The Total Strategy Execution Platform
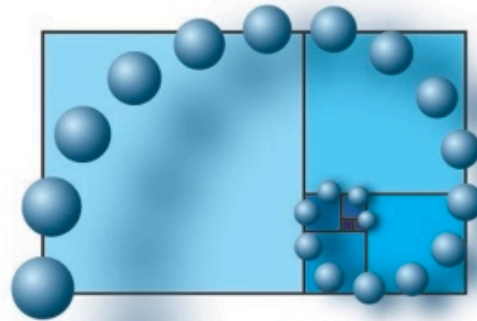
Seeing the System of Capabilities

William Malek

william@strategy2reality.com

+66-83-250-0043 or 1-650-387-3036

William Malek

Strategy Execution Consulting and Strategic Planning Facilitation Practice

17 years of management experience in Fortune 500's

16 years in organizational development and strategic leadership training

Former Program Director for Stanford University Executive Education Program

Co-author of **Executing Your Strategy** and the Strategic Execution Framework

B.S. Mechanical Engineering, SCPM, PMP and MBA

+66-83-250-0043; or +1-650-387-3036

EXECUTING
YOUR
STRATEGY

HOW TO BREAK IT DOWN

& GET IT DONE

Mark Morgan · Raymond E. Levitt · William Malek

HARVARD BUSINESS SCHOOL PRESS

january · five · two thousand eight

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.
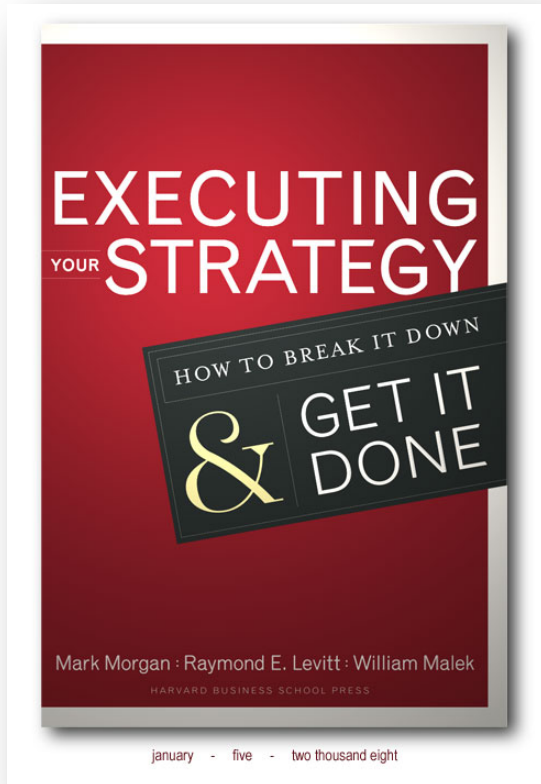
Based on an Executive Education Program at Stanford University called Advanced Project Management and published by Harvard Business School Press.

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

Input

External Environment

Throughput

Leadership

Mission & Strategy

Organizational Culture

Management Practices

Structure

Systems (Policies & Procedures)

