StrategyXF

COMMUNITY RESEARCH

The Hidden Economics of Strategy Execution Failure

Leading Indicator Metrics for Business Value Erosion

Quantifying the leading indicators that signal business value at risk—and enabling proactive action **before it's too late.**

Core Assertion:

Strategy Execution failure represents a hidden but **substantial destroyer of business value** that is currently **tolerated by most C-Suites due to lack of quantification**. Making **this business value at risk visible and material** will shift it from an **accepted cost of doing business** to a **strategic imperative** requiring C-Suite action.

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Leading Indicator Metrics for Business Value Erosion

Portfolio Structural Risk

Business value lost / left on the table due to poor portfolio planning and architectural decisions

Key Metrics:

1. Strategic Misalignment of Initiatives
2. Redundancy & Overlap between Initiatives
3. Discretionary Budget Increase from Reallocating Operational Savings

Portfolio Execution Risk

Business value lost and deferred due to ineffective portfolio execution / delivery

Key Metrics:

1. Outright Project Failures
2. Portfolio Cost Overruns
3. Schedule Delays

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PRINCIPLE 1

Portfolio Structural Risk: Key Findings

Business value lost / left on the table due to poor portfolio planning and architectural decisions

Illustrative Metrics

Metrics	Low-Performing	High-Performing
Strategic Misalignment of Initiatives	26.8%	10.05%
Redundancy & Overlap between Initiatives	+7.5%	+2.5%
Total Portfolio Business Value Lost	**34.3%**	**12.55%**
Business & IT Operational Cost Savings	1%	9.8%
Discretionary Budget Increase from Operational Savings	3.9%	39.9%

Performance Gap

High-performing organizations are:

- **2.73 times more effective** at preventing value loss through superior portfolio planning and business & enterprise architectural discipline.
- **10.0 times more effective** at expanding discretionary investment capacity by identifying and reallocating operational cost savings to fund growth initiatives.

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Key Findings: Strategic Misalignment

Quantifying the business value lost through poor strategic planning alignment

Root Causes & Challenges

1. Ineffective Definition & Communication of Strategy
2. Poor Bottom-Up Annual Planning
3. Inability to Effectively Reallocate Funds Throughout the Year

