Strategy Execution Leadership

How to take charge and drive your execution efforts

Chapter 1: Getting Real

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1. Getting real

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Myths Matter - Time to Shatter

A myth is an image in terms of which we try to make sense of the world.

Alan Watts

The great enemy of the truth is very often not the lie -- deliberate, contrived and dishonest -- but the myth -- persistent, persuasive and unrealistic.

John F. Kennedy

Bloodletting seems like a barbaric way to treat a fever, to our modern sensibilities. For more than two millennia, doctors bled patients for just about every imaginable condition.

This practice known as phlebotomy was as prescribed and trusted in our history as aspirin is today. Yet there was never any real evidence that bleeding people did a lick of good whatsoever.

In fact, when clinical trials were actually done on aggressive bloodletting, researchers found that it was leading to rather than preventing death in many cases.

Fortunately, in today's medicine, there's more focus on researching and applying what actually works for improving patient health. You would think

that with all the research, education and resources dedicated to management practices, decisions in the business world would also be based on the best available evidence.

The truth is that our organizational ailments have undergone similar, misguided and potentially harmful treatment.

Facts have little impact on how most companies operate. As Stanford University researchers Pfeffer and Sutton point out in Hard Facts, Dangerous Half-Truths and Total Nonsense, business decisions are guided by hope and fear, imitation, beliefs about what has worked in the past and deeply-held ideologies.

"If doctors practiced medicine the way many companies practice management, there would be far more sick and dead patients, and many more doctors would be in jail."[1]

Most management decisions and many of the prescriptions of our popular organizational physicians are based on myths bred of ingrained superstitions, conventional wisdom and well-meaning ignorance.

The problem boils down to the same challenge that plagues all areas of human knowledge: it's easy and quick to believe the ideas that we've heard and assimilated, while skeptical inquiry and gathering empirical evidence on our own takes effort, time and an open mind.

Compound this with our desire to find a miracle cure or a shiny new silver bullet, and it's no wonder the proverbial bloodletting continues.

Beam Me Up, Scotty

Underlying the challenge we have to rely on evidence is the fundamental way our brains work. We think our experience of the world is the objective truth, but advances in neuroscience beg us to differ.

The only world we know is our subjective version of it. It's what scientists call a paradigm, or framework for assembling and making sense of the information we call our experience.

1   Pfeffer, Jeffrey, and Robert I. Sutton. Hard Facts, Dangerous Half-Truths and Total Nonsense. Boston: Harvard Business School Press, 2006.

"There are no facts; there are only interpretations."

Friedrich Nietzche

Charles Jacobs in Management Rewired[2] explains how findings from brain scans, cognitive experiments and behavioral studies are showing that most of what we thought about how we think and what drives our behavior is wrong.

What we're learning is:

» Logical, objective decision-making is an illusion.

» Our ideas and emotions guide our behavior far beyond what we imagined.

» We don't perceive our reality, we construct it.

The sense data that we take in is broken down into separate streaming bits of information that are processed and reassembled into a convergent, coherent perception. But in order for us to have some structure to recognize what we're seeing, the information from our senses must be compared with memories of previous experience and is influenced by the current condition of our neurotransmitters.

To give you a visual idea, picture a crew member from Star Trek stepping on the transporter on his starship Enterprise, getting dematerialized into a pattern of energy data, "beamed" or teleported to the nearest planet and then rematerializing.

Now remember what happened if that pattern of data didn't re-materialize

Revolutionary brain science discoveries are shifting the paradigm of how our minds work. Scientists are asking new questions and employing modern technology, such as the Functional Magnetic Resonance Image (fMRI) to get a detailed, moving picture of the flow of information inside the brain. We can now get a real-time glimpse into the formerly intangible thought processes of our minds!

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2   Jacobs, Charles S. Management Rewired - Why Feedback Doesn't Work and Other Surprising lessons from the latest Brain Science. New York: Penguin Group, 2009.

correctly due to some interference or technical malfunction. In the sci-fi world, it was called a transporter accident.

In the world of our sense perception, what re-materializes depends on our memories and our state of mind. And it's a long shot that the image ever fully resembles itself before and after.

So what we perceive is not an objective image, but a personal version of constructed reality reflecting the past (in our memories and past experiences), the present (from our mood and physical state), and likely even the future (in our wishes). Our perceptions are best described as ideas of reality.

The brain is constantly rewiring itself in response to the environment. This constant adaptation is what enables us to learn. The world as we know it is "essentially just a network of ideas created by electrical charges and chemical reactions."

Higher-level "networks" of ideas such as values and deeply-held beliefs appear to be the real drivers of our behavior.

The implications are simply staggering, yet make perfect sense in a post-modern view of the world.

» Managing behavior from the outside isn't very effective when we rely on our internal story of reality to decide what we believe and how to behave.

» The myth-conceptions we have about how to affect performance are ingrained in our working lives and business management literature.

