BUSINESS IMPACT ANALYSIS

THE EARLY WARNING SYSTEM FOR SUCCESSFUL STRATEGY EXECUTION

Claudia M. Baca, PMP, OPM Professional Services
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Introduction

In the late 20th century a private, national insurance organization made a decision to change its tax structure to that of a publicly held corporation as part of its larger strategic plan. It made this move to raise capital to fund the substantial strategic changes that needed to be made to drive business growth. In this strategy definition, the organization realized that, most of its claims and adjustment processes were manual and required automation, employee locations would need to be consolidated and fundamentally it needed to reduce its operating costs in order to compete. The company set out on a multi-year journey to reduce costs, streamline the organization and successfully transform the workforce. It knew that factual data on the cost of a claim and the time required to complete a claim would help it in this transformation.

The leadership team began their journey with a core process redesign and mechanization of the analytics needed to determine the cost of a claim. They built the processes and then trained the workforce on the redesigned processes. Little communication was provided to the employees regarding the long-term vision. The communications that were provided were very focused on a single event, such as mandatory attendance at an upcoming process class. No communications were provided that described the strategy and the long-term plan for the organization and the changes that were anticipated or why it was important for the health of the organization. Communications instead focused only on the next impending change.

In the following years, the organization continued consolidating offices by moving claim adjusters to several highly populated areas and continued automating the processes of the organization. Ongoing analytics showed where additional money could be cut from the operating expenses. But, throughout the multi-year process, communications to the employees remained on an “as needed” basis.

For the employees, these years represented a constant state of flux. They were rewarded with a profit sharing program, but were constantly challenged to decrease the time to complete a claim. Senior employees were offered early retirement packages so that new, lower-cost resources could be acquired. Employees were understandably skittish about the future of the company and, more importantly, their roles in the constantly changing environment.

The organization eventually completed its base transformation; and a long 15 years later, is now price- and performance-competitive with other national insurance organizations. Its current strategy is to look for new cost-saving measures to decrease operating expenses in order to increase value to its shareholders.

When reviewing this transformation and its completion one needs to ask: Was this a well-executed 15-year plan? (This transformation did take 15 years to complete.) Or was this a five-year plan without a solid strategy execution framework and effective change management practices?

As PMI’s *Pulse of the Profession* (PMI, 2014) points out, “In today’s volatile environment, with the rate of change accelerating, organizations that successfully manage strategic initiatives save more money and are poised to gain an advantage over their competitors” (p. 4). Organizations need to resolve how to successfully implement organizational change that drives to sustainable competitive advantage.

With the insurance company and its transformation as a backdrop, this paper explores how to set the stage for successful strategy execution with sustainable organizational change by providing some background on the
strategy execution framework—Organizational Project Management (OPM). It then looks at the practice of change management in organizations—a major factor missing in the insurance organization scenario—and the change lifecycle framework presented in *Managing Change in Organizations: A Practice Guide* (PMI, 2013a).

Once the organizational change management context is set, the focus will be on Business Impact Analysis (BIA), the one feedback loop that unifies both models. Business impact analysis is the link between successful strategy execution and the achievement of improved business results via sustainable change. The paper will discuss the format and mechanism to map strategic intent—the intended benefits—from the initiation of projects and programs through to benefit realization and sustainable organizational change. It will illustrate how the insurance firm could have successfully completed its transformation in five years or less.

