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WHY SMOOTH EXECUTION DEPENDS ON CLEAR OUTCOMES

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This article describes why developing clarity around outcomes is fundamental to effective strategy execution. Outcomes can be at four levels: Organization, portfolio, project and even at the individual level. We begin by defining an outcome and describing its benefits. This is followed by outlining a process to define meaningful outcomes. We conclude by defining the role of effective decision leadership to ensure a focus on the right management practices to avoid the negative impact of our personal and team biases on defining outcomes.

What is an outcome?

An outcome describes what customers are ultimately paying for or seeking in terms of value or benefits. To understand an outcome, let us start with some simple (and possibly obvious) examples.

- When you buy an automobile, you may be really seeking safe and reliable transportation for your family or looking to project a certain type of image.
- Business travelers may seek multiple outcomes from an airline: Travel any time, on time arrival, low price and easy access to downtown[1].

Here are some other (less obvious) examples[2]:

- Companies seeking to compete on post-IT sales service traditionally define the outcome the customer is looking for in terms of response times, friendliness and courtesy. However, what customers are really seeking is maximum uptime and low cost of ownership.
- Companies looking to lower costs may invest in offshore outsourcing. For some companies, the real outcome may be to achieve a global presence via local investments.

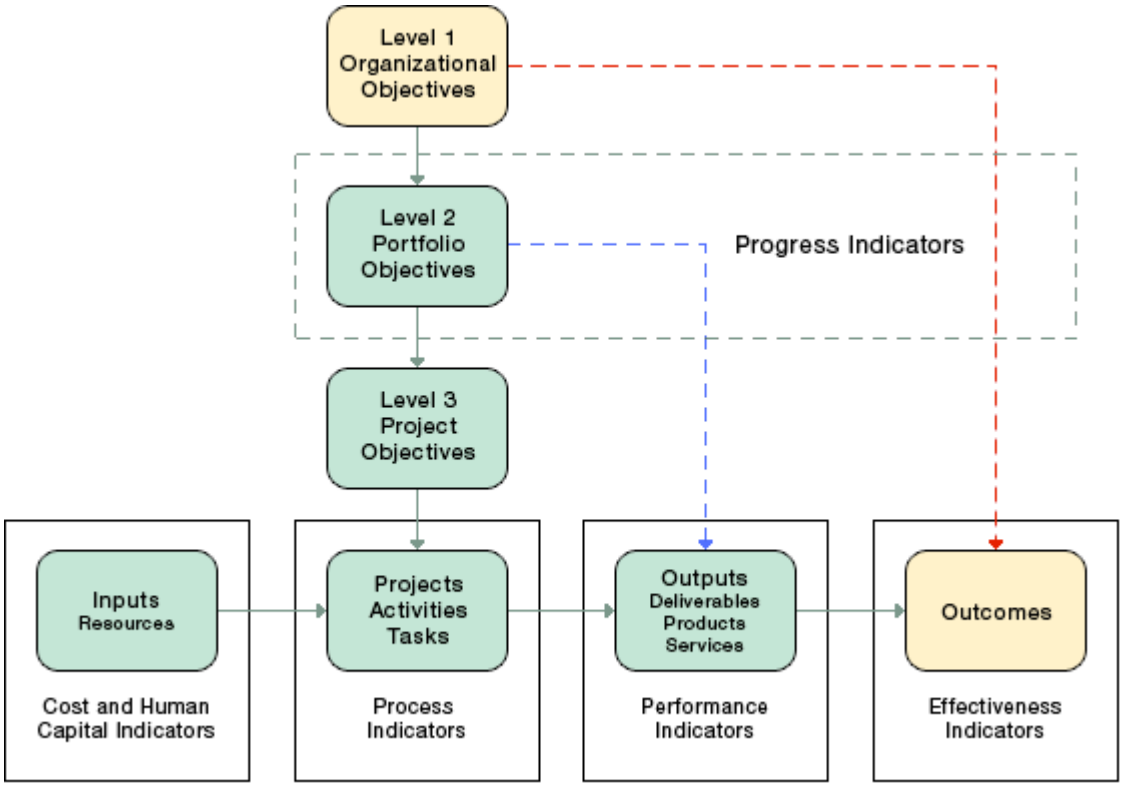
Another way to look at an outcome is to describe what it is *not*. An outcome is not:

- A Need: This is something customers are willing to pay a reasonable amount of money for, e.g., food, shelter, clothing, etc.
- A Requirement: This is something customers have to have at any price, e.g., air bags and anti-lock brakes in a car.
- A Want or Desire: This is something customers will not pay extra to get, e.g., a cruise, business-class travel, etc.