It's probably impossible for us to take a purely "objective look" at anything, given what we know now about how we really perceive. But we can critically question what we've been told and evaluate the modern management fads and beliefs many have come to take for granted.

We need to get real. For all the tomes of research and so-called secret formulas in the marketplace, much of our thinking about business is on shaky factual ground. The demand is understandably there for off-the –shelf, "plug and play" solutions for stronger execution performance and boosted revenues.

Some of the hottest-selling business books of recent years have attempted to fill this hunger by analyzing apparently successful companies to extract universal keys to success. Their conclusions are suspect, according to a new breed of insightful works that say the foundations of popularly accepted

management treatises are fundamentally flawed.

In The Halo Effect[3], Phil Rosenzweig describes the tendency we have to use an overall impression to judge features of people, things or events. If a company, person or product is successful in one tangible area, we perceive them to be competent in other, more ambiguous areas.

Our need for a coherent story leads us to attribute what we observe about the tangible data (such as financial performance) to less tangible aspects such as innovation or management effectiveness. This deceptively false thinking has underpinned the most acclaimed business best sellers from Tom Peters' In Search of Excellence to Jim Collins, Built to Last and Good To Great, says Rosenzweig.

Under scrutiny, "for all their claims of scientific precision, these studies got no closer to explaining what really drives company performance."

The myth is that any companies have sustained enduring performance in the long run. The reality is that success is cyclic, with patterns of rise and fall, growth and decline. It's the nature of the capitalist system built on competition through innovation.

Outlining nine "delusions" that plague well-meaning companies and bestselling business gurus alike, he argues that the halo effect overshadows solid data and rigorous scientific analysis of what does work for organizational success.

Hard science? Not really. Inspirational storytelling? No doubt about it.

We acknowledge that management is difficult, inspiration is important. But real evidence is imperative. Evidence-based management puts the focus on questioning what works and what doesn't and rejecting beliefs, no matter how cherished, that get in the way of acquiring and applying true business wisdom.

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3   Rosenzweig, Phil. The Halo Effect... and the Eight Other Business Delusions that Deceive Managers. New York: Free Press, 2007.

A Dose of Reality

"By three methods we may learn wisdom: first, by reflection, which is noblest; second, by imitation, which is easiest; and third, by experience, which is the most bitter."

Confucius

As in other areas of business and life, we don't have to fully swallow the bitter pill of our own experience to learn what works for strategy performance. Learning from others, or benchmarking, to set your own performance standards and programs can be helpful.

The pitfall happens when companies practice imitation without serious reflection.

They copy the practices of a successful company without adopting the mindset that underlies the success, or adapting them to their own strategies, business model and organizational makeup.

It's as dangerous as taking a friend's prescription medicine because she felt better, without a careful evaluation of what would suit your unique constitution.

In an interview with Matthew Stewart, author of The Management Myth, Stewart says that while managers can benefit from highly specialized studies such as process-oriented, operations research, "it's the generalist programs such as Harvard Business School that are less useful." Stewart believes this is a problem of content:

"In order to produce generalist courses, business school professors have been forced to invent subjects called strategy, called organizational behavior and so on. They're pretty much pseudo-sciences, and when you use them as a basis for instruction, you're really teaching people how to master arcane jargon that has minimal connection to the real world, as opposed to teaching them to really think."[4]

4   Blackman, Stacey. "MBAs and the Management Myth: An Interview with Matthew Stewart." bnet.com, CBS Interactive Business Network, Sept. 8, 2009.

This ability to really think about your context and how things can be adapted is probably the most problematic issue at the management layer in most organizations.

Almost as dangerous is the tendency for self-imitation, relying on our own knowledge of what apparently worked in the past.

While it's important to develop knowledge and proficiency with experience, we need evidence to connect the prior practices to results, understanding about why they worked in the first place, as well as a similar playing field this time around to apply the same approach.

In baseball, a batter at play may have hit a home run on the last fastball, but swing the bat the same way and he'll strike out when a series of curve balls come barreling at him.

Other mistakes, as Pfeffer and Sutton point out, are steadfastly believing your own unexamined ideologies and readily accepting conventional wisdom.

"Organizations can gain competitive advantage if they take the trouble to substitute facts for common lore and to test conventional wisdom against the data."[5]

It requires a persistent commitment to skepticism, information mining, fact-based decision-making and a willingness to update your practices when new evidence demands it.

This is particularly true in the context of strategy planning and execution.

Evidence-based management demands that you take a good look at the "hard facts and half truths" of your organization and what is and isn't working. Empirical and verifiable scrutiny of your current strategy and execution track record enables you to hone in on troubled areas and bright spots.

Sometimes the strategy itself is the problem. Does it fit the realities of your business model and market? Or is there a lopsided focus on defining strategy over improving operations? Has your organization spent more time and resources pursuing new strategic options instead of developing or fixing the execution capabilities to succeed at your core business?

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5   Pfeffer, Jeffrey, and Robert I. Sutton. Hard Facts, Dangerous Half-Truths and Total Nonsense. Boston: Harvard Business School Press, 2006.