Work Unit Climate

Task & Individual Skills

Motivation

Individual Needs & Values

Individual & Organizational Performance

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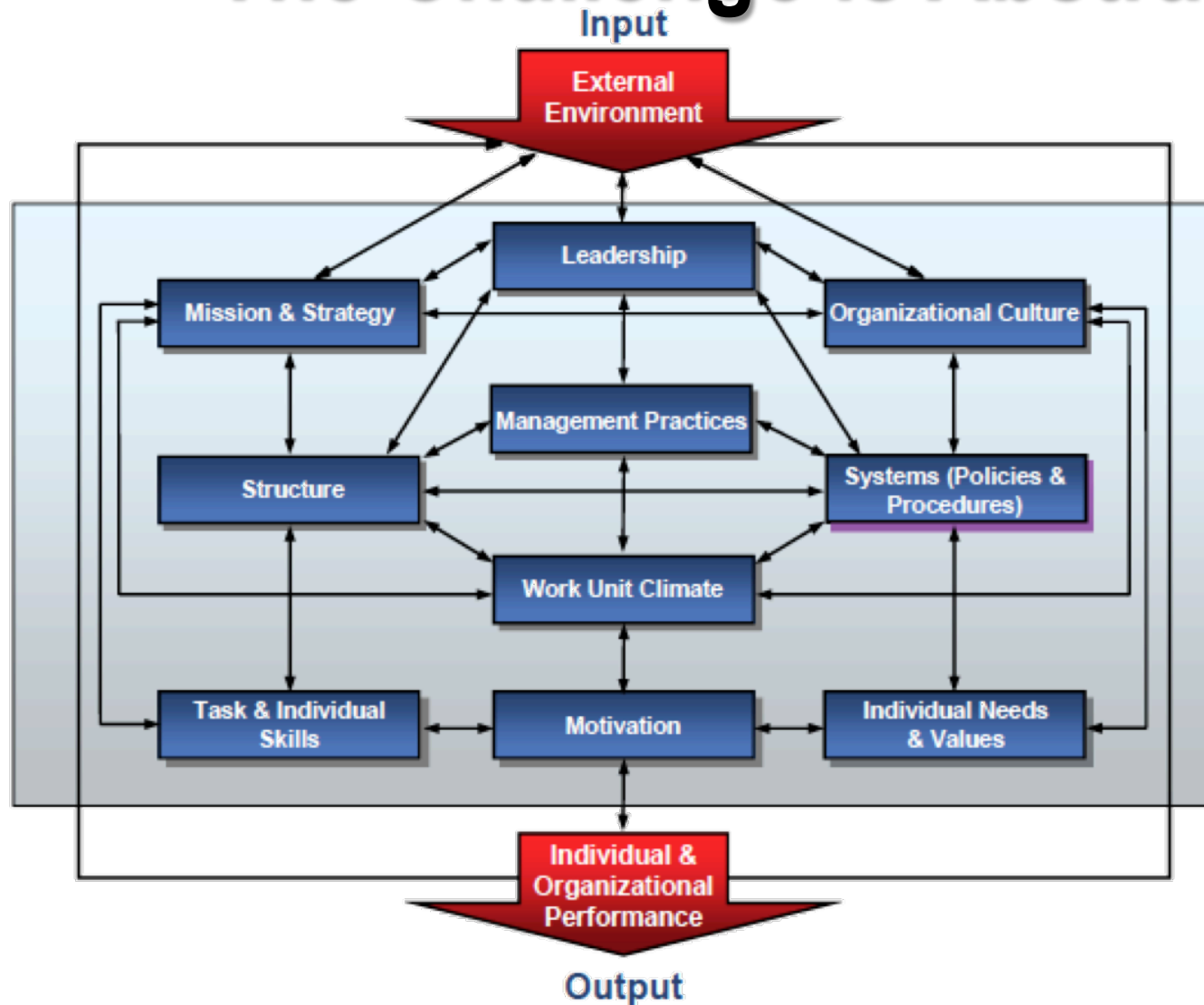
- Most organizational change is driven by environmental impact.
- Boxes indicate primary variables affecting organizational performance.
- Arrows indicate critical linkages.
- A change in any variable will ultimately affect every other variable.
- Higher level variables have greater weight in effecting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

An Organization is like a Bridge

- http://www.youtube.com/watch?v=ESTJCQpGW3Q&feature=youtube_gdata_player

A System of Systems

Marketing Systems

Strategy Systems

Portfolio Systems

Performance Systems

Process Systems

Marketing Systems

Market View
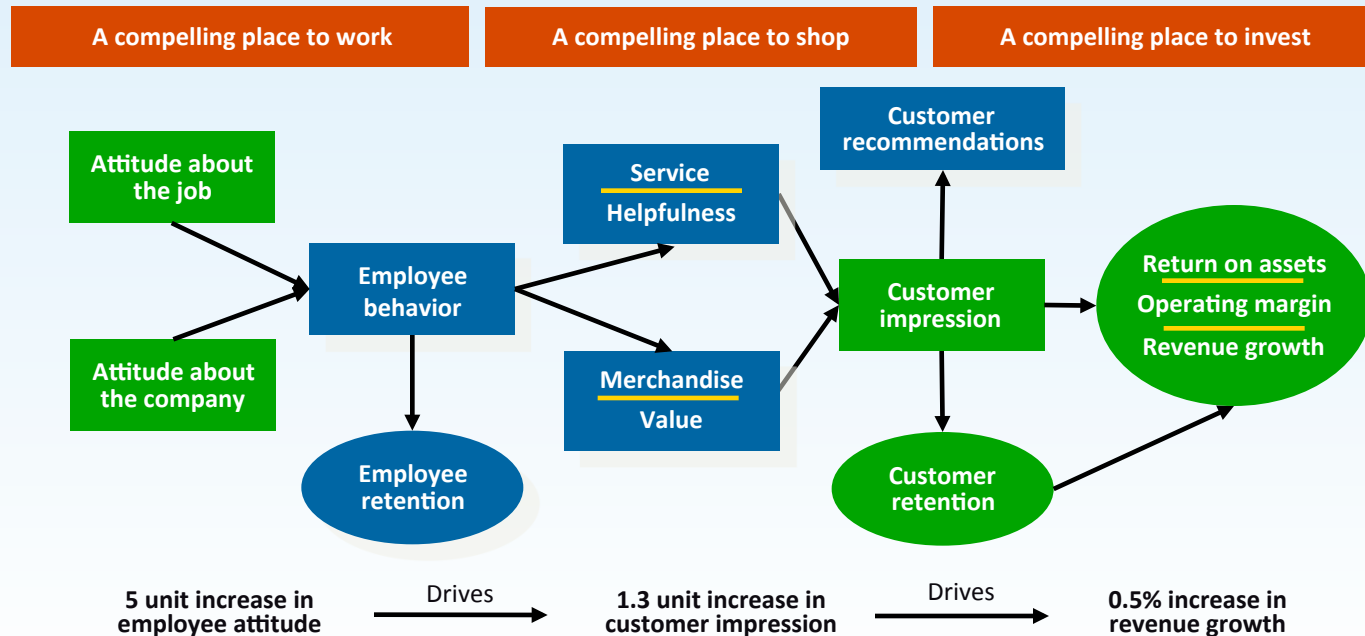Customer
Product/ Service Vision
Product Line/ Service
Product/ Services

