

Benchmarking Business Execution – The Execution Index

Introduction

Organizations struggle with achieving their strategies. Studies have shown that as much as 90% of strategies fail to implement(1). On projects alone, Project Management Institute (PMI) found that \$122 million of every \$1 billion dollars on projects are largely wasted(2). Executives often complain of “stepping on the gas pedals but their organizations remain at the same slow pace”. Even when organizations are able to achieve implementation success, the rationale behind the success is questionable(3). Thus temporary implementation success can be easily transformed to sustainable success. Organization’s goals of achieving sustainable execution excellence are often elusive.

Worse, as strategic business execution is often messy and complex and ambiguous, organizations wanting to improve business execution often struggle with how to get started, deciding what to focus on, and comparing themselves against others. This last point calls for some kind of tools that can serve as a more objective and generally applicable method that enables organizations to benchmark against others. This article describes the concept of creating an Execution Index.

Benefits of an Execution Index

The most obvious benefit of having an index is for the purpose of benchmarking. For example, the Consumer Price Index (CPI) can quickly show whether inflation in the United States is higher or lower than Canada. Similarly, knowing how your company executes while comparing with other organizations of similar size provides you with a broad metric of competitiveness. But aside from benchmarking, there are at least three additional important comparisons:

1. Quantitative – The metric is a numeric, making it easy to compare and contrast. Furthermore, in our detailed study, it is shown that a delta of 1 point on the Execution Index translates roughly to 2% of project success likelihood.
2. Brainstorming – Even though the Execution Index strives for objectivity, the underlying rationale is still subjective. (Note, CPI suffers from similar tendencies.) But this very problem also provides an invaluable benefit. If two executives from the same organization result in a very different Execution Index, then a detailed discussion would be valuable to understand the deeper causes of this dissonance.
3. Longitudinal – For organizations serious about understanding its execution capability, having a measurable index across time can reveal progress (or lack of). Like the CPI, a company can then measure the state of a company’s execution capability over time.

4. Roadmap – Business execution is difficult to do and more difficult to sustain. By understanding the factors that drive the Execution Index, organizations essentially have a natural roadmap of understanding its strengths and weaknesses and can more readily justify a rationale for action.
5. Focus – Achieving strategic business execution excellence is important for all organizations and enhancing it should be a team-wide or even enterprise wide activity. Having a single measure demonstrates the importance of business execution to the entire organization.

Conceptualizing Execution Index

Having sound ideas and wonderful plans are important. But plans, strategies, and ideas by themselves produce little tangible value for a vast majority of organizations. The real value is in the achievement or delivery of the benefits. The Project Management Institute recognizes this fact and for the past decade, they have been pushing for research and elevating the discussion of “benefits realization” and “business value”. In fact, in 2016’s PMI PMO Symposium in San Diego, PMI distributed an element package of their latest thought leadership series on Benefits Realization Management.

Based on our extensive survey study, PMO Advisory developed the Execution Index, which is the composite score of multiple factors related to business execution in our study. The index is calculated on a range of 1 to 100, with an average and median that hovers at 75. Execution Index provides business executives an easy and intuitive way to benchmark their organization’s ability to execute their strategy.

Recently, to facilitate a five minute exercise at a professional presentation at the PMI Global Congress in EMEA, titled [Five Rules of Business Execution](#), PMO Advisory created a simplified Execution Index that provides an indicative Execution Index. This simplified exercise was so well received that PMO Advisory is providing a complimentary assessment to all. Click [here](#) if you are interested to compare your organization against our database of over 600 results.

For the full length article, click [here](#).

Sources:

1. Speculand R. Six necessary mind shifts for implementing strategy. Bus Strateg Ser. 2009;10(3):167–72.
2. Project Management Institute. The high cost of low performance. Pulse Prof. 2014;1–20.
3. de Wit A. Measurement of project success. Int J Proj Manag. 1988;6(3):164–70.