Researchers have consistently found that having the right culture and the ability to execute is more important than the 'right' strategy.

Or as the slogan popularized by Ford executive Mark Fields says, "culture eats strategy for breakfast."

The "patient" is multidimensional. In future chapters we'll outline an integrated approach to diagnosing systematically versus symptomatically how healthy your strategy execution is faring in the context of your specific business model

The real need is to to balance the costs of obsessing on strategy with working on solving fundamental business issues and learning how to learn faster, both from the people and the systems they are in and ultimately the wider world context.

Confronting Ourselves

One key area where we fail to focus our critical investigation skills and skeptical inquiry is on our own thinking patterns.

In 2002, a Nobel Prize in economics was awarded to Princeton researcher Daniel Kahneman "for having integrated insights from psychological research into economic science, especially concerning human judgment and decision-making under uncertainty."[6]

In finance and marketing, we increasingly use and exploit what is known as behavioral economics, understanding the social, cognitive and emotional factors that underlie how customers, borrowers and investors make economic decisions.

Yet, as an article in McKinsey Quarterly points out,

"Very few corporate strategists making important decisions consciously take into account the cognitive biases—systematic tendencies to deviate from rational calculations—revealed by behavioral economics. It's easy to see why: unlike in fields such as finance and marketing, where executives can use psychology to

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6   For a list of all Nobel Lauerates see http://nobelprize.org/nobel_prizes/lists/2002.html.

make the most of the biases residing in others, in strategic decision making leaders need to recognize their own biases."[7]

The authors make a case for practicing behavioral strategy - strategic decision making that incorporates the lessons of psychology in addressing our subconscious biases. The primary intent is to learn how to recognize and confront different biases to limit their impact on decision making.

We'll address practical tools for this in Chapter 2 - The 'What' and 'Why' of Strategy Execution. It starts with knowing how to better "frame" a problem or opportunity to draw out the biases and assumptions and then driving a systematic process to get to a quality decision.

True Nature

Any attempt to understand what's at the root of strategy execution challenges must include investigation into what drives the people who are doing the work.

For as long as there have been organizational units where a group of people work together to produce something, there has been a quest to understand human nature and how to manipulate or leverage it for competitive advantage.

Modern-day organizational psychology is increasingly relying on hard science to grasp what motivates people to perform on the job. The new advances in brain science are explaining in the laboratory some of the key theories that psychologists have observed.

In his seminal work, Flow: The Psychology of Optimal Experience, psychology professor Mihaly Csíkszentmihályi presented his theory that people are most happy when they are in a state of flow— a state of concentration or complete absorption with the activity at hand and the situation. The flow state is an optimal state of intrinsic motivation, where you're fully engaged and fulfilled in what you are doing. It occurs when there is a balance between the perceived challenges of a situation and a person's skills or capabilities for action[8].

Intrinsic motivation is fueled by the neurotransmitter dopamine. In a flow

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7   Lovallo, Dan, and Olivier Sibiny. "The Case for Behavioral Strategy." McKinsey Quarterly, March 2010.
8   Csikszentmihalyi, Mihaly. "Flow: The Psychology of Optimal Experience." (Harper and Row) (1990).

state, by intently focusing our consciousness on the task at hand, our brain releases dopamine which is so pleasurable that we'll continue doing it an ignore everything else for the sheer sake of it.

We are also biochemically motivated to the fulfillment we get through focused conversations and activities that stimulate learning, creative problem solving and participatory decision-making through structured dialogues. We are also internally motivated by the stories we hear and tell ourselves, because we gain an emotional connection to the work we are doing, something neuroscience is discovering is more of a factor in our behavior than we ever realized.

Extrinsic motivation, on the other hand, is proving to be less effective. As we'll explore further in our discussion of performance management, manager feedback, financial and other rewards and punishment can actually backfire in attempting to improve performance.

One of several discoveries the book Management Rewired outlines is that our conventional performance management and feedback processes do not improve performance! Mr. Jacobs lays out a compelling story based on a long-ignored GE study to suggest why this is true and ways managers need to rethink their approach to working with people[9].

Ironically, the more goal-oriented we are and focused on winning or avoiding the anticipated carrot or stick, the less "flow" we may experience when we divert our attention from the current moment and task at hand[10]. While strategy is important and working towards future results is imperative for success, diving in and collaboratively learning and experimenting by doing is equally important both for employee satisfaction and organizational execution development. We need to use the dial on our mental camera to nimbly shift between the big picture when planning our strategies to power-zoom into the everyday realities of running a business.

As Francis Bacon noted, we are well-advised to "command nature by obeying her." Rather than basing our actions on habits, ideologies and fads that we have accepted, we can command the performance of our enterprises in part by re-examining our practices through the new lens of brain-based science along with the evidence we gain from looking at our own organizational ecosystems.