The ability to make major transformational change is key to delivering an organization’s strategy. In fact, according to the Economist Intelligence Unit’s *Why Good Strategies Fail: Lessons for the C-Suite* (EIU, 2013) “88% of respondents say that executing strategic initiatives successfully will be ‘essential’ or ‘very important’ for their organizations’ competitiveness over the next three years” (p. 5).
Background

There are few models for strategy execution. According to a 2010 literature review by Yang Li et al (as cited in EIU, 2013, p. 6), very little literature actually exists that addresses strategy execution. The EIU study summarized “[…] on average, only two to three articles on the topic appeared per year in recent decades across all academic journals […] it [strategy implementation] also receives little attention in the business press” (p. 6, 7). Yet, one of the key findings of that same study is “senior executives recognise the importance of strategy implementation, but a majority admit that their companies fall short” (p. 3). Since 2003, PMI has been bridging the gap in effective strategy implementation, providing thought leadership, literature and proven techniques. PMI’s solution for effective strategy execution is the concept of Organizational Project Management (OPM). First introduced in the Organizational Project Management Maturity Model (OPM3®) (PMI, 2003), this concept has matured and gained traction as one of the key models of strategy execution. As defined, OPM “is a strategy execution framework that […] produce[s] better performance, better results, and a sustainable competitive advantage” (PMI, 2013b, p. 3), as depicted in Figure 1.

Figure 1: Organizational project management’s strategy execution framework
An explanation of this model starts with the strategy of the organization, which is based on the organization’s mission, vision and values. The strategy is built to deliver maximum value to stakeholders and creates the desired business results for the organization. As the organization develops its strategy, it must build the mechanisms to effectively deliver that strategy. The OPM concept builds successful implementation of strategy by determining which initiatives should be undertaken. The discipline of portfolio management aligns the work and the resources of the organization to the strategy, building a value decision-making mechanism (PMI, 2013b).

The domains of program and project management are the means to effectively achieve the initiatives of the organization and provide value delivery. Strategy alignment continues through these domains and culminates with the value realization each initiative has been commissioned to achieve (PMI, 2013c; PMI, 2013d). This achievement is apparent when the results of the initiative are transitioned to the operations of the organization in a sustainable way.

The OPM strategy execution framework contains three feedback loops: Business Impact Analysis (BIA), portfolio review and adjustment and value performance analysis. BIA, the focus of this paper, takes results data from programs and projects and feeds them back to the portfolio. The portfolio determines the impact to the business from these results and compares it to the anticipated benefit metrics as it progresses. BIA looks at all of this data (portfolio, program and project results) with the view of strategy implementation. This activity is not only completed at the close of programs and projects, but is also done at scheduled intervals in the program or project to produce insights and modifications to the portfolio. This analysis does not replace the review processes that are conducted in portfolio, program and project management. It is done in addition to those processes. The intent is to deliver strategic intent with sustainable change. It is a key activity used to analyze and recommend adjustments to the entire strategy implementation.

An important element of the OPM strategy execution framework is the organizational environment itself and how the environment supports the strategy execution framework. These supporting practices are called organizational enablers (i.e. competency management, governance, resource allocation, organizational structures, etc.)—the organizational competencies required to deliver strategy successfully. More importantly, the organizational environment is where the integration of the OPM strategy execution framework and change management occurs. As the organization defines its strategy and delivers it through its strategy execution framework (portfolios of programs and projects) the target of change management is the transformation of the organization itself.

The 2013 Pulse of the Profession® In-Depth Report: The Impact of PMOs on Strategy Implementation (PMI, 2013e) states, “Successful execution of strategy also requires emphasis on organizational change management. A lack of change management skills are [sic] the biggest barrier to successful strategy implementation, according to 38 percent of PMOs” (p. 14). To bridge the change management knowledge gap, PMI continued its maturation of the concepts of strategy execution by introducing Managing Change in Organizations (PMI, 2013a). This guide lays the foundation for change management as a critical element for successful strategy execution. It describes change management as a “comprehensive, cyclic and structured approach for transitioning individuals, groups and organizations from a current state to a future state with intended business benefits” (p. 2). It helps organizations integrate and align people, processes, structures, culture and strategy. In the context of OPM, change management helps organizations successfully drive their strategy through the OPM domains of portfolio, program and project management.
The use of portfolio, program and project management with the feedback loops, described earlier as the OPM strategy execution framework, is strengthened and sustained by the integration of change management. High performing organizations are driving achievement of their strategic objectives with OPM and change management, as shown in Figure 2.

