

From Strategy to Execution – Delivering on the CEO's Promises

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Strategy doesn't get executed

Kaplan and Norton (2008) surveyed the members of their online business community and found that nearly half of them had no formal strategy execution process in place. Seventy percent of those with a formal strategy execution process reported that they were outperforming their peers. Only 27% of those without a formal strategy execution process reported that they were outperforming their peers. Implementing a formal strategy execution process appeared to make one important measure of success two to three times more likely.

Peter DeLisi (2008) in his research has found strategy execution is a dismal failure in most corporations. If military teams and professional athletics teams performed as well on strategy as corporations do, they would lose the battle or end up at the bottom of the standings.

Some sources suggest that over three-quarters of CEOs think that their strategy never gets executed properly at all.

Much senior management effort is directed towards strategy creation. Yet there is little value in a good strategy if it isn't well executed. Strategy execution has traditionally been seen as specific to each individual organization which, of course, it is to a considerable degree. But measuring the *quality* of strategy execution is not, and generic CEO-driven strategy execution management tools are beginning to appear in the market.

This article describes some of the salient characteristics of a strategy execution management system. Interestingly, experience is showing that the very versatility of these new systems makes them useful for governments and non-profits, as well as for businesses.

The CEO and strategy execution

Whatever his or her title, one of the CEO's¹ most important jobs is to create the strategy, clarify the organizational initiatives, communicate them to the employees and make sure they are achieved.

Organizations often set their goals at the beginning of the year and then look at them again near the end of the year to see if they were met. Then adjustments are made for the next year.

What if a hockey coach managed his team that way? A hockey coach coaches his team play-by-play, day-to-day and game to game. He builds improvements into each game as the season progresses. At the end of the season he might achieve the team's objectives. If he didn't use this regular coaching and improvement process throughout the season, what chance would he have of meeting the team's objectives – and keeping his job?

Execution is a continuous process, not an annual process.

"Strategy execution management" or "SEM" is essentially a way to "create the ability for the CEO to deliver on the promises he/she made in the plan." A strategy execution management system contains not only the elements of the strategy - for which the CEO is responsible - but also the means of measuring performance against the strategy on a continuous basis so that corrections can be made whenever they are necessary - just like the hockey team.

The SEM process is "owned and managed" by the CEO - not by a Vice President, the Executive Committee or the Human Resources department - because the CEO's own performance is related to

his or her ability to implement the plan approved by the Board or by the Minister.

Competencies are not enough

For many years, HR professionals attracted the attention of senior managers with their refrain about "our people are our most valuable resource therefore we should manage them well". They moved from "performance measurement" through "performance management" and now they talk about "talent management".

But these approaches fail to address the CEO's most crucial question - how well is the strategy executed? Why? Because they focus on employee competencies and not on the CEO's own strategic initiatives - there is no systemic linkage between the strategic initiatives and the execution.

Strategy execution management reflects a fundamental difference in concept and approach - more like the hockey coach than the traditional manager. SEM is about knowing how well those promises that the CEO made in the strategic plan are actually being delivered from day to day - in a way that they can be reported and acted upon.

You can't manage without a system

Ray Kroc didn't get rich by selling McDonald's hamburgers. He got rich selling franchises to other folks who got rich selling McDonald's hamburgers. Businesses that sell hamburgers have to be good at two very different things - making and selling hamburgers and building organizations that make and sell hamburgers. Kroc found the secret to building the businesses and left it to the

franchisees to make and sell the hamburgers. They didn't have to be good at building businesses because the franchise showed them exactly how to do it.

A franchise has a system. Indeed it *is* a system. Without the system inherent in the franchise, neither Kroc nor his franchisees would have gotten rich.

All organizations, governments and otherwise, need a culture of discipline – this means discipline in *thought* followed by discipline in *execution* – and both functions need *systems* for them to work. Discipline in thought is most often represented by some form of strategic or business planning process. Every government organization has one. But what about the discipline in execution? What about a system to make sure the plan that was prepared with such effort and expense is executed just as the CEO intended it to be executed?

Therein lies the rub. While there are many planning systems around, until recently there was no such thing as a “strategy execution management system”. This is a system that reflects the various components of the plans which the Board approved. It makes sure the organization is managed as well as the hamburgers are made and sold.

If you don't have an execution system, you might be playing Russian roulette with the results. Is this important for governments? I think so.

Setting goals and managing performance

Execution is the act of doing something well. When you really manage execution, you are focused on managing an act or a process as well as achieving a result. So SEM is about leading, guiding and motivating people to exceptional performance rather than simply judging their performance periodically and asking them to do better next time.

Shouldn't organizations practice execution management the same way that the best hockey teams do? This is what a good SEM can offer that performance management systems alone can't.

When we set a goal we set a target – usually a measurement that defines whether or not the goal has been met. It might be an amount, a percentage, a date, or some other criterion. With luck

and some skill we might hit the target – but in all likelihood we'll miss it to one side or the other. Then what?

One result is that our goal setting and scoring winds up being rather vague in order to account for “almost-met” goals. This can lead us to start believing that falling short on a goal is okay, and very soon the whole goal-setting and achievement process wobbles. Falling short on a key goal is *not* okay and the CEO and the managers need to know about it.

The issue here is how the measurement criteria are developed and used for the better – for the organization and for the employee. Instead of simply identifying how to judge the goal and selecting a target to hit, a good SEM process helps the employees to develop explicit “missed”, “met”, and “exceeded” criteria in setting their own goals. By articulating these three different measures when the goals are set in the first place, and not just one, the need for interpretation of the “almost met” goals at the end is eliminated.