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9   Jacobs, Charles S. Management Rewired - Why Feedback Doesn't Work and Other Surprising lessons from the latest Brain Science. New York: Penguin Group, 2009.
10   Jacobs, Charles S. Management Rewired - Why Feedback Doesn't Work and Other Surprising lessons from the latest Brain Science. New York: Penguin Group, 2009.

Quantum Fairy Tales

"Chaos is the score upon which reality is written."

Henry Miller

For all the scientific advancement of the last century or two, it's ironic that our greatest discoveries have confirmed what our ancestors inherently knew:

» Things constantly change

» Life is unpredictable

» Nothing ever occurs in isolation

Yet the revolutionary theories of evolution, relativity, systems and chaos have transformed the daily fabric of our lives and deepened our understanding of the world around us. Only recently has "organization science" begun to look to these advances in mathematics and the natural sciences for insight into the organizational world.

Peter Drucker, in his 1959 book Landmarks of Tomorrow, was the first to write of the "postmodern" organization that is moving away from the "modern" concept of static and bureaucratic mechanical cause/effect to a new paradigm of purpose, pattern and process.

Postmodern organizations are now perceived as fitting the tenets of chaos theory - as dynamic, non-linear, organic structures that operate in turbulent, unpredictable environments[11].

Let's get real. Despite the development of thinking on organizational systems these past fifty years, organizational science's grasp on strategy execution in an increasingly postmodern society is in its infancy.

Formulas served up in academia and on the book shelves for strategy execution rely on practices that are based on old-school cause-and-effect, linear thinking that miss the broader picture of what it takes to make strategy a reality in an increasingly complex and multi-dimensional world.

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11   Ilipinar, Gursel, Jordi Montaña, JC Spender, and Duane Truex. "Design Thinking in the Postmodern Organization." Design Management Institute (DMI) for International Education 2008 Conference on Design Thinking. April 2008. 4-6.

Where's the best place to start to get a better sense of the strategy execution picture? Like any good story, at the end.

"The kingdom of Far Far Away, Donkey. That's where we're going. Far...far...away."

Shrek (from the film Shrek 2)

A strategy without a clear direction is doomed to get lost in the woods. While there is some magic to the way a strategic journey unfolds, you've got to know generally where you're going for the 'destination' to have any chance of revealing itself. And you need to at least initially define what it looks like when you get there.

In management as in engineering disciplines, if you can't clearly observe and measure the output of a process or system, you'll have no idea whether you achieved your expected results.

There's an expression that most managers have heard at some point along the way: you accomplish what you measure. So, it's reasonable to think that if you measure how well your organization is executing its strategy, you'll achieve that strategy. Reasonable, but in reality, rarely done!

The flip side of that expression provides a key to a fundamental problem in business today: you very likely cannot accomplish what you do not measure. Or, more accurately – what you do not measure correctly.

According to Michael Hammer, the guru of modern process engineering, strategic operational measurement remains "an unsolved problem."

In an article in the Spring 2007 MIT Sloan Management Review[12], Hammer observed that in recent years "... companies have developed much more sophisticated strategic measurement systems, based on such tools as balanced scorecard, key performance indicators, computerized dashboards and the like Nonetheless... there is widespread consensus that they measure too much or too little, or the wrong things."

"Are we there yet? Are we there yet? Are we there yet?"

Donkey to Shrek

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12   Hammer, Michael. "The 7 Deadly Sins of Performance Measurement and How to Avoid Them." MIT Sloan Management Review, 2007 Vol 48 no 3.

The core problem is that performance measurement and management is rarely tied to strategic objectives. A July 2007 report by CFO Research Services in collaboration with Deloitte noted: "The link between performance metrics for more discrete projects—as opposed to day-to-day operations—and strategy is not always perfectly clear at many companies."

The result is that the work that employees do may be disconnected from, or at worst sabotaging, your strategy. Even if you've accomplished the first critical step of establishing the right framework to execute, without clear, measurable strategic performance outcomes, your organization risks losing sight of the forest for the trees.

The real fairy tale has many believing that performance measurement approaches designed to focus on operational and financial metrics could provide the crystal ball that tells all about the state of an organization's strategy performance.

Let's look at the most popular of these approaches as an example. It's called the Balanced Scorecard.

Scoring the Scorecard

Originally developed as a performance measurement tool by accounting pundits, the scorecard is now being increasingly touted as a framework for strategy implementation.

Due to strong marketing by its proponents and ripe timing in a business climate burnt out from TQM, the Balanced Scorecard spread like a panacea in the past decade or so. Yet its medicine is far from universally prescribed, with a healthy dose of "if ands or buts" from expert analysis.

Most critiques of the scorecard center on its structure and application. Process improvement consultant Arthur M.Schneiderman asserted in the Journal of Strategic Performance Measurement (January 1999) that "The vast majority of so-called Balanced Scorecards fail over time to meet the expectations of their creators."

They fail primarily, Schneiderman posed, because they lack the basic structural requisites to guarantee that the right things go on the scorecard and are deployed throughout the organization.

