research results will be more fully discussed at the conference.

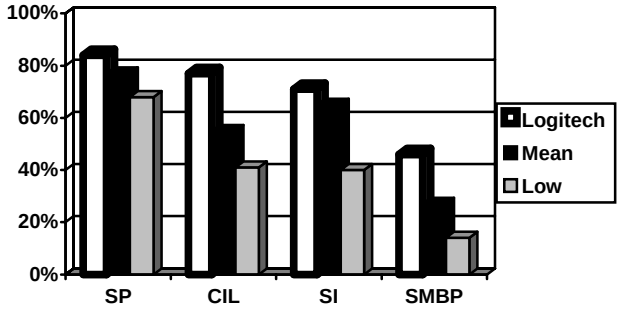

Exhibit 1: SMBP Indices (% Max)

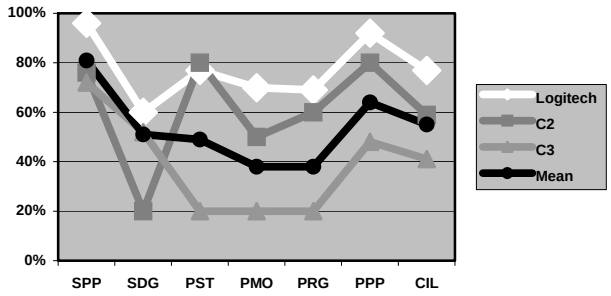

Exhibit 2: CIL and CIL Components

4.0 LOGITECH: THE BENCHMARK CASE

Logitech, Inc. is a highly successful hi-tech company with origins in the mouse business. Logitech provides the benchmark and demonstrates the application of the SMBP model and the CILs. Logitech's product lines include devices such as: mice, trackballs, webcams, keyboards, speakers, headsets, and interactive gaming controllers. The company is a market leader in cordless peripherals using digital radio technology. Logitech has maintained double digit financial performance (revenue growth up 28%, profits up 66%), while the rest of NASDAQ lost 34%. Another reason is the relentless stream of innovative new products arriving with the latest technology, greater performance, and at lower cost than key competitors. How closely does Logitech follow the SMBP model and the six CILs? Each CIL for Logitech is discussed below with an explanation of how the CIL has been useful in providing the strategic integration and tight linkage.

The **Strategic Portfolio (SPP)** is a fundamental element of Logitech's strategic process. Logitech utilizes 3-year to 1-year technology and product roadmaps that drive the Logitech strategic plan into a portfolio of programs and projects to be implemented over the next 12 to 18 months. This portfolio is the strategy-fulfilling portfolio that is the focus of, and the implementation for, the strategic plan. Also, in a rapidly changing competitive environment, it offers a set of projects that can be quickly modified to combat competitive threats.

The **Strategic Design Guidelines (SDG)** are a set of guidelines developed in strategic planning for making multi-project decisions. Four such guidelines that were identified for Logitech include:

- **Major Competitor**. Logitech will compete with a major competitor by entering the market with higher technology, greater functionality, and lower costs.
- **Number 1 or 2.** Logitech will launch products where it can compete in the #1 or #2 position in that market.
- **Low-End Competition.** Logitech will protect the low-end of a product line with very low-cost products.
- **Margin / Payback Period Threshold**. New products offered by Logitech are expected to meet or exceed minimum margin thresholds. Exceptions to these criteria must be justified with strategic reasoning.

Project Steering Team (PST). Logitech has a PST for each of its Business Units (BU). The BU General Manager and VPs form the PST. They are the executives that are involved in roadmap and strategic planning decisions, deciding which projects get into the portfolio, reviewing Go-Gate and Gate-2 decisions, prioritizing the portfolio, and helping resolve major cross-project issues for the BU. If a project status goes from yellow to red or green to

red, these VPs will become involved in reviews and support This creates visibility and a strong sense of importance for each of the projects in the portfolio.

Project Office (PMO). At Logitech, there is nothing called a Project Office. Yet, the role of a PMO is alive and well through the concept of project management support organizations that facilitate the smooth management of projects. At Logitech, this role is distributed to each of the BUs and to others responsible for certain information systems and tools used in project management. The largest BU, Control Devices, has a Director serving as the Manager of Project Management for that BU. The PMO is responsible for project coaching, training, tools support, for the New Products Process (NPP) computer system support and enhancements, and for the Business Unit Project System (BUPS) project database system (which is both a corporate and BU tool). The PMOs at Logitech have been successful, because they help and add value to the process.