Figure 2: Driving strategy achievement with OPM and change management

A portfolio that has integrated change management into its processes requires undertaking activities that align programs and projects with the strategy of the organization as well as activities that transition project results into operations to realize business benefits. These change management activities include assessing the readiness of the organization for the change (see Combe, 2014) and the ongoing capacity of the organization to absorb the change and to avoid change overload (see Harrington and Voehl, 2014). Figure 2 shows the relationship and integration between the change management lifecycle and the rest of the OPM elements.

The OPM strategy execution framework integrates all of these disciplines to deliver change consistently and predictably thereby maintaining or increasing an organization’s performance and sustaining its competitive advantage.
The Continuum of Strategy Execution

Why Good Strategies Fail: Lessons for the C-Suite (EIU, 2013) states that organizations do not see strategy formulation and strategy implementation as a continuum of work. Seeing the continuum of work helps organizations realize the importance of feedback loops as shown in Figure 1 and described above. EIU’s survey respondents recognize the value of learning from experience. Of course, recognition of the importance of the activity does not mean it is executed well. Only 40% of survey respondents say their companies are “good” or “excellent” at feeding back lessons learned from successful implementations into strategic planning and just 33% are feeding back unsuccessful ones. Worse 33% have no method for doing so (p. 6).

These data are reinforcing what many have suspected: A lot of organizations are concentrating on the beginning processes of planning for strategy execution and they are not looking at the entire continuum of strategy execution. When organizations begin their implementation of strategy, OPM and change management allow them to focus on the entire continuum if implemented properly. Namely, is the organization building a complete, systematic process to deliver its strategy? At any point in time is the organization able to answer the questions of:

- Are the anticipated benefits being delivered?
- Are we building sustainable change?
- Can we prove the strategic needle is moving in the right direction?
- Are we adjusting the work according to the results of our analytics?

Building the complete continuum of strategy execution includes the analytics and corrective action that must be taken to keep the work of the organization on track to realize its strategic intent.

Visitacion and Bittner (2014a) in a Forrester Research study state:

Feedback loops when they exist, provide information about team progress, risk product quality, measures of application health, and the degree to which products, capabilities and services satisfy business needs. […] The lack of transparency into the demand-to-delivery cycle causes companies to toil away efficiently on low-value work rather than focusing on being effective—doing the right work at the right time (p. 2).

They go on to say, “Business and technology leaders need to continuously evaluate opportunities based on changing market conditions and internal capability (feedback loops) and compare alternatives in order to optimize outcomes (p. 3).

OPM and change management focuses on the entire continuum of strategy execution. Feedback begins with the measurement/response system for strategy execution. According to Barnett and Visitacion (2014b):
The success of a business technology strategy requires using feedback about execution to adjust strategy, targets, and the execution process itself. Performance feedback addresses three questions: Are we doing the right thing? Are we doing it well? and Are we getting the results we wanted? However, many firms neglect this feedback and have inadequate performance management environments—resulting in a weakened ability to assess their strategies’ successes or to make corrections (p. 1).

Because of the frequency of analysis that occurs with business impact analysis, it can be considered the early warning system for affirmation of strategic intent realization or needed corrective action for strategy execution. Consider business impact analysis the earned value management of strategy execution.
Business Impact Analysis

BIA is not the analysis that takes place as part of an IT disaster recovery plan. Instead, it is the set of analytics that should be done on portfolios, programs and projects at frequent intervals that allows the organization to make critical decisions about the success or corrections that need to be done within project, program and portfolio management to meet their strategic intent. BIA is necessary to support the delivery of organizational strategy.