Market View

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

Market View

A compelling place to work | A compelling place to shop | A compelling place to invest

Attitude about the job

Attitude about the company

Employee behavior

Service / Helpfulness

Merchandise / Value

Employee retention

Customer recommendations

Customer impression

Customer retention

Return on assets / Operating margin / Revenue growth

5 unit increase in employee attitude — Drives → 1.3 unit increase in customer impression — Drives → 0.5% increase in 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.
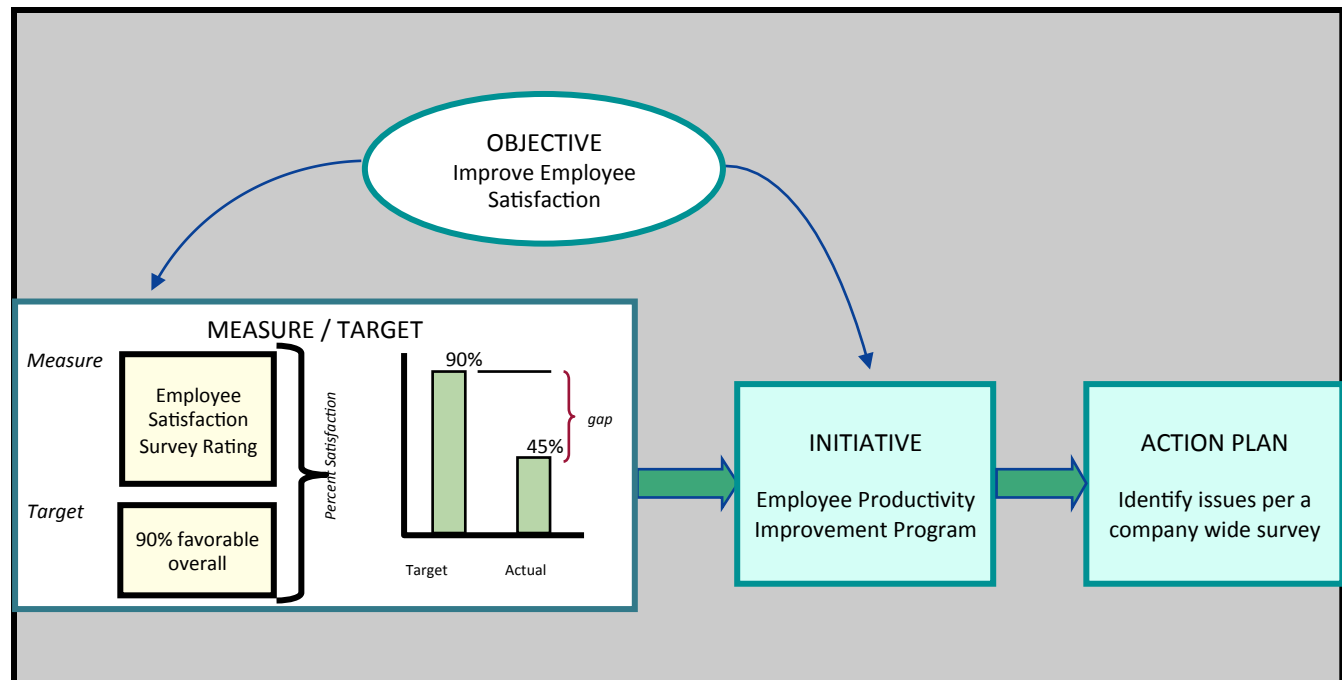
Portfolio Systems