Analysts say that many scorecards fall short by underestimating the importance of less tangible measures that lie outside the financial and operational data such as quality in leadership, employee engagement and cultural alignment. Even researchers that favor the Balanced Scorecard for performance management point out its weaknesses for strategy execution.

A 2005 technical report by CIMA (The Chartered Institute for Management Accountants) determined that:

» 78 percent of companies that have implemented strategic performance measurement systems do not assess rigorously the links between strategies and performance measures;

» 50 percent do not use non-financial measures to drive financial performance;

» 79 percent have not attempted to validate the linkages between their non-financial measures and future financial results.

The fundamental problem with the scorecard is that it's only one piece of the total strategic performance picture. It inherently lacks specific performance objectives designed to measure the execution systems, management competencies and decision-making systems that the specific strategy requires.

Related shortcomings that some scorecards exhibit include:

» Too many metrics, which overload and obstruct good judgment.

» Metrics are created from the wrong point of view – do not measure what the customer values.

» Incomplete metrics that don't monitor the uncertainty of the external environment.

» Measures that you have no control over.

» Strategy mapping is not used to create coherence, visual representation and causal linkages.

» Measures are not drilled down into the organization sufficiently.

» Numeric measures which may be counterproductive for sustainable performance due to compliance mentality.

» Resources or process for realignment are not in place for when adjustments are needed.

While the balanced scorecard has evolved over the last decade, many of its shortcomings reflect a lack of clarity, integration or assimilation, either in determining what to measure or how to measure.

As Hammer explains, deciding what to measure involves two related keys to ensure you're measuring the right things.

"The first is to emphasize end-to-end business processes, the cross-organizational sequences of activities that create all customer value. Processes transcend functions and other organizational units and are the mechanisms by which the myriad activities performed in an enterprise are integrated to realize results…"

"The second key… is to determine the drivers of enterprise results in terms of these processes".[13]

The scorecard's emphasis on a cause and effect relationship between drivers of performance and indicators may narrow its focus too much when non-financial indicators are excluded. On the flip side, too much complexity can compromise focus.

Either way, many organizations do not have a model to reliably track causality and get to the bottom of why results aren't materializing as planned, or they aren't using their measures to help them meaningfully improve the performance of the system.

We'll see later in our discussion how a portfolio management system and integrated execution planning set the stage for measuring and managing these end-to-end, cross-organizational activities.

When the critical processes between strategy formulation and achievement go unaddressed, the Balanced Scorecard creates what seems like an obvious question – how exactly do strategies magically get executed? And how would you know you're executing on the right things?

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13   Hammer, Michael. "The 7 Deadly Sins of Performance Measurement and How to Avoid Them." MIT Sloan Management Review, 2007 Vol 48 no 3.

Like Star Trek's Captain Picard's command to "Engage!," if your ship isn't propelling itself in a single direction with all hands on deck to make strategy happen, then you've crossed over into fairy godmother territory – wishful thinking!

As Schneiderman comments, "Metrics must be selected based on strategic impact, not balance. As a consequence, good scorecards will be unbalanced; containing mostly non-financial, internal, leading, short-term measures." Resources must be targeted at resolving the bottlenecks that constrain organizational execution and measuring how well your execution process is performing.

And so the story goes... if an organization lacks a measurable, defined, disciplined process for strategic execution, its strategy could go up in thin air.

The key--as quantum chaos theory teaches us-- is knowing how to obtain and apply the right information at every point in the strategy execution cycle.

Information and awareness unlock the power of a dynamic organization by enabling us to exert some level of control over the chaos and reduce the uncertainties inherent in complex systems --that is, as long as we're not measuring too many things at once or have conflicting measurements. Information overload and mixed messages can be deadly to strategy execution.

Real organizational science must link strategy to performance at all levels, with a practical road map for the journey. Otherwise that kingdom you're headed for will continue to be very far, far away, indeed.

Coping with Complexity

The problems in our world and businesses are important and difficult. These problems have grown increasingly larger and more complex as our modern industrial age has developed. Where complex problems emerge, the need for people to come together to pool their brainpower and create solutions becomes paramount. It's what has led to the emergence of management disciplines in academia and in the marketplace of information.

Solutions created by these disciplines have shown to be like cutting calories without exercising to lose weight. While you can make some progress and reach short-term goals, the long-term goals are often elusive or fleeting.

Partial solutions can help you feel good now, but tend to lead to vicious cycles.

Partial solutions create opportunities for creation of newer solutions. Highlighting the shortcomings of previous attempts, the new solutions are sold vigorously by the solution's author and sponsored by organizations yearning for a competitive advantage.

In their eagerness to promote their ideas (whether for power, money or the greater good) the authors of the solutions are prone to overlook contradictions and skip the due diligence needed to verify the claims or at least clarify the scope of their impact.

In their impatience to adopt the new ideas (to solve the pressing problems of the day), organizations throw their weight behind the attempts and solutions without understanding how to adapt them to their situation.