Illustrative Metrics

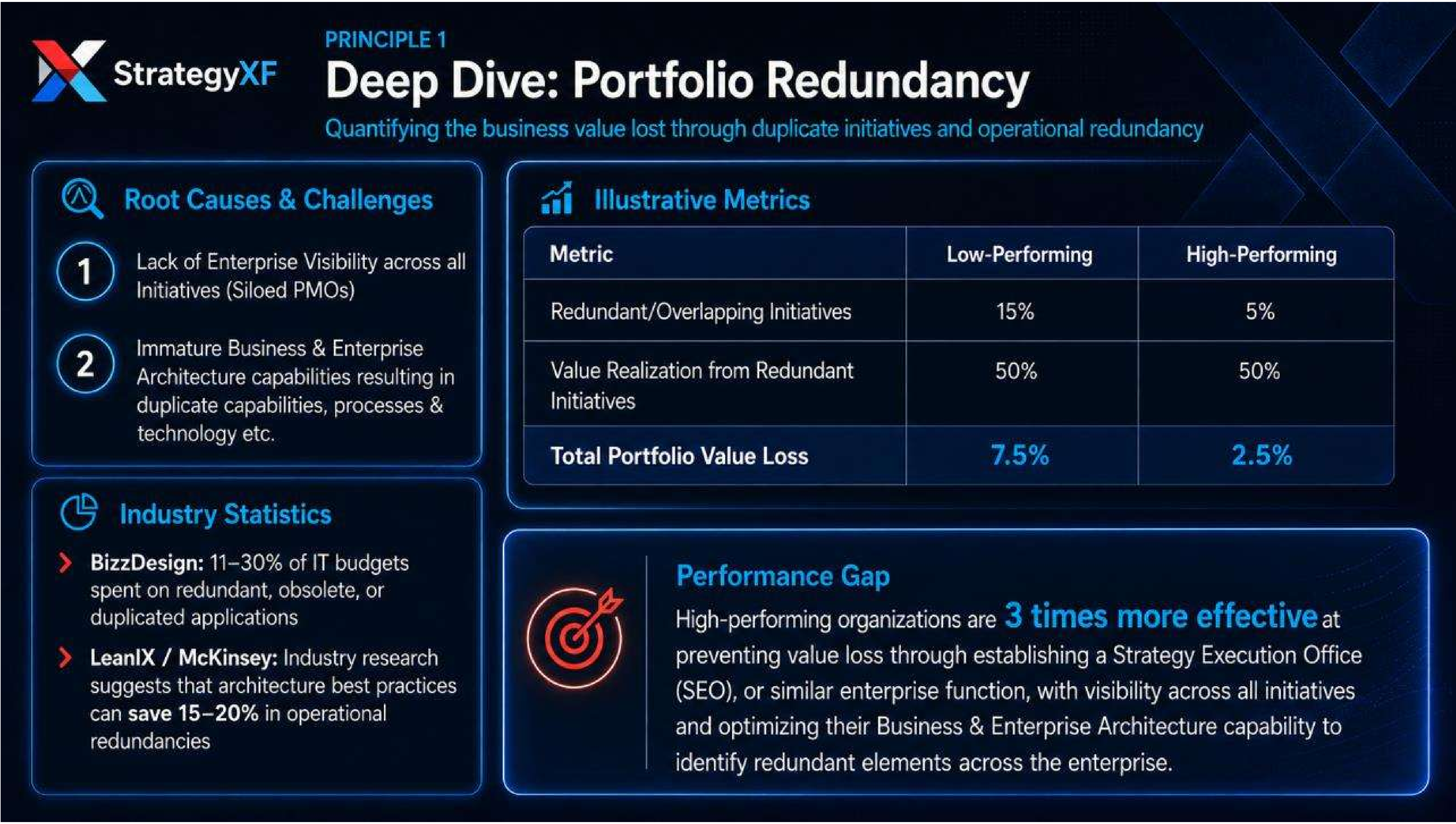
Metric	Low-Performing	High-Performing
Initial Planning Misalignment	30%	10%
In-Year Reallocation Misalignment	+10%	+5%
Total Misalignment	**40%**	**15%**
Value Realization from Misaligned Projects	33%	33%
Total Portfolio Value Loss	**26.8%**	**10.05%**

Industry Statistics

- **Axios:** Only 9% of employees vs 27% of leaders believe they're aligned with organizational goals
- **PMI:** Just 57% of projects are highly aligned to strategy — 43% have weak or no alignment
- **PMI:** 20% of projects in typical portfolios are so severely misaligned they should be terminated immediately

Performance Gap

High-performing organizations are **2.37x more effective** at preventing permanent business value loss from strategic misalignment by optimizing their strategic planning capabilities — moving from bottom-up static annual planning to a top-down continuous planning model.



Metric	Low-Performing	High-Performing
Redundant/Overlapping Initiatives	15%	5%
Value Realization from Redundant Initiatives	50%	50%
Total Portfolio Value Loss	**7.5%**	**2.5%**

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Deep Dive: Op Budget Cost Savings & Reallocation

Quantifying the business value unlocked through operational savings and discretionary budget reallocation

Root Causes & Challenges

1. Inability to see the entire operating model of your business
2. M&A activities & technical debt result in bloated budgets
3. Results in reduced discretionary budgets (do more with less)

Industry Statistics

- **The Value of BA:** Organizations that implement business architecture can achieve **15–20% cost savings**
- **McKinsey:** Companies have an opportunity to optimize and potentially reinvest **30% of IT spend**
- **LeanIX / McKinsey:** Industry research suggests that architecture best practices can save **15–20% in operational redundancies**