Portfolio View

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
  - Portfolio Prioritization
  - Risk Management
  - Financial Management
  - Decision Processes
- **Enablers**
  - Strategic Leadership
  - Performance Data (Actual and Targets)

Decision Rights - RACI

Decision-Governance Level	Type of Decisions Addressed	Decision Roles	Strategy Execution Decision Governance														
			Short-Term Program														
			Initial Phase (Biz Commit)					Interim Phase (Concept Commit)					Final Phase (Execution Commit)				
			Decision A	Decision B	Decision C	Decision D	Decision E	Decision A	Decision B	Decision C	Decision D	Decision E	Decision A	Decision B	Decision C	Decision D	Decision E
Executive Leadership - Managing Directors	- Cross-Bio Unit Impacts - Resource ($ and people) allocation at Biz Unit Level - Change In strategy - Major change in scope - Changes in Strategic Risk - Escalation from the Regional Managing Sponsor - Organizational change	- Identify and recruit Regional Managing Sponsor - Appoint additional leadership as required - Approve major capital expenditures - Provide Enterprise-level strategy and direction	I	A	A	I	I										
Regional Managing Sponsor - Senior staff person to be identified and appointed	- Scope change within current strategic direction - Resource allocation within Program - Strategic program level issues and risks - Escalation from Senior Managing Leader(s)	- Recommend organizational change - Champion the initiative across Biz Units - Load collaboration across Biz Units - Plan appropriate resources for the program - Implement and support policies - Load implementation of the Strategic Plan	A	R	C	I	I										

Process View

- **Key System Capabilities**
  - Process Design and Mapping
  - Process Performance Criteria
  - Continuous Process Improvement
- **Enablers**
  - Job Design

Primary Core Processes
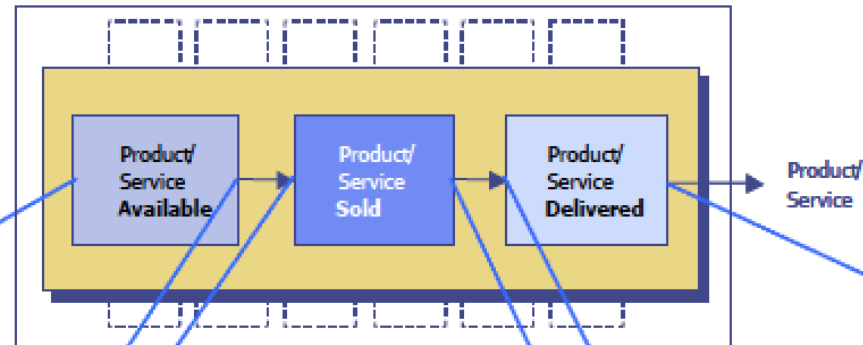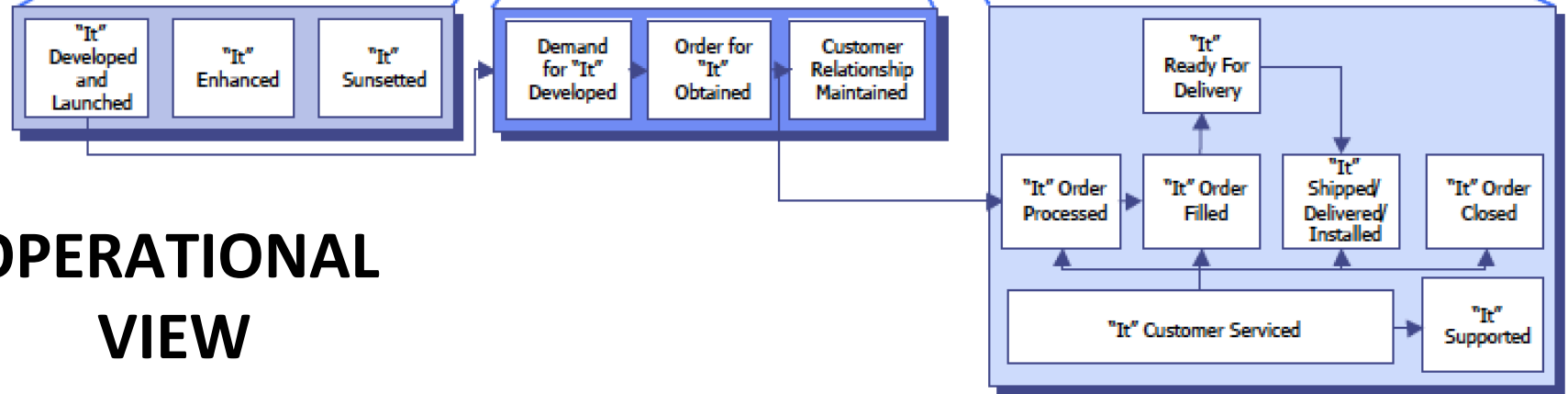
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Performance
View