Every few years, this cycle repeats itself: management fads arise and are feverishly adopted, books, seminars, training courses and consulting services are bought and sold. When it is apparent that the solution has limitations, it is abandoned for the next shiny object.

Why does this happen?

Consider the following challenges facing management practitioners:

» Increasing competitive pressure is requiring organizations to work harder to retain and expand their customer base. Becoming competitive requires organizations to find and implement ideas that are 'game changing' in our increasingly complex business environment and execute them on top of a full agenda in the organization.

» The problems are complex, therefore hard to understand and define. The combination of too many variables along with constraints of time, money and capacity to analyze the situation prevent a complete understanding of the problem. This creates a dilemma: increasing complexity makes it hard to understand problems, solving problems that are not fully understood makes the problem worse or creates new ones. The recent economic meltdown caused governments to step in to bail out corporations, but many have questioned the impact of those actions. If the problem cannot be described and scoped ('What it is'), the next steps are destined for failure[14].

14   Seijts, Gerard, Mary Crossan, and Niels Bilou. "Coping with Complexity." Ivey Business Journal, May / June 2010.

» The root causes are hard to identify because too many interdependent elements are involved. If the source of the problem is not known ('Why it is'), the solution is not going to solve anything and/or will not be repeatable. Solutions cannot be 'forced' to be consistent and repeatable. Looking for consistency and repeatability when the underlying causes vary is fraught with error. As the Mars probe disaster showed in 1999, human error is hard to track and control[15].

» Techniques are either misunderstood and/or misapplied. Even when the "what" and "why" of the problems at hand are understood, they are often addressed using the wrong approaches or current fads that are rushed into.

» Solutions are influenced by too many management interfaces, and interdependent, uncontrollable and unpredictable factors. This makes experiments difficult and expensive to set up and their conclusions hard to substantiate. Frederick Taylor, considered the father of scientic management, based his conclusions on an approach that was deeply unscientific. It lacked verifiability: independent observers must be able to reproduce experiments and thereby confirm results. Taylor's focus on production without regard to profit and his unalterable preference for control over risk showed that scientific management isn't a science; it's a business.

» Metrics are deeply misunderstood. The pursuit of a single metric or pursuing metrics without understanding the underlying cause-and-effect relationships creates confusion, motion without progress and increases frustration. See the section Scoring the Scorecard earlier in this chapter for examples.

» 'Experts' are trying to sell 'universal game changers' all the time. Organizations can

Management Challenges
Increased complexity in the business environment
Problems are hard to define and understand
Techniques are misunderstood or misapplied
Root causes are hard to identify
Solutions cannot be verified in advance
Metrics are misunderstood and misused
'Experts' sales pitch is misleading and distracting

Figure 1. Management Challenges

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15   Oberg, James. "Why the Mars Probe went off course." IEEE Spectrum, Dec 1999.

get misled into believing a solution that works in one situation would be applicable in other situations. More and more organizations are learning that acquiring other companies does not mean they can change the acquired company to their existing methods of doing business. For example, Cisco Systems decided to run Linksys as a separate business and not fully integrate it into existing systems and processes. This however, increases the complexity of doing business.

So what does this mean?

S nake oil was popular before modern, evidence-based medical science[16] came into being. It is easy to dismiss the discipline of management along similar lines.

However, management disciplines need to evolve to take advantage of opportunities and solve the real problems that we are faced with.

Consider the following data about change by adopting best practices[17]

» Mergers and acquisitions do not always succeed in lowering costs and increasing profits.

» Enterprise software implementation continues to be a challenge, in spite of increased experience in this area.

» Quality improvement efforts are more talk than action and sometimes compromise innovation.

» Business process re engineering failed more than they succeeded.

» Layoffs have hidden costs (layoffs and lost skills) that counter-balance the cost savings they are designed to achieve.

» Only a small percentage of new product launches succeed.

» New businesses have a staggeringly high failure rate.

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16   It must be noted that 'alternative medicine' is still being practiced. The results continue to be spotty. The claims made by alternative medicine practitioners are generally not accepted by the medical community because evidence-based assessment of safety and efficacy is either not available or has not been verified.

17   Pfeffer, Jeffrey, and Robert I. Sutton. Hard Facts, Dangerous Half-Truths and Total Nonsense. Boston: Harvard Business School Press, 2006. Table 7-1.

Add to these the questions raised by some management practitioners and authors:

» Does an MBA education correlate to success in business?[18]

» Relationship between CEO pay and performance.

» Relevance of management theories that guide managers today[19].

Those who point out the fallacies and shortcomings of management pundits are doing a service by highlighting the dangers of blindly following advice without verification and validation. While we do see the need to discuss where certain approaches fall short, we also are aware of how reading about these failures may lead to a cynical view about management. There is a temptation to be overcome by negativity and pessimism.

We take a more positive approach. All practitioners of management are generally seeking the same thing: to lead a rich, fulfilling life by solving tough problems, being recognized (and paid!) for it, while making a difference and having a positive impact on society.