To set up the correct set of analytics for the strategy execution one must first have:

- **A strategy.** In their book, *The Project Manager’s MBA: How to Translate Project Decisions into Business Success*, Cohen and Graham (2000) state, “the central purpose of most businesses is to add value for their stakeholders, anyone who has an actual or potential stake in the business” (p. 67). The goal of an organization’s strategy is the translation of its vision and mission into those actions that will deliver maximum value to its stakeholders and desired business results for the organization (Baca, Bull, and Shaw, 2012). Take, for example, the national insurance firm discussed earlier. The strategy that was set when the organization’s leadership team began their transformation was to enable the company to compete more effectively. To do so, they determined that an element of the strategy would need to include cost reductions, which would also include automation of many processes and consolidation of workforce locations.

- **A portfolio.** Regardless of the care and attention given to the development of strategy, it is of little or no value to the organization if it is not effectively implemented. To paraphrase Rummler and Brache (1995), many well-conceived strategies fail because they are poorly implemented. This point is reinforced by Crawford and Cooke-Davies (2012) when they state, “Often, the corporate strategies of competing firms are very similar—the key differentiator is each firm’s relative ability to deliver the strategy” (p. 8). The implementation of strategy begins with building a portfolio of programs and projects that will deliver incremental value over a set timeframe and will ultimately deliver the strategy as intended. One would assume that the insurance firm built a portfolio of projects and programs that would achieve its strategy in a predetermined timeframe—perhaps five years, as depicted in Figure 3. The portfolio first contains three sub-portfolios that represent the strategic pillars that must be advanced to achieve the strategy of competing effectively. Each of the sub-portfolios has a measurable business result associated with the achievement needed for that piece of work (i.e. 1% growth). Each sub-portfolio then contains programs and projects with the benefits sought. In the sub-portfolio of 1% growth, the programs and projects would achieve major cost reductions from workforce consolidation and automation.
Projects and programs. Each project and program would have clear and measurable objectives that would deliver the anticipated business results (sometimes referred to as outcomes), which drive the achievement of the strategy. The projects would have interim deliverables and milestones that build the capabilities and lead to the overarching business result. These interim deliverables will be used later in the business impact analysis. For the insurance firm, each of its programs—workforce consolidation, automation and analytics—would have overarching goals that would deliver measurable value, and projects that have goals and interim deliverables, as seen in Figure 4.

Each of the projects would be sequenced to build upon the measurable results of the previous project in the program. For example, one would not do major workforce consolidation projects until one had generated the right analytics to understand how best to consolidate the workforce. One might have projects to locate and lease buildings in major metropolitan areas, but the workforce would not be moved to that location until a complete understanding of how best to consolidate the workforce was achieved.
Change management practices throughout the portfolio of programs and projects. *Why Good Strategies Fail: Lessons for the C-Suite* (EIU, 2013) reports, “Respondents say that the leading barrier to successful implementation [of strategy] is a lack of change-management skills (45%)” (p. 13). Portfolio, program and project management by themselves will drive delivery of the strategy of the organization, but success is dependent on the organization’s ability to change to the desired future state. Consideration should be given to the development of change management competency of the organization personnel and the infusion of change management practices throughout the strategy execution framework.

Managing Change in Organizations (PMI, 2013a) provides a comprehensive framework for applying change management to the organizational environment. It also provides the Change Life Cycle Framework shown in Figure 5 that describes the cycles of change management and how the lifecycle is applied to portfolio, program and project management. The application of change management will be critical for the organization to determine if the change applied is sustainable, and the business impact analysis provides the means by which to monitor the strategy implementation throughout its lifecycle. It is not enough to say a project or program has completed without thoroughly investigating whether sustainable organizational change has also been attained.
Organizational Business Strategy

Current State

Business objectives

Formulate Change

Identify/clarify need for change

Assess readiness for change

Delineate scope of change

Plan Change

Define the change approach

Plan stakeholder engagement

Plan transition and integration

Implement Change

Prepare Organization for change

Mobilize stakeholders

Deliver project outputs

Manage Transition

Transition outputs into business

Measure adoption rate and outcomes/benefits

Sustain Change

Ongoing communication, consultation, and representation of stakeholders

Conduct sensemaking activities

Measure benefits realization

Future State

Adaptive Change

Realized Value

Figure 5: Change life cycle framework
One may find his or her organization has some or all of the above lifecycle components in place. And some components may be more mature than others. Business impact analysis can help inform an organization’s leadership about the sections of the framework that are working as data are gathered and corrections made based on actual findings.