Outcomes

Objectives
for In and On

Performance            Metrics &
Systems                KPIs

IDPs & Dash
```

Performance View

- **Key System Capabilities**
  - Performance Management/Goal Cascading
  - Performance Tracking and Feedback
  - Information Management Systems
- **Enablers**
  - Leadership and Management Dashboards
  - Performance Data
  - Individual Career Development Plans
  - Learning and Development
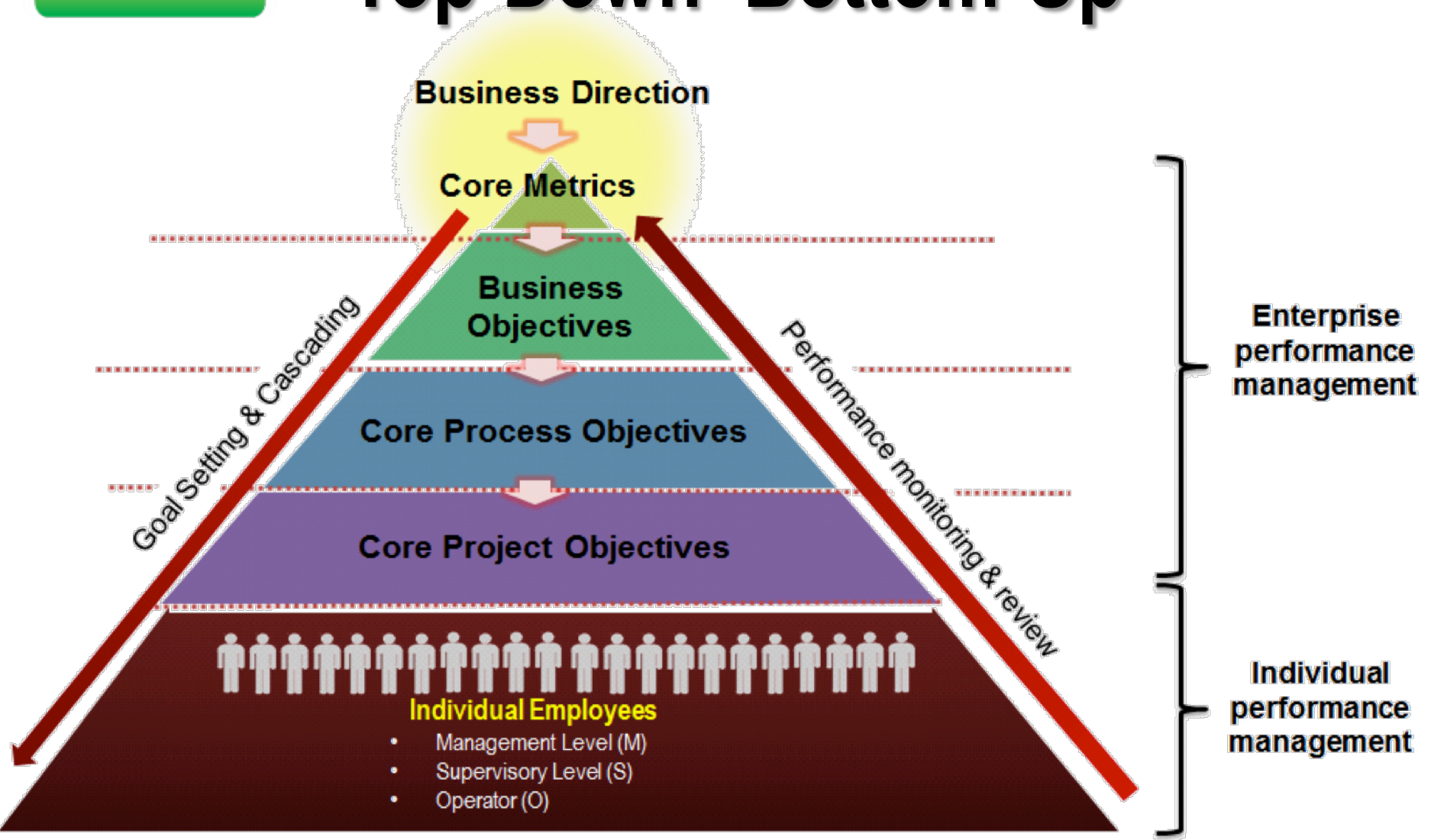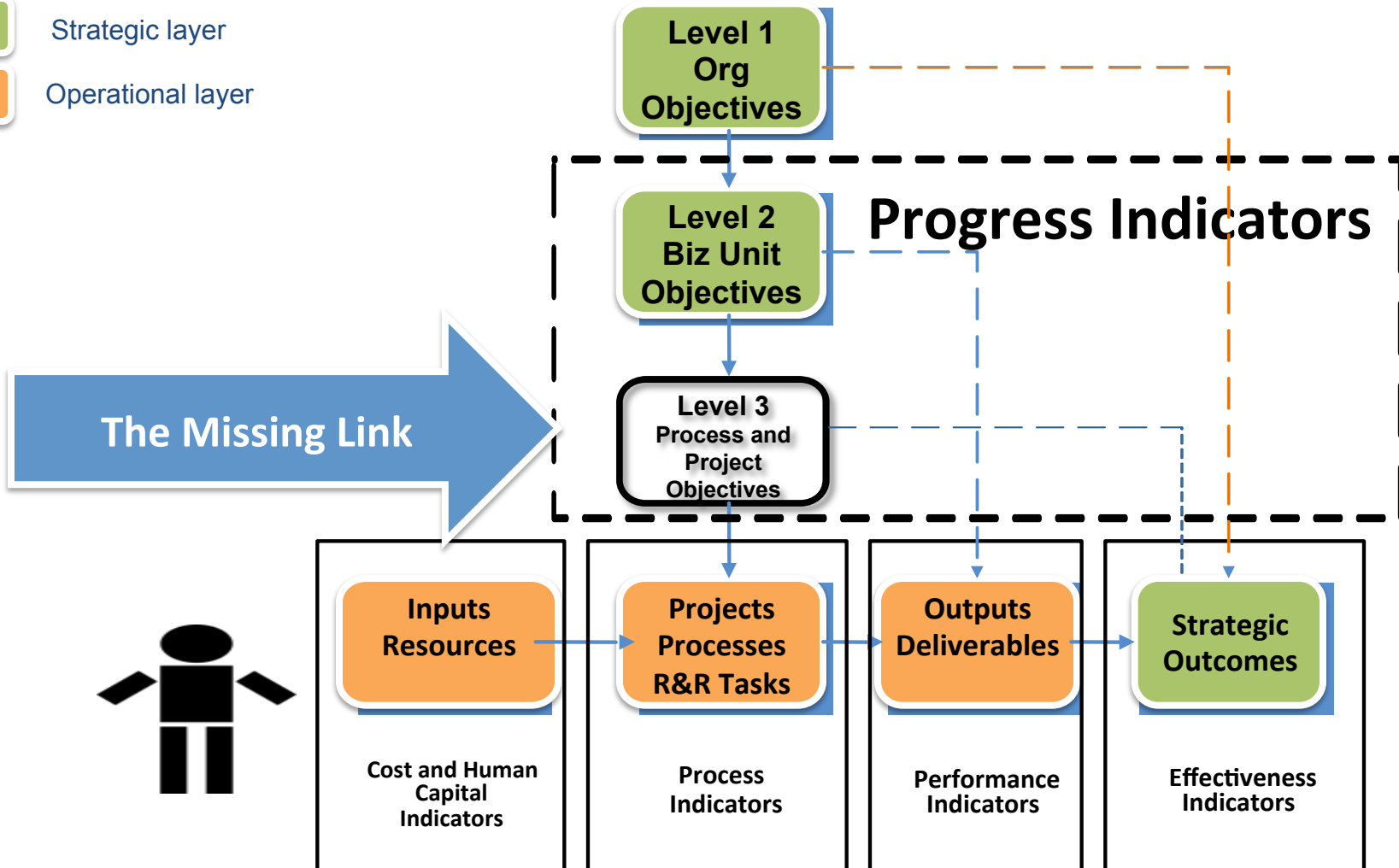
Primary Causes for Low Performance
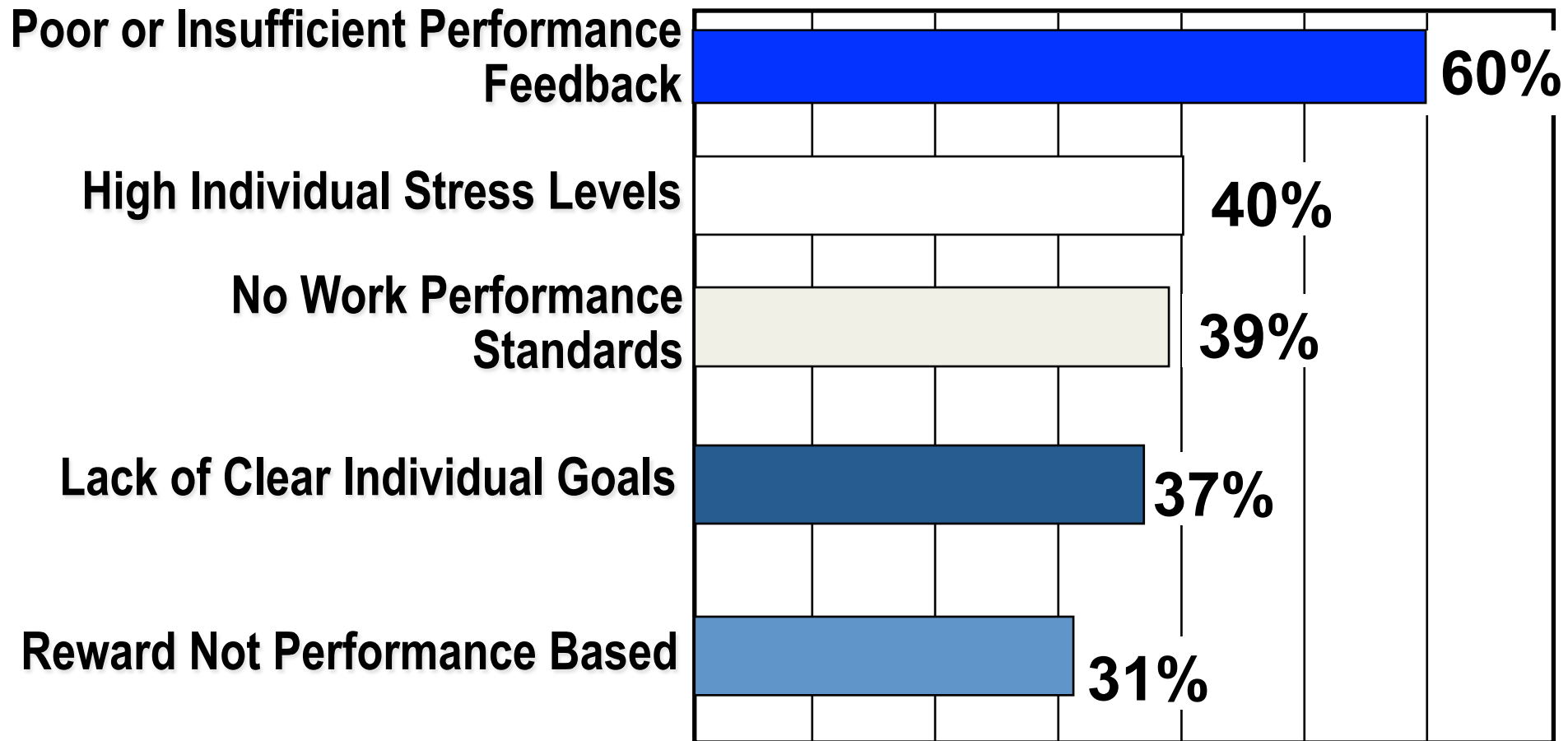
Poor or Insufficient Performance Feedback — 60%

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

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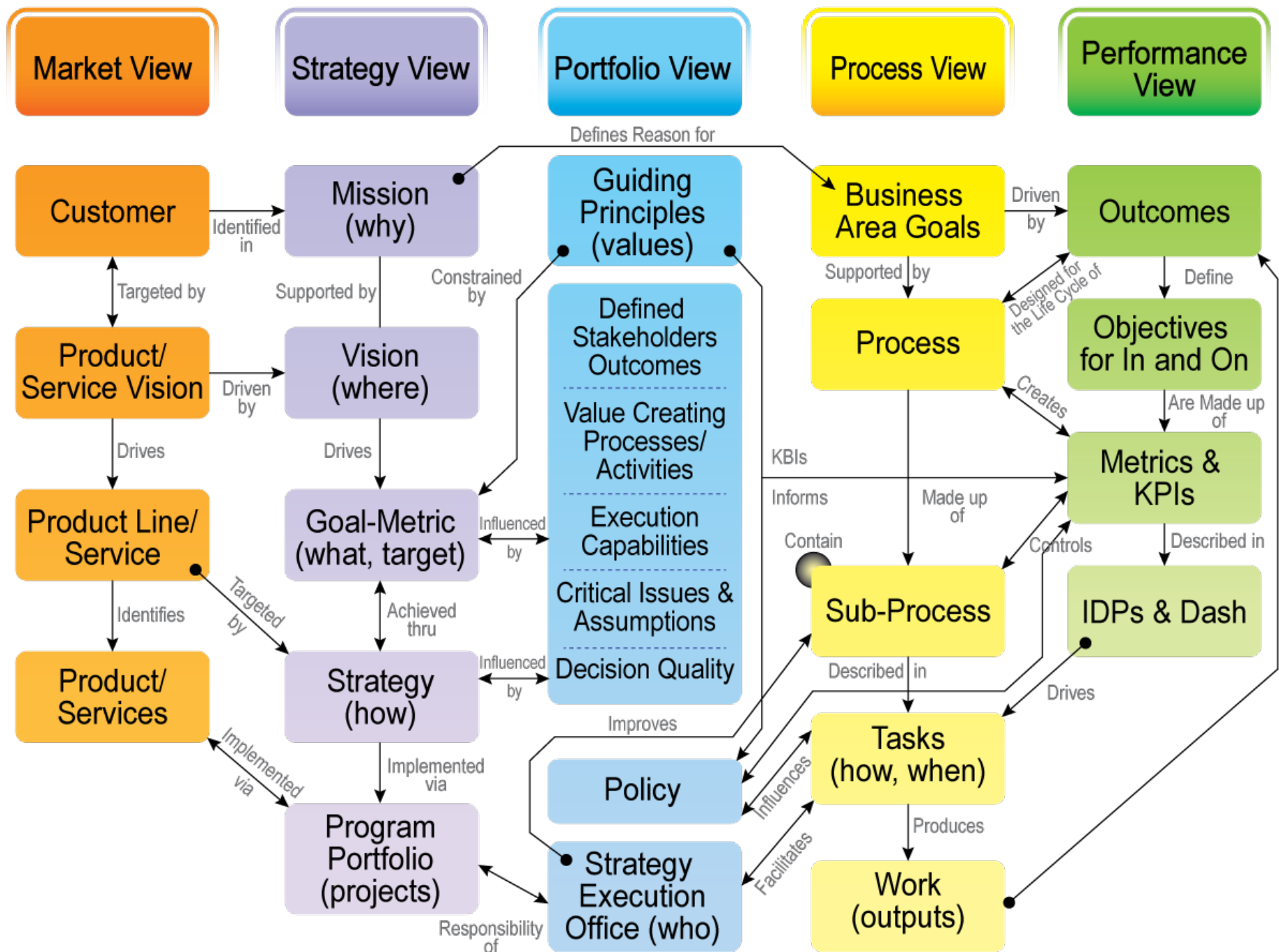