Well-meaning proponents will continue to promote themselves and their ideas, and thoughtful managers should and will continue to be open to them. Yet organizations must think 'caveat emptor' before following any advice. No matter how well-intentioned or highly recommended, businesses have much to gain by thinking through the application and understanding the consequences before trying out a solution.

At the broadest level, the current approaches in much of the management lore are fundamentally flawed because they:

» Seek scientific answers to unscientific questions.

» Address moral and political problems with technological solutions.

» Lack clarity about the interconnected reasons for success.

» Tend to neglect social, moral and political issues.

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18   Mintzberg, Henry. Managers No MBAs: A Hard Look at the Soft Practice of Managing and Management Development. 2004.

19   Hoopes, James. False Prophets: The Gurus Who Created Modern Management and Why Their Ideas Are Bad for Business Today. 2003.

Strategy Execution Leadership

We could say that what these approaches suffer from is an overabundance of "practical vigor." The emphasis of what is practical and geared toward improving our condition in the short term over what will address our underlying physical, social and moral health for the long term is something we're grappling with in many disciplines – from medicine and management, to energy and environmental science.

"What has been spiritually crippling in our history is the tendency to make a mystique of practicality."

Historian Richard Hofstadter

The dichotomy here is that while we do need the practical tools to drive our organizational vehicles, we must also be aware of the principles involved in navigating through the larger panorama ahead. While management practices will continue to evolve and the search for repeatable and verifiable techniques will continue, organizations have a vision to pursue and customer expectations to be met.

What is missing is a way to systematically and holistically understand the pieces of the puzzle and to fit current and new management disciplines and practices into a framework that is relevant and effective.

What are we proposing?

"Organize the chaos"

It is not what we know or what we do not know, but how we bring together what we know, to understand what we do not know.

Prepare for the unknown by getting clear on what is known. A skilled kayaker gauges the flow of the water he is on and scans the terrain he can see ahead before the next bend to come up with an executable plan downstream.

Organizational capabilities are built in the same way.

Organizations seeking to pursue their vision need a systematic way to identify and then execute the work necessary to execute their strategy.

Our imperfect, complex business world demands a focused approach, one that eschews the search for a magic silver bullet and embraces the work needed to tailor a solution that fits the context. Each river is different and ever-changing. The only 'right' approach for every situation is the one that respects the uniqueness of the situation and its current landscape.

What we are proposing is a systematic and methodical process for organizations to execute their strategy[20]. A strategy execution scientific method, if you will, that provides the framework for exploration and experimentation in any context.

Making Sense of Scientific Terms

To explain our proposal better, we need to explain the following:

» 'Scientific theories' versus 'Practical Concepts and Tools'

» 'Models' versus 'Frameworks'

» 'Scientific method' versus 'Science'

It's crucial to address the conflict between investing in creating scientifically rigorous theories versus practical concepts and tools (Figure 2).

This is not an either-or proposition.

Each supports the other in a synergistic way. Organizations need to invest in creating both. If managed as a portfolio and governed by

Figure 2.   Relationship between Scientific Theory and Practical Tools and Concepts

similar return on investment criteria, each will build upon the other to further organization capabilities.

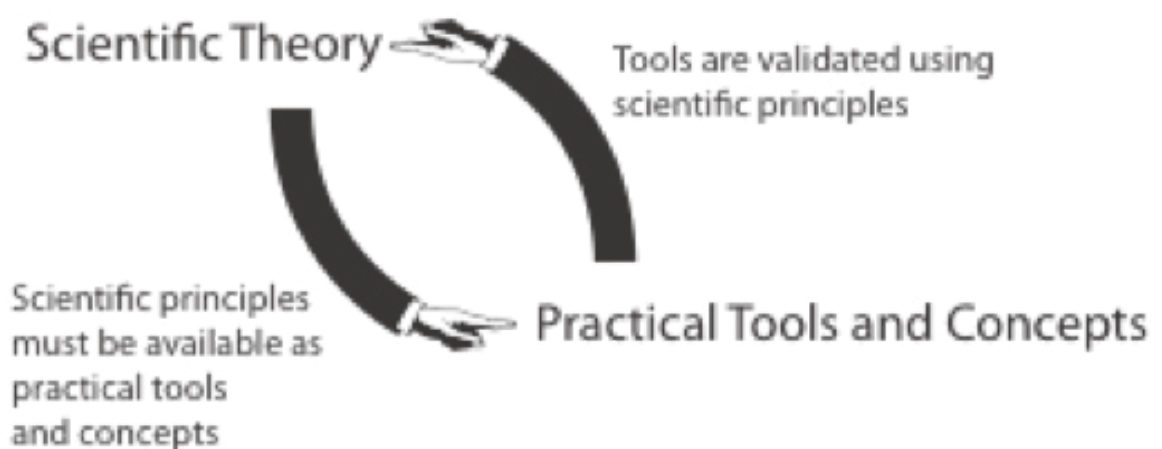20   We offer a complete and systematic definition of 'strategy execution' in the next chapter.