For the insurance firm, if the leadership team was going to transform the organization correctly, they would have first analyzed the organization’s competency in change management, adopted a change model and trained key portfolio, program and project managers. They would have completed some substantial work in the formulate change cycle element as they laid the foundation for the portfolio. Perhaps an enterprise-wide change readiness review would have been completed so the leadership would understand how difficult the required changes would be. They would have spent considerable time planning for the change envisioned over the next five years and would have built a plan for sensemaking activities—a sustain change element. The leadership would want to retain the personnel required to move to their desired future state, and sensemaking activities would ease the personnel through the change. The program or project management plan and its change components would have reflected this retention goal.

Each program and project would use all five cycle elements: Formulate Change, Plan Change, Implement Change, Transition Change and Sustain Change. These elements should have been thoroughly planned for in each of the program and project plans the same way as the leadership built the plans for new automated claims processes and training. The work of sustain change would have been well documented with metrics to measure if sustainable change had really been achieved. This leads to the next topic: What exactly should be analyzed in business impact analysis?

What should be analyzed?

There is a simple, fundamental rule regarding what should be analyzed: Understand what decision makers need and then define metrics. When determining what should be analyzed, take into account the change lifecycle—namely the cycle elements of formulate change (What are the change objectives?) and sustain change (Did we accomplish what we set out to do?). Managing Change in Organizations (PMI, 2013a) provides more clarity concerning what should be analyzed in the form of critical success factors. These success factors are introduced in the formulate change phase, and then further elaborated as one moves through the domains of portfolio, program and project. That publication also notes that metrics need to be established early in the transformation, and tracked as work packages for evaluating the results at specific milestones along the way.

Both the decision-maker’s needs and sustainable change parameters need to be in place for business impact analysis. So what should be reviewed in each of the domains of OPM?

Portfolio analysis

The business impact analysis needed at the portfolio level includes several parameters that will provide insights to the organization’s decision makers. In fact, The Standard for Portfolio Management (PMI, 2013c) states, “The ultimate goal of linking portfolio management with organizational strategy is to establish a balanced, executable plan that will help the organization achieve its goals” (p. 9). Six areas of the portfolio plan directly influence the attainment of strategic objectives. The primary one for the purpose of this paper is measuring portfolio component performance. The standard notes, “If the purpose of undertaking the portfolio component is to achieve a strategic goal, its contribution must be measured in the context of that goal” (p. 9).
Fundamentally, decision makers want to know exactly how the organization is performing relative to achieving its strategy. The data here will be related to the strategies as well as what was discussed in the formulate change work to establish the portfolio. Bottom line: Portfolio business impact analysis is a review of the factors that are moving the strategic needle of the organization. Business impact analysis looks at both where one is in the delivery of strategic intent, as well as where should one be at this point in time.

Since the overarching goal of the insurance firm is revenue generation in the form of an increase in the number of policyholders, the portfolio will review to what extent the number of policyholders has been increased and how the revenue needle moved to the right as depicted in Figure 6. Part of the work of the insurance portfolio has been a retraining of the insurance agents in a new sales approach. Decision makers will want to know how that change is being sustained. Here one might want to show the policyholder trends for each region. Specifically, have they increased at initial deployment of the sales force training and are they staying at the same increased level month after month? Is $3M where we need to be to achieve our strategic intent?