Building Systems Capabilities

Level	Description	Outcomes
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

Market View

- Customer
- Product/Service Vision
- Product Line/Service
- Product/Services

Strategy View

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

Portfolio View

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

Process View

- Business Area Goals
- Process
- Sub-Process
- Tasks (how, when)
- Work (outputs)

Performance View

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

Relationships:
- Customer — Identified in → Mission (why)
- Customer — Targeted by → Product/Service Vision
- Product/Service Vision — Driven by → Vision (where)
- Product/Service Vision — Drives → Product Line/Service
- Product Line/Service — Identifies → Product/Services
- Product Line/Service — Targeted by → Strategy (how)
- Product/Services — Implemented via → Program Portfolio (projects)
- Mission (why) — Supported by → Vision (where)
- Vision (where) — Drives → Goal-Metric (what, target)
- Goal-Metric (what, target) — Achieved thru → Strategy (how)
- Goal-Metric — Influenced by → Guiding Principles
- Strategy (how) — Influenced by → Decision Quality
- Strategy (how) — Implemented via → Program Portfolio (projects)
- Mission — Defines Reason for → Business Area Goals
- Guiding Principles — Constrained by → Goal-Metric
- Business Area Goals — Driven by → Outcomes
- Business Area Goals — Supported by → Process
- Outcomes — Define → Objectives for In and On
- Objectives for In and On — Are Made up of → Metrics & KPIs
- Metrics & KPIs — Described in → IDPs & Dash
- Process — Creates → Metrics & KPIs
- Process — Made up of → Sub-Process
- Process — Designed for the Life Cycle of → Outcomes
- Value Creating Processes/Activities — KBIs → Metrics & KPIs
- Execution Capabilities — Informs → Sub-Process
- Sub-Process — Described in → Tasks (how, when)
- Sub-Process — Controls → Metrics & KPIs
- Tasks (how, when) — Produces → Work (outputs)
- IDPs & Dash — Drives → Tasks (how, when)
- Policy — Influences → Sub-Process / Tasks
- Policy — Improves →
- Strategy Execution Office (who) — Responsibility of → Program Portfolio (projects)
- Strategy Execution Office (who) — Facilitates → Tasks
- Contain → Sub-Process

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