The Total Strategy Execution Platform

Seeing the System of Capabilities

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Overview

• Leaders are pressured these days to sustain high-performing organizations in times of unprecedented change. Unfortunately most of us have learned to manage an organization by managing its separate pieces but this way always causes sub-optimization.

• Organizations are systems that people work in. Leaders must explore a “systems thinking” perspective on how people can be motivated to perform when the systems are designed well and what happens when they are not. Only changing the thinking can solve the problem.

• Getting the desired employee mindset means viewing our organizations as adaptive systems in which goals are aligned with the reality of the organization's super-system, processes are aligned to meet customer expectations and organizational goals, and roles are aligned to perform the required tasks of the processes. Most importantly people are aligned and leadership is doing the aligning.
The Strategic Execution Framework

A book written about how strategy is executed in an organization.

Based on an Executive Education Program at Stanford University called Advanced Project Management and published by Harvard Business School Press.
I will have some BIG words today!

• I will help you place some of these key words into an organizational context
• We will not get into the details on how you do this!
• Many sessions here to explore more details!
Management Systems Defined

Management systems:
The integrated and coherent system of people, processes, tools, policies, information and beliefs leveraged by the organization to enable the achievement of its goals.
An Integrated System of Systems

- Marketing Systems
- Strategy Systems
- Portfolio Systems
- Performance Systems
- Process Systems
The Challenge is Abstraction

- Most organizational change is driven by environmental impact.
- Boxes indicate primary variables affecting organizational performance.
- Arrows indicate critical linkages.
- A change in any variable will ultimately affect every other variable.
- Higher level variables have greater weight in effecting organizational change.
An Organization is like a Bridge

- [http://www.youtube.com/watch?v=ESTJCQpGW3Q&feature=youtube_gdata_player](http://www.youtube.com/watch?v=ESTJCQpGW3Q&feature=youtube_gdata_player)
A System of Systems

Marketing Systems
Strategy Systems
Portfolio Systems
Performance Systems
Process Systems
Market View

• Key System Capabilities
  – Linking Market Research and Customer Feedback to R&D and Strategy Development
  – Value Chain Visualization and Mapping
  – Product/Service Development and Improvement

• Enablers
  – Performance Data (internal and external)
Sears Roebuck’s Employee-Customer Profit Chain

A compelling place to work

- Attitude about the company
- Attitude about the job
- Employee behavior
- Employee retention

A compelling place to shop

- Service Helpfulness
- Merchandise Value
- Customer impression
- Customer retention

A compelling place to invest

- Customer recommendations
- Return on assets
- Operating margin
- Revenue growth

Source: Adapted from *Harvard Business Review*, Jan.–Feb. 1998
Strategy Systems

- Strategy View
- Mission (why)
- Vision (where)
- Goal-Metric (what, target)
- Strategy (how)
- Program Portfolio (projects)
Strategy View

• Key System Capabilities
  – Goal Setting and Cascading (Expectation Management)
  – Goal/Performance Management
  – Strategy Translation to Initiatives/Projects

• Enablers
  – Strategic Leadership
  – Performance Data
  – HR Systems (Recruitment, Workforce Planning)
Sanity Check . . .

Make sure everything is linked and connected for a tight end-to-end model for driving strategic execution.

**OBJECTIVE**
Improve Employee Satisfaction

**MEASURE / TARGET**
- **Measure**: Employee Satisfaction Survey Rating
- **Target**: 90% favorable overall
- **Gap**: 45%

**INITIATIVE**
Employee Productivity Improvement Program

**ACTION PLAN**
Identify issues per a company wide survey
Portfolio Systems

- Guiding Principles (values)
  - Defined Stakeholders Outcomes
    - Value Creating Processes/Activities
      - Execution Capabilities
        - Critical Issues & Assumptions
          - Decision Quality

- Policy
- Strategy Execution Office (who)
Portfolio View

• **Key System Capabilities**
  – Resource Planning and Allocation
  – Project Portfolio Prioritization
  – Risk Management
  – Financial Management
  – Decision Processes

• **Enablers**
  – Strategic Leadership
  – Project Execution Performance Data (Actual and Targets)
## Decision Rights - RACI