Needs, requirements, wants and desires are highly contextual. They vary from person to person and from time to time. They are governed by the law of diminishing returns—the more of something you get, the less you want it. Outcomes, on the other hand, are more fundamental

and provide a deeper insight into how the customer defines success.

There is a difference between output and outcome. For example, an IT project may have a software application as an output, but the outcome sought is increased employee productivity. A clever or funny advertisement is an output, but the real outcomes advertisers are looking for are increased brand awareness followed by brand preference followed by increased sales. The diagram below depicts the difference between an outcome and an output and the corresponding performance indicators.



Developing outcomes is relevant at multiple levels:

- At the organization level, outcomes are defined to serve external stakeholders (customers, shareholders, regulatory agencies, etc.). Outcomes at the organizational level serve to provide clarity and direction to the entire global enterprise. This will spawn multiple portfolios to achieve the outcomes.
- At a portfolio level, outcomes serve to provide clarity and direction for aligning with a specific organizational outcome. A portfolio may consist of many projects.
- At a project level, outcomes serve to justify a specific investment needed to achieve success for an initiative.

Why is defining outcomes important?

How many times have you finished an initiative, project or task and seen that the result is not entirely what you or the customer expected? Or (and this may be more common) how many times have you seen additional expense and effort expended to course correct at a late stage of a project? Have you been in a situation where, having invested financially and emotionally in producing a solution, leaders desperately search for a problem to solve, resulting in good money being thrown after bad, not to mention the strain on the people who are forced to work on

assignments that defy all logic?

It is our contention that defining the best attainable outcomes is fundamental to strategy execution and provides the focal point for building a good strategy map. By gaining clarity around outcomes, the organizations, portfolios and projects have a much higher probability of aligning their investments to execute strategy.[3]

A profound impact of defining several strategic outcomes, and hence several alternatives, is that it forces the organization to select the most appropriate solution instead of *building a solution looking for a problem*. Good decision-making is based upon having real alternatives to choose from and this requires different scenarios with different outcomes. The product of a good strategy is always being clear about which possible outcomes you are rejecting as an option.

Here are some examples of how outcomes can be used to lay the foundation for effective strategy execution planning:

- Organizations can develop multiple strategic planning scenarios based on several outcomes that are defined by a risk-reward matrix or many other comparative indices. These scenarios provide a viable strategy because a strategy with no options is no strategy.
- Organizations can build competitive objectives that truly build differentiation and avoid an imitation strategy by having the same value chain as competitors.
- Organizations/portfolios/projects can identify radically new product or service configurations to create or maintain customers.
- Organizations can select/invent an appropriate business model based on core competencies and execution capabilities required to deliver those products and services.
- Post implementation, it will be easier to identify defects (outcomes also serve as the basis for defining the organizational performance management scorecard).
- Structured dialogues around outcomes develop a shared consensus with the people who are going to execute the work.

Other benefits of achieving outcome clarity are:

- Organizational outcome clarity precedes organizational alignment; clear thought precedes effective action.
- With a clear end in mind, resources are not wasted in developing solutions that are either suboptimal or not adopted.
- Organizations can develop a competitive advantage by seeking to differentiate themselves. For portfolios and projects, this is a way to develop alternate configurations using existing capabilities.
- It provides the "success root" information to build a coherent strategy execution map and a clear set of interdependent and specific goals and objectives.
- It allows for the visual decomposition of the execution system and business logic to achieve the outcome.
- It enables collaboration as people apply their energy and creativity together in the same direction.
- Prioritizing and funding projects are a more rational exercise. Well-defined outcomes are a powerful way to gain funding and sponsorship.