These explicit “missed”, “met” and “exceeded” targets must be discussed and agreed upon by the managers and the staff and built into the performance management component of the SEM. This makes good sense when you consider the realities of goal accomplishment and measurement.

Performance agreements and initiatives

“Initiatives” are what the employees actually do to achieve the organization's goals. The clear definition of explicit initiatives for employees is crucial to strategy execution and to the assessment of goal achievement. So for every goal, or set of goals, there are one or more initiatives which have to be done well to make things happen. These initiatives go right through the organization from the CEO downwards and they have to be linked back to the overall strategy.

A good SEM process uses the concept of “performance agreements” between managers and employees at each level to achieve agreement on what the initiatives are (and are not) and how they are to be measured. Importantly, these are not designed by the manager – they are designed by the employee but then dis-

cussed and approved by both parties. Only then can they serve as the basis for regular performance evaluation during the year.

Two-way communication

Here's a pet peeve we hear from some CEOs. “I get financial reports, operating reports, sales reports, performance appraisals and the like all the time, but nothing really tells me what is going on here unless I ask – and by the time I know, it might be too late to fix it!” This is because there is no single execution system in place that can tell the CEO what he/she needs to know. This is not good enough for most CEOs, and nor for Boards of Directors. Yet communicating progress on goals and initiatives *to* the CEO regularly through the year is second in importance only to communication of the details of the plan *by* the CEO in the first place.

In an organization with a well-run SEM process, each manager in the hierarchy is responsible for achieving the goals of his/her own part of the strategic plan and reporting their achievements routinely. Only then can the CEO see at a glance if the goals are being met and, if not, who to ask about them. This is the only way that a CEO can really learn and understand what's going on in the organization throughout the year without an endless series of day-long meetings, typically based on “key performance indicators” and other kinds of “soft” information which may or may not be valid.

With an SEM process, performance reporting is routine, automatic and geared directly to the explicit strategy and goals established in the organization's plan. As well as individuals and teams being able to participate in the establishment of their goals and targets, they also need the ability to participate directly in these routine conversations about their progress and see that this progress is recorded in a place where the CEO and others can find it.

Pre-scheduled performance reviews

A SEM uses regular, pre-scheduled performance review conversations all the way down the hierarchy of the organization. Since the goals and measures are

already defined in the performance agreement, the agenda is set in advance. These meetings have an e-mail notification process and are pre-scored so the review meetings are short, focussed and highly effective.

Individual and team progress is evaluated and routinely assessed according to their goals and targets, and recorded in a system which the CEO can access at any time, should he/she choose to do.

SEM characteristics

A good strategic plan takes time to prepare – perhaps several months of your senior people. Once done, you can prepare a year's business plan more quickly and then use it to measure the organization's execution performance. But how? Design your own SEM and try to implement it? We suggest not.

Web-based proprietary SEM solutions are now available which will use your own plan, take days to implement, not months, and are notably inexpensive. You can start using them right away.

Most strategy execution management systems that have appeared in the marketplace in recent years are little more than automated personnel appraisal systems under a new name. My firm and its US partners looked at several and found they didn't really fill the bill since they focussed on employee competencies, not on corporate initiatives. But the CEO needs a way to focus on the organization's strategic initiatives, not just on its employee competencies.

What does a strategy execution management system look like? Here are ten attributes a SEM should have:

1. Initiative based, not competency based, focussing completely on the organization's strategies;

2. Explicit performance agreements between the managers and the staff;
3. Goal measurement with pre-set criteria and explicit performance measures with goals pre-defined as "missed", "met" or exceeded";
4. All managers, and most staff, in the loop, so the system can direct and manage internal communications with pre-scheduled and pre-scored progress meetings;
5. Dynamic so that changes in the initiatives are easily reflected as the organisation's circumstances and priorities change during the year, as they always do;
6. Senior management and program managers' dashboards so that they can review the performance of their own initiatives whenever they wish;
7. Low cost, well tested and work right out of the box;
8. Web-based, thus not requiring the implementation of expensive software;
9. Capable of implementation in small bites over a period of time, starting with the CEO and the executive team, and gradually cascading through the organization; and
10. Scalable so that any size of organization can use it.

A tall order you might say! Well some organizations in the US, UK and Canada are already using proprietary SEM

systems with these characteristics, with considerable success. Some non-profits are too, and so is my firm.

I'm not in the business of recommending solutions but there are one or two systems on the market that meet the above criteria and that seem to do the execution management trick rather well. The one we use in our own business is called KeyneLink® (www.keyneinsight.com). We utilize this product since it is inexpensive since it is web-based, low risk because it is implemented in small bites, scaleable to any size of organization (users we know of range from 4 to over 10,000 employees) and is implemented by experienced consultants/partners who know their clients' businesses almost as well as they know their own.

End notes

1. This article refers to Chief Executive Officers in business, governments and non-profits. The titles vary - for example the CEO in government might be a Deputy Minister or a City Manager and in a non-profit an Executive Director.

References

- Kaplan, Robert S. and Norton, David P. (2008) *The Execution Premium*, Harvard Business Press. 2008
- DeLisi, Peter S. (2008) *Strategy Execution: An Oxymoron or a Powerful Formula for Corporate Success?*

About the Author

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