Illustrative Metrics

Metric	Low-Performing	High-Performing
Business Operational Budget Savings	0.9%	9%
IT Operational Budget Savings	2.5%	25%
Total Operational Budget Savings	**1%**	**9.8%**
Discretionary Budget Increase if Operational Savings are Reallocated	**3.9%**	**39.9%**

* Note: Metrics based on a cross-industry average for $6bn company

Performance Gap

High-performing organizations are **up to 10 times more effective** at rationalizing business and IT operational costs through cost optimization initiatives and gaining a complete picture of their business through maturing their business and enterprise architecture processes. These savings, if reallocated, significantly increase the ability to fund innovation.

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Portfolio Execution Risk: Key Findings

Business value lost and deferred due to ineffective portfolio execution / delivery

Illustrative Metrics

Metric	Low-Performing	High-Performing
Business Value Lost (Outright Project Failures)	16%	6%
Business Value Lost (Cost Overruns)	+15%	+7.5%
Total Business Value Lost	**31%**	**13.5%**
Business Value Deferred (Schedule Delays)	35%	17.5%
Total Portfolio Value Deferred	**35%**	**17.5%**

Performance Gap

High-performing organizations are:

- **2.3 times more effective** at preventing permanent value loss through superior portfolio execution capabilities.
- **2.0 times more effective** at preventing value deferral through superior portfolio execution capabilities.

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Deep Dive: Outright Project Failures

Quantifying the business value lost through outright project failures

Root Causes & Challenges

1. Misalignment is a contributor of approx. 40% project failures
2. Inadequate portfolio planning / feasibility & project execution
3. Poor stakeholder engagement, exec sponsorship, org unreadiness

Illustrative Metrics

Metric	Low-Performing	High-Performing
Outright Project Failures	16%	6%
Value Realization from Failed Projects	0%	0%
Total Portfolio Value Loss	**16%**	**6%**

Industry Statistics

- **Standish Group CHAOS Report 2020:** 19% of projects are outright failures across industries
- **PMI:** Globally, **12% of projects** are rated as failures, dropping to **8%** among high-performing organizations
- **PMI:** Organizations use **2.5x more resources** on failed projects than those that succeed

Performance Gap

High-performing organizations are **2.66 times more effective** at preventing permanent business value loss from outright project failures through optimized and integrated Strategic Portfolio Management, Business & Enterprise Architecture, Project Execution and Change Management capabilities.

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Deep Dive: Challenged (Cost Overruns & Delays)

Quantifying the business value unlocked through operational savings and discretionary budget reallocation

Root Causes & Challenges

1. Budgets are finite resulting in reallocations, postponement & descoping across the portfolio
2. Financial budgeting & tracking still very immature in most orgs
3. SRM, BA, EA and CM impact schedule delays as much as poor execution

Industry Statistics

- **Standish Group CHAOS Report 2020:** 50% of projects are challenged (experiencing cost overruns or delays)
- **PMI:** 43% are not completed within budget and 48% are not completed on time
- **HBR:** Research, the average cost overrun was 27%

Illustrative Metrics

Metric	Low-Performing	High-Performing
Challenged Project Rate	50%	25%
% of portfolio with significant cost overruns (Value Loss)	30%	30%
% of portfolio with significant deferral (Value Deferred)	70%	70%
Portfolio Value Lost (Cost Overruns)	**15%**	**7.5%**
Portfolio Value Deferred (Schedule Delays)	**35%**	**17.5%**

Performance Gap

High-performing organizations are **2 times more effective** at preventing permanent business value loss and value deferral from cost overruns and schedule delays through optimizing Strategic Portfolio Management, Business & Enterprise Architecture, Project Execution and Change Management capabilities.


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Thank You!
Thanks for your time and I look forward to collaborating together.
Together, we elevate Strategy Execution to a C-Suite Imperative.
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