In ancient times, having outcomes that unified a nation was sometimes a matter of life or death. History is full of examples of one country's armies conquering entire nations because it was more disciplined and focused and not torn apart by internal strife. In modern-day corporations, when outcomes fail to unify people, it is visible in lost productivity through lowered morale or employee turnover.

What is the process for defining outcomes?

Whether outcomes are defined at the organization, portfolio or project level, developing outcomes *requires people to collaborate and agree on the facts or opinions that are being presented as the basis for making a decision*. Some organizations and projects may get away with a single decision-maker or command-and-control approach to developing outcomes, but this is becoming rare. In our complex "flat-world" world, risk is truly managed better by the wisdom of expert cross-functional teams and people who actually know how the work will be executed in the organization's systems.

To ensure effective collaboration in developing outcomes, you need a well-defined, quality decision-making process. Two things are critical:

- A personal awareness of your own decision biases: The ability of the group to consciously use the diversity of each member's strengths will build better dialogue.
- Effective group facilitation: A neutral facilitator will manage the group energy and allow the participants to focus on the issues at hand and avoid the potential biases that could develop groupthink.

We suggest the following process for generating outcomes:

1. Understand the context in which the outcomes need to be defined, both internal and external. Research and study the current realities of the organization's capabilities and market urgencies.
2. Move towards a fact-based approach to determine the customer's definition of value and define key uncertainties that must be modeled for the degree of economic impact.
3. Understand the culture and power structure in the organization, understand when and how decisions are made (command-and-control vs. collaborative).
4. List all the stakeholders and influencers who will participate in defining outcomes, including external competing stakeholders (by proxy) that can make your outcomes obsolete.
5. Use structured strategy execution map workshops and get participants to agree to the process of multiple iterations before deciding on the final outcomes and definitions.
6. Validate the outcome as necessary with each stakeholder and influencer separately to ensure buy-in and define any uncertainties that surround the outcome.

A few points to keep in mind:

- Leverage the established corporate culture. Culture is defined here as the set of organization processes that serve to stabilize the organization. Organization culture consists of the attitudes, values, experiences and beliefs of the people who work there. Organization norms of decision making and who gets to decide what, the tolerance for risk and tendencies for groupthink all determine how stakeholders and influencers drive to consensus.
- Current thinking and assumptions may need to be challenged. Testing the working theory behind the outcomes will surface possible changes required by the group. The team will need a commitment to recognize individual dissent as a way of getting to all perspectives of reality.
- Documenting and tracking planning assumptions becomes a critical ongoing process through all the phases of execution, as failures around changing assumptions can be catastrophic.
- Managing the organizational interfaces between functions is critical for managing the organizational risks of executing a strategy.

Biases that impact decision making around strategic outcomes

Fundamental constraints when designing good outcomes are the biases present either in the organization culture or in decision-makers and influencers. These biases creep in because of one

or more of the following reasons:

- No individual or group awareness as to what biases are acting on a decision
- No standard decision framework or incentive to manage a quality decision process
- Lack of understanding the need for both quality and the pace of decisions
- Lack of a neutral facilitator to structure the decision process and dialogue when the stakes are high
- The urgency of a decision needed breaks down the group decision-making process

Here is a short list of biases that may bias decision making in general:[4]

Bias	Description
Ambiguity effect:	This happens when decision-making is impacted by a lack of information. The effect implies that people tend to select options for which the probability of a favorable outcome is known over an option for which the probability of a favorable outcome is unknown. For example, a decision to build may be taken over by a decision to buy, simply because the decision-maker perceives the outcomes of a build decision to be more certain.
Anchoring:	During normal decision making, individuals overly rely on specific information or a specific value and then adjust to that value to account for other elements of the circumstance. Usually once the anchor is set, there is a bias toward that value. For example, an organization looking to improve sales productivity may choose to focus on time spent on non-customer facing tasks and use this as a basis for evaluating productivity rather than considering the effectiveness of a sales person when they are with a customer.
Availability heuristic:	This happens when the ease of imagining an example or the vividness and emotional impact of that example becomes more credible than actual statistical probability. For example, a project that failed recently may be offered as an example of how not to do something. This line of thinking may ignore the fact that most other projects have been successful in the past using the same process.
Clustering illusion:	This refers to the tendency to see patterns where none actually exist. In such situations, information is manipulated and interpreted until it appears to have meaning. This is similar to shooting at the side of a barn and then painting a target centered on the hits and claiming to be a sharpshooter![5]
Déformation professionnelle:	The tendency to look at things according to the conventions of one's own profession, forgetting any broader point of view. For example, a CFO evaluates a project as having a negative return for the short-term and ignores the long-term strategic value.
Information bias:	The tendency to seek information even when it cannot affect action. This is a result of unbridled curiosity and lack of goal clarity. Often results in analysis paralysis. For example, a decision to enter into a strategic alliance may already be