![Figure 6: Insurance revenue strategic dashboard](image)

*The Standard for Portfolio Management (PMI, 2013c) continues, “By continuously conducting portfolio strategic alignment and optimization, performing business impact analysis, and developing robust organizational enablers, organizations can achieve successful transitions within the portfolio, program and project domains and attain effective investment management and business value realization” (p. 10).*

In the insurance scenario, moving into a tax structure that is publicly held may require that the following components be realized as part of the strategy to compete effectively:

- JD Powers rating of “Better than Most” or higher.
- Credit rating of A or better.
- Generated 1% growth and attractive economic returns for investors.
The insurance firm builds a portfolio of projects that will achieve these strategic goals. Each project and/or program will be aligned to the strategy(s) it supports. The portfolio will build a scoring model that looks at several factors like contribution to strategy, investment required, ability to sustain change, resource contention and risk, to name a few. Then, the organization will prioritize the projects by value contribution.

Once the portfolio of programs and projects has been established, the organization maps out what portion of the strategy each one should deliver during its development as well as its benefit realization. The map creates the “to be” model for the delivery of strategy. The map shows exactly how the work of the portfolio will achieve strategy and how the strategic needle moves during the life of the portfolio. This map is used for comparison purposes during the execution of the programs and projects.

The business impact analysis at the portfolio level will review the data that show how the three strategic goals are being achieved as well as how the organization is sustaining the changes applied to the organization. Business impact analysis compares what is happening at the portfolio level to what should be happening. Portfolio level analysis is one data point used in business impact analysis.

**Program and project analysis**

Business impact analysis at the program level will look at the delivery of the program's projects and the realization of the anticipated benefits during execution as well as after the projects and program is completed. These measures will be placed in the context of the strategic goals of the organization.

In the insurance example, look at the strategic goal: Generate 1% growth and attractive economic returns for our investors. The organization has determined that cutting operating expense will contribute to this strategy. A program has been established with an overarching business result of 60% reduction in operating costs.

Multiple projects have been established to fulfill this goal. The business impact analysis will review the progress to attain this goal by evaluating the components of the program that have been completed to this point. The analysis will also review the activities required to sustain the changes in the organization.

Business impact analysis at the project level certainly reviews the basics of project management, namely, on time, on cost and to scope. But of more importance are the business results that are the true project objectives. This is the major information the decision makers will want to see. The interim deliverables and milestones should indicate the incremental building of the outcomes of the project. Clear project objectives in the form of outcomes and business results allow the decision makers the ability to see the execution of the strategy a step at a time.

For the insurance firm, the program to reduce operating cost by 60% has a sub-program of “40% reduction in real estate location costs.” The objective of one of the projects that is part of the sub-program is “consolidate six south offices to three.” The organization currently has claims adjusters in six offices in the southern region. The managers would begin their project planning and determine the cost savings contribution of closing three of the offices. After completing this activity they understand that 1% cost savings can be attributed to closing three offices. The real project goal then is the business result/outcome of “1% reduction in operating costs from southern region office consolidation.”
The achievement of this business result is reviewed as part of the business impact analysis. The reviewers can also report on the incremental progress when each one of the three offices is closed. Business impact analysis reviews the incremental “progress achieved” against “what should have been achieved” at this point in time.

Sustainable change is also reviewed at the project level. Here the organization would want to determine the impact on the “time to complete a claim” as a measure of the sustainable change. If change activities have been built into the project plan, the employees should have had a smooth transition to the new office. One would measure the sustainable change by monitoring the fluctuations in the time to complete a claim during the move and transition process and trending data with respect to the time to complete over a period of time.

**When should analysis be done?**

The more important questions really are: “How long can an organization afford to be off track on the achievement of its strategy and not know?” and “How much of the organization’s investment can be wasted because the solution being built is not achieving the outcomes desired?” The answer to these questions should determine the frequency of performing business impact analysis. Remember, business impact analysis can be used as an early warning system to alert an organization to problems in delivering its strategy. At a minimum, business impact analysis should be performed on a quarterly basis, but the timing must be frequent enough to match the time frame of individual project milestones.