Academic institutions tend to focus on creating scientific theories and organizations tend to focus on practical tools and concepts.

Tremendous progress has been made in both areas, the quest to link the two is akin to the quest for the Holy Grail of management science.

Model	Framework
Predictive	Descriptive
Links cause and effect	Provides clarity
Suggests alternatives	Uncovers alternatives
Validation is based on data and observation	Validation is based on experience and expertise
Expensive to create, test and prove	Can be created easily and quickly
Explicit	Tacit

Figure 3.   Model and Framework

It is useful to distinguish between models and frameworks[21] (Figure 3). Models are useful when they 'predict'. Frameworks are useful when they provide clarity.

Frameworks precede models. Models start off as frameworks.

Over time, when frameworks begin to show cause-and-effect relationships based on empirical observations, they become models.

These cause-and-effect relationships can be discovered systematically or serendipitously.

Frameworks prevent inactivity and blind, uncoordinated action. The simple act of describing the elements involved and their relationships leads to a clarity about the problem. Experience, common sense and tacit knowledge are used to generate hypotheses. When an element is unclear, it is flagged as a risk, to be either watched or investigated.

Repeated use of a framework will lead to a deeper understanding of the cause-and-effect relationships leading to creation of models.

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21   A common mistake is to call a 'model' a 'framework' and vice versa. This leads to communication gaps where the 'practical' manager wants 'solutions' (a model) and the bright analyst is focused on describing the problem at hand (framework) before designing a solution.

If a model is available, use it. If it is not or if an existing model does not work, start creating frameworks.

Our proposal of a new way of approaching the challenges of strategy execution seeks to prevent some of the mistakes made in adopting a solution too early and setting expectations that cannot be met. Before strategy execution can become a 'science' we have to apply the 'scientific method' to management practices.

'Scientific method' describes an approach that involves taking steps to apply logic and acknowledge and therefore avoid our tendencies for bias and preconceived notions. Discussion, argument and analysis are vital parts of scientific temper. It is thus necessarily open — admitting every point of view, however heterodoxical it might be, or where it comes from. Elements of fairness, equality and democracy are key aspects built into the method.

We are not yet at a point where strategy execution can become a true 'science,' at which point it has a systematic knowledge-base and a prescriptive practice that is capable of resulting in a correct prediction, or reliably-predictable type of outcome.

This will happen when we are able to remove a good deal of randomness in outcome.

We also are aware of the dangers, as we mentioned above, of trying to apply general scientific methods to unscientific questions inherent in some management practices. This is where other approaches guided by new understandings in psychology and neuroscience are needed, as we'll explain later, particularly in the context of innovation and performance management.

We are not sure whether it is possible to make useful generalizations about strategy execution in your context. That will require a deep understanding of your business and of the variables in play.

However, we are confident that we can make useful generalizations about the process of strategy execution using the best of what science offers us as a guide for both diagnosis and devising our own organization "wellness" plans.

Outcomes targeted by our propositions

By following our approach to strategy execution, we hope organizations will evolve as outlined in Figure 4 for exploration in upcoming chapters:

Current State	Future State
The work of strategy execution is a collection of unsolved problems and hidden agendas	A disciplined and systematic approach to identifying the work required to executing strategy is based on customer outcomes
The emphasis is on asking the right questions and a lot of 'smart talk'	Quickly move beyond asking questions to systematically finding the right answers
Issues are solved temporarily to avoid punishment or other negative consequences	Issues are resolved by systematically building capabilities driven by customer outcomes and an architecture for long-term viability
Solutions are driving by dogmas, maxims, tautologies, and platitudes, confusing a part for a whole, insights, anecdotal evidence, unsupported generalizations, inanities and useful reminders	Empirical and verifiable scrutiny will replace axiomatic frameworks with predictive theories
Incentives and rewards go to those who can stay focused on the one big thing that really matters	Incentives and rewards are tied in a measurable way to meeting customer outcomes

Figure 4.   Current versus Future States

Key Ideas from this Chapter:

» We need to reconsider management practices around strategy execution by being aware of how we really think and the myths and limitations inherent in management advice in the marketplace.

» Strategy and management practitioners face tough issues. They need a way to break it down and get it done while being nimble and flexible, while considering the principles as well as the nuts and bolts involved.

» What we need is a way to understand the complexity around us before we can look for solutions.

» Devote energies to finding reality (as it is and as it can be) and using both rigourous theories and practical tools to plan for strategy execution.

» Apply clarity and focus in navigating your own organizational waters.

» Avoid looking for predictive value where none exists.

» Plan versus think, explain versus predict.

» Using frameworks and a scientific method.

Chapters to Follow in the Book

1. What and Why of 'Strategy Execution'

2. Strategy Execution capability assessment

3. Strategy Execution mapping

4. Strategy Execution office

5. Integrated execution planning

6. Performance management

7. Strategy Execution continuous improvement

8. Training and competency development

9. Leadership principles

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