<table>
<thead>
<tr>
<th>Decision-Governance Level</th>
<th>Type of Decisions Addressed</th>
<th>Decision Roles</th>
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<tr>
<td>Executive Leadership</td>
<td>- Cross-Bio Unit Impacts&lt;br&gt;- Resource ($ and people) allocation at Biz Unit Level&lt;br&gt;- Change in strategy&lt;br&gt;- Major change in scope&lt;br&gt;- Changes in Strategic Risk&lt;br&gt;- Escalation from the Regional Managing Sponsor&lt;br&gt;- Organizational change</td>
<td>- Identify and recruit Regional Managing Sponsor&lt;br&gt;- Appoint additional leadership as required&lt;br&gt;- Approve major capital expenditures&lt;br&gt;- Provide Enterprise-level strategy and direction</td>
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<td>Regional Managing Sponsor</td>
<td>- Scope change within current strategic direction&lt;br&gt;- Resource allocation within Program&lt;br&gt;- Strategic program level issues and risks&lt;br&gt;- Escalation from Senior Managing Leader(s)</td>
<td>- Recommend organizational change&lt;br&gt;- Champion the initiative across Biz Units&lt;br&gt;- Load collaboration across Biz Units&lt;br&gt;- Plan appropriate resources for the program&lt;br&gt;- Implement and support policies&lt;br&gt;- Load implementation of the Strategic Plan</td>
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<th>Initial Phase (Biz Commit)</th>
<th>Interim Phase (Concept Commit)</th>
<th>Final Phase (Execution Commit)</th>
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<td>Decision A</td>
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<td>Decision B</td>
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<td>Decision E</td>
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**Strategy Execution Decision Governance**
Process View

• **Key System Capabilities**
  – Process Design and Mapping
  – Process Performance Criteria
  – Continuous Process Improvement

• **Enablers**
  – Job Design
Primary Core Processes

Value Creation System

Level 1 – Primary Processes (3-8 Step Process)

Process View

STRATEGY VIEW

OPERATIONAL VIEW
Performance Systems

- Performance View
- Outcomes
- Objectives for In and On
- Metrics & KPIs
- IDPs & Dash
Performance View

• **Key System Capabilities**
  – Performance KPI Design/Goal Cascading
  – Performance Management Tracking and Feedback
  – Information Management Systems

• **Enablers**
  – Leadership and Management Dashboards
  – Process Performance Data
  – Individual Career Development Plans
  – Learning and Development
Top-Down Bottom-Up

- Business Direction
- Core Metrics
- Business Objectives
- Core Process Objectives
- Core Project Objectives
- Individual Employees
  - Management Level (M)
  - Supervisory Level (S)
  - Operator (O)

Performance View

Enterprise performance management

Individual performance management

Goal Setting & Cascading
Performance monitoring & review
Cascading Objectives/KPIs

Level 1
- Org Objectives

Level 2
- Biz Unit Objectives
- Process and Project Objectives

Level 3
- Process and Project Objectives

Progress Indicators
- Strategic
- Operational

The Missing Link
- Inputs Resources
- Projects Processes R&R Tasks
- Outputs Deliverables
- Strategic Outcomes

Performance View

Strategic layer
- Cost and Human Capital Indicators
- Process Indicators
- Performance Indicators
- Effectiveness Indicators

Operational layer

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Primary Causes for Low Performance

- Poor or Insufficient Performance Feedback: 60%
- High Individual Stress Levels: 40%
- No Work Performance Standards: 39%
- Lack of Clear Individual Goals: 37%
- Reward Not Performance Based: 31%
A System of Systems

- Marketing Systems
- Strategy Systems
- Portfolio Systems
- Performance Systems
- Process Systems
The Total Execution Platform

(Strategic) Performance Management System
(Financial, Customer, Operations, People)

Marketing Systems
Strategy Systems
Portfolio Systems
Process Systems

People
Process
Tools/Technology

Total Execution Platform
Building Systems Capabilities

Level 5
Innovating
Implement continual proactive improvements to achieve business targets
- Capable processes
- Perpetual innovation
- Change management

Level 4
Predictable
Manage process and results quantitatively and exploit benefits of standardization
- Predictable results
- Reuse/knowledge mgt.
- Reduced variation

Level 3
Standardized
Develop standard processes, measures, and training for product & service offerings
- Productivity growth
- Effective automation
- Economies of scale

Level 2
Managed
Build disciplined work unit management to stabilize work and control commitments
- Reduced rework
- Repeatable practices
- Satisfied schedules

Level 1
Initial
Motivate people to overcome problems and just “get the job done”
- Mistakes, bottlenecks
- Ad hoc methods
- Hero worship
The Linkage Process

1. Define Market Metrics with Brand by Product Line
2. Translate to Organizational Goals
3. Define Functional Objectives Required to Achieve Goals
4. Determine Projects Required Along with Project Objectives
5. Link Project Objectives to Process Performance Criteria
6. Design the Process Metrics to Achieve Strategic Outcomes
7. Reconcile Functional Objectives and Process Metrics
8. Cascade Laterally to Set Individual R&R Performance Criteria
What are a couple steps you can take?

• Define and Measure Your Total System Capabilities
  – Do a Quick Self-Assessment using Malcolm Baldrige Criteria for Performance Excellence (see Handout)
    • http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm
  – Partner with S2R International to do a Capabilities Performance Assessment
    • Discover and Define your Pain Points with a Strategy Execution Capabilities Assessment (SECA)
    • Design an Intervention to Impact Performance Directly
Dream what you dare to dream.
Go where you want to go.
Be what you want to be.

Ralph Waldo Emerson