The frequency for business impact analysis is set when the portfolio of programs and projects is formulated. The organization reviews the objectives of each program and project, the interim deliverables of each, and maps out a roadmap that shows where the portfolio results should be in delivering its strategy at any point in time.

Look at just a portion of the insurance company’s portfolio as depicted in Figure 7—the portion related to the 60% cost reduction objective and the program of 40% reduction in real estate costs. Business impact analysis could be completed several times in each period to show how costs are being reduced with the achievement of every office closure that occurs. At business impact analysis point 2, the organization expects to have interim deliverables on analytics. At business impact analysis point 4 at the end of period 1, the organization expects to have a 1% decrease in operating costs because of the interim deliverable of one closed office as well as sustainable change of minimal impact in the time to complete a claim. Note that the business impact analysis becomes more frequent as real business results are being delivered. The insurance organization would time its business impact analysis based on the deliverables of the portfolio and the incremental strategic results. It could have also decided to do this analysis several times during any one period.
What do you do with the results?

In the insurance example, the organization expects to have a 1% decrease in operating expenses at point 4 towards the end of period 1. When the organization uses business impact analysis to compare what has actually been attained in strategy execution with what is expected, the organization has actionable data upon which to base its next decisions. When the organization’s plan to execute its strategy is working, the organization should look for other opportunities to maximize the results it is getting. It would move into the next feedback loop—portfolio review and adjustment. At least it should stay on the present course and continue to monitor progress to make sure it continues in the right direction.

If the results from the business impact analysis are not what the organization needs to achieve, the decision makers need to do more analysis to determine the reason for failure. Edmondson (2011) presents a spectrum of reasons for failure. Her spectrum goes from the lowest end, “deviance,” where an individual makes a choice to deviate from the plan, to the other end of the spectrum, “exploratory testing,” where an experiment conducted
to expand knowledge and investigate a possibility leads to an undesired result. The position on the spectrum determines what action(s) should be taken.

The human tendency as leaders is to play the blame game when something goes wrong and look for someone to punish. In the case where someone has decided to deviate from the plan, blame, punishment and corrective action may be an appropriate response. In strategy execution, the reasons for failure may be less tangible, like process complexity, uncertainty or hypothesis testing. If the reasons for failure are along these lines, the leaders need to move beyond the blame game and use this intelligence to make the corrections that will lead to successful strategy execution. A thoughtful review of the results of business impact analysis should help the organization determine the best corrective action to take. Root cause analysis is important to avoid treating the obvious surface-level issue, which may miss the underlying source of the problem. The type of failure may lead to implementation of portfolio review and adjustment; or, if the analysis shows that building sustainable change has not been applied effectively to strategy execution, it may be necessary to restart the organizational change activities with a change readiness review and then perform portfolio review and adjustment.

In the case of the insurance firm, when the managers realized that the office consolidation was not on track to their strategy delivery expectations and, in fact, the first office had not closed yet, they would have looked at moving forward on other office closures to fill the 1% cost reduction gap at the end of the first period.

The importance of a cyclic process

Business impact analysis is not a once and done activity. For organizations to be truly high performing, it must be made a process that is executed at a frequency that is best determined by the organization. Process improvement is a core tenant of organizational project management maturity. The OPM3® standard (PMI, 2013b) states, "For years businesses have applied process improvement techniques, for example, process reengineering, to operations to improve efficiency and effectiveness. These same techniques apply to OPM to improve the efficiency and effectiveness of the entire OPM framework" (p. 22). In addition, the Economist Intelligence Unit (EIU, 2013) notes:

The survey revealed a final area of weakness: the lack of formal processes for managing strategic initiatives. According to respondents, for every aspect of strategy implementation, these [processes] in general are only somewhat effective or even somewhat ineffective. Nevertheless, only 11% see development of such processes as a very high priority […] They need to create appropriate reporting requirements and incentives in order to develop a culture and environment that encourages effective strategic implementation (p. 14-15).

Who performs business impact analysis?