	made by the CEO based on a couple of key parameters he/she determines to be critical to the company as a whole, but his/her direct reports may persist in collecting information to support or oppose the decision.
Illusion of control:	The tendency for human beings to believe they can control or at least influence outcomes that they clearly cannot. For example, the reason why command-and-control persists today is indicative of the fact that those in charge feel they can (completely) control behavior.
Outcome bias:	The tendency to judge a decision by its eventual outcome instead of based on the quality of the decision at the time it was made. For example, a country may decide to preempt an attack by attacking first. It is later discovered that the information on which the decision was made is false. The quality of the original decision to attack first needs to be evaluated based on the information available and the process followed at that time.
Selective perception:	The tendency for expectations to affect perception. For example, assume a case where most of the relevant data is available to make a choice on business strategies. If the decision-maker selects only a few of the available facts, he/she is guilty of selective perception.

The role of facilitative leadership

Ultimately, developing good outcomes may require people to question their own understanding of market realities, assumptions about the organization and sometimes their core beliefs about their mental models of cause–effect relationships of the nature of things. The following table provides a few examples of possible antidotes that facilitative leaders can use to reduce the risk of marginal decision-making around outcomes due to unchecked and unexamined biases.

Bias	Facilitative Leader's Antidote
Ambiguity effect:	Seek additional information outside "normal" perspectives even after you believe you have all the facts.
Anchoring:	Ask for the assumptions and issues that form the basis of the selected value which forms the anchor, and then challenge those assumptions to determine the validity of the anchor.
Availability heuristic:	Understand the difference between fact and opinion and know how to deal with both given there may be an emotionally charged outcome being promoted based on recent events.
Clustering illusion:	Check with third parties to see if they see the same patterns or do they appear different. Use appropriate statistical tools and bubble diagrams to evaluate information.
Déformation professionnelle:	Establish cross-functional teams that complement one another to establish the diversity of views and be sure you have the right people involved in the decision process.
Information bias:	Define the parameters for how the team will decide on relevant information and set explicit decision timetables to avoid the tendency for overanalyzing.
Illusion of control:	Develop comprehensive strategy execution maps that fully define the

	execution capabilities required so that the current reality of the organization is understood before approving the strategic plan.
Outcome bias:	Establish a process of quality decision-making and reward the skills and behaviors around the decision process versus the actual outcomes and results.
Selective perception:	Study the research on inattentional blindness, which is the phenomenon of not being able to see things that are actually there, and always ask this question to the decision-making group: "Are we not seeing things because we have no frame of reference for the subject?"

The strategic importance of good outcomes to develop effective and executable strategies raises the need for better decision-making. Leaders should focus the decision-making process around developing outcomes versus the results of the strategic planning process. Why? As we have seen throughout many organizations, many decisions are made under conditions of uncertainty and the results may be disastrous or they may be successful. To the extent that we reward results and not sound decision-making practices, we may not be able to build organizations that are enduring.

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1. Core Objectives: Clarity in Designing Strategy by Sayan Chatterjee, California Management Review Winter 2005
2. See *Failsafe Strategies* by Sayan Chatterjee for other examples
3. *Executing Your Strategy* by Mark Morgan, Raymond E.Levitt, William Malek.
4. See http://www.wikipedia.org for a complete list of cognitive biases.
5. This is also known as the Texas Sharpshooter Fallacy.

About the Authors

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