Project Management Reference Guide (PRG). The Logitech realization of the PRG is clearly the NPP system, the BUPS project database system, and several other systems/tools/templates associated with the NPP system. These systems are used by all the BUs at Logitech with variations consistent with the specific needs of the BU. The scope of this paper does not allow us to cover all aspects of the systems associated with NPP [13]. In general, if the system primarily supports the marketing process (e.g., the Marketing Requirements Document), then a marketing person is in charge of that system; if an engineering process, then an engineering person is in charge. The NPP and BUPS systems have become the infrastructure for, and critical to, how Logitech achieves its new product introduction and sustains its competitive advantage.

Portfolio Prioritization (PPP). There is a separate strategic portfolio for each of Logitech's BUs, and those portfolios are prioritized by the PST of the respective BU. For the Control Devices BU, the prioritization is a whole number prioritization (1, 2, 3, ...n). This approach allows the greatest capability for fast and flexible responses to changing business conditions. Portfolio prioritization has been used to avoid seasonal problems with new product introductions and thereby meet financial and stockholder expectations. Prioritization has also been used to combat competitive threats.

Prioritization Example for Competitive Threat. After setting its 1-year product roadmap, Logitech discovered that its competition would probably introduce a new technology, call it Cutting Edge technology, during the year. Since Logitech was nearing first stage development of Cutting Edge as a part of its technology roadmap, it sensed an opportunity to beat its competitor to the punch. To manage the competitive opportunity, projects were re-prioritized. A Cordless Mouse project, initially priority 1, was moved to priority 3 and was replaced by the new Cutting Edge Project 1. Also, the priority 3 and 5 projects, the new keyboard line, both moved down in priority. Cutting Edge Project 2 moved into the priority 4 position. The overall result was that resources were now more focused on the Cutting Edge technology products. All products were launched and a competitive advantage was realized.

CILs and SMBP Overall. Clearly Logitech uses all the CILs identified in the SMBP model. The research results in Section 3.0 show Logitech at the top in overall SMBP effectiveness. Clearly SMBP and the CILs play a central role in Logitech's ability to integrate and tightly link the strategic plan with its implementation in a high-velocity, flexible, and focused manner.

4.1 LOGITECH: BUSINESS RESULTS

Logitech has many exemplary processes and tools. The Logitech strategic plan is tightly linked and integrated with its implementation. The gap is closed at Logitech. Both the plan and the implementation are dynamic and flexible to changing conditions through roadmaps and project priorities. And the throughput and time-to-market metrics have shown great improvements over recent years. Are these improvements reflected in Logitech's business results?

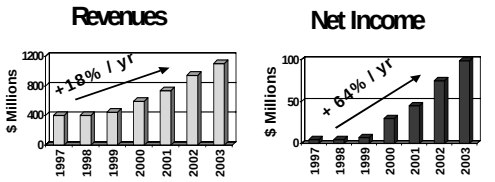

Exhibit 3: Revenue and Profit Growth

Yes, of course! Logitech has attained outstanding business results over the past several years, as shown by its revenue and profit growth in Exhibit 3. Revenue has grown at compound annual growth rate of over 18% per year. Profits have increased at a compound annual growth rate of over 64% per year, an amazing accomplishment to sustain over 7 years. It is especially amazing given the opposite in performance for other high tech companies.

The title of the Business 2.0 article [6], "The Best of Companies in the Worst of Times," is an excellent overall summary. Logitech has demonstrated the effective use of the SMBP model and the CILs. Logitech has closed the gap, Logitech has attained high-velocity, focused, flexible strategic plan implementation practices, and Logitech provides a valuable benchmark for other companies.

5.0 CONCLUSIONS / RECOMMENDATIONS / NEXT STEPS

With this paper the authors conclude the series of articles planned when they began their research. Initial hypotheses have been supported by the data gathered. The database will continue to be maintained and updated as additional companies are invited to participate in the survey to compare their scores with those of other firms. Also, the survey will be used as an assessment tool for measuring implementation process support for strategic plans.

The authors have recently become aware of a major research project conducted by the Project Management Institute from 1998 to 2003 called OPM3 [5]. This project has a similar premise, but is on a much larger scale. Thirty thousand participants were surveyed. The project team had 800 people at peak. The first results are just being published.

Early release information states that 630 "best practices" were identified, with each best practice having 2 to 9 competencies, and each competency having at least one key performance indicator. The results will be shared in a 900 page reference document. The volume is accompanied by an index of dependencies among competencies and a self assessment tool which companies can use to establish their current performance in comparison with the best practices.

The authors await this publication with high interest and a desire to read each page, looking for opportunities to clarify and simplify the content in future papers, thereby easing its use by other interested parties.

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