One may call this group or portion of the organization anything he or she wishes (i.e. Portfolio Management Office, Office of Strategy Implementation, Enterprise PMO, just to name a few). Specifically, it is desirable to have an individual or group that is working at a strategic level, that understands the strategies of the organization and builds the processes of OPM and change management, to successfully deliver that strategy (for simplicity’s sake, “PMO” is used going forward.) This PMO is in lock-step with the decision makers of the organization and anticipates the information that they will need to make the right business decisions. Of course,
the PMO works closely with the decision makers to determine exactly what data should be reviewed as part of business impact analysis; but, in most cases, it has already determined the level of data needed.

The PMI *Pulse of the Profession In-Depth Report: The Impact of PMOs on Strategy Implementation* (2013e) states:

High-performing PMOs know the importance of assessing their performance continually. […] Reporting on project specific metrics is standard, but successful PMOs go beyond this by assessing project quality and by soliciting feedback from key stakeholders. And they do not stop there. They use the information they collect to continuously improve their practices, which encourages efficiencies and drives successful strategy execution (p. 12).

Since this PMO is high performing and enables the organization to be high performing, one needs to understand the required competencies for the PMO staff. The competencies can be grouped into a talent triangle as shown in Figure 8.

The talents include: Technical project management, strategic and business management, and leadership. Here are some specific competencies of the talent triangle one would expect to find within the PMO:

- **Technical project management**
  - **Organizational project management subject matter expertise**—The PMO works with the organization to assess OPM maturity and develop an improvement plan focusing on best practices that the organization should implement to successfully deliver the strategies of the organization.
  - **Process improvement experience**—The PMO should be competent in process definition, development, maintenance, control and improvement with respect to the size and complexity of the organization.

- **Strategic and business management**
  - **Strategic alignment capability**—The PMO is required to understand the organization’s strategic goals and priorities and know how the portfolio(s), program(s) and project(s) support them.
  - **Business acumen**—The PMO is required to possess skills related to governance, risk and compliance, benefits management, scope management, resource management and financial management.

- **Leadership**
  - **Organizational change management knowledge**—The PMO should be well versed in change management and understand how change management practices are embedded and executed in portfolio, program and project management.
  - **Consultative experience**—The PMO is required to possess business acumen. The PMO should have knowledge of relevant markets, the customer base, competition, trends, standards, and legal and regulatory environments. The PMO must be adept at working with executives, managers, project and program managers and other internal and external stakeholders, as appropriate.
Conclusion

One has to wonder what the outcome would have been for the insurance firm if it had understood and implemented organizational project management, change management and the feedback loops of this strategy execution framework. Had the insurance firm built the process of the early warning system feedback loop of business impact analysis, would it have seen in the first period that its transformation would take 15 years instead of five years? Would the outcome have been better if it had asked the right questions (the questions of business impact analysis) for its transformation, namely:

- Are the anticipated benefits being delivered?
- Is the firm building sustainable change?
- What has been achieved versus what was expected?
- Can it be proved that the strategic needle is moving in the right direction?

The real question is: Could the insurance firm have created sustainable change that would have enabled it to become more competitive sooner rather than later?

Perhaps the company thought that it would be too expensive to build a sound strategy, a portfolio of measurable projects and programs that could be analyzed for contribution to achievement of strategy while creating sustainable change. A key finding from *Why Good Strategies Fail: Lessons for the C-Suite* (EIU, 2013) is:

> Success results from working at implementation in a variety of ways, but the financial rewards justify the effort. [...] companies that rate themselves highest in this area share a range of characteristics. They report greater levels of C-suite involvement, better feedback mechanisms, more resourcing [...] and more-robust processes (p. 4).

The insurance company could have gained an early warning system with the use of business impact analysis—a system that supports the delivery of organizational strategy and successful organizational change. Had the insurance firm done so, perhaps it would now be in the top five instead of the bottom 10 of national insurance companies.
Reference


