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Strategic Execution

Strategy is important... Execution counts!

The process described in this article is an element of the Active Business Coaching™ stage of The CEO Advantage™.

The CEO Advantage is a process designed to help business advisors work with CEO's and executive teams to translate their vision into execution and results. Solutions At Work, LLC, created The CEO Advantage™ out of years of experience working exclusively with CEOs and executive teams of middle market companies, in diverse industries across North America. The success of clients using The CEO Advantage has lead to licensing the process to qualified business advisors. These Authorized Licensees are carefully screened and trained to deliver The CEO Advantage. For more information on The CEO Advantage and Solutions At Work, LLC, please visit the website at www.theceoadvantage.com.

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Strategy is important...Execution counts!

One of the toughest challenges that CEOs face on a recurring basis is translating their strategy into execution and results. In fact, the inability of CEOs to successfully translate their strategy into execution and results is considered, by many, to be the major reason why CEOs fail.Witness the recent Fortune Magazine article by Ram Charan:

> *"…You'd never guess it from reading the papers or talking to your broker or studying most business books, but what's true at Compaq is true at most companies where the CEO fails. In the majority of cases—we estimate 70%—the real problem isn't the high-concept boners [bad strategy] the boffins love to talk about.*
>
> *It's bad execution. As simple as that: not getting things done, being indecisive, not delivering on commitments. We base our conclusions on careful study of several dozen CEO failures we've observed over the decades—through our respective work as a consultant to major corporations and a journalist covering them. The results are beyond doubt."*

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Charan's findings were reinforced by noted business author Jim Collins who stated that, "Building a visionary company requires 1% vision and 99% alignment." You can substitute "execution" for "alignment" in this case. The point is; for a strategy to be of value it must be translated into real-world execution and concrete results.

The Strategic Execution Process

It is one thing for CEOs to understand that execution is the key to translating strategy into results. It is another thing for CEOs to be successful at translating strategy into execution and results. In most cases, the primary difference between CEOs who are successful and those who are not, is whether or not they adopt a comprehensive strategic execution process that is driven by them and their senior executives. For a strategic execution process to be comprehensive it should include tools and methodologies that help CEOs and their executive teams:

- Generate sound strategic thinking
- Identify and set accountabilities for their top priorities
- Establish an executive meeting rhythm that drives strategic thinking and the accomplishment of their top priorities
- Create organizational clarity and alignment

Sound Strategic Thinking

Sound strategic thinking is fundamental to successful strategic execution because it stimulates dialogue and debate about what is most important to an organization's long-term success. It uncovers issues, reveals different perspectives and provides alternative scenarios, all of which lead to improved decision making and solid strategic execution.

The trap that many CEOs and executive teams fall into is believing that sound strategic thinking means coming up with a single "right" answer that goes into a box on a form. Or, that once an answer has been put into a box that their task is complete. This approach would be a mistake. Sound strategic thinking is not discrete; it is iterative because all organizations exist within dynamic marketplaces. The key is action. Do the best strategic thinking that can be done at the time and then execute. As General George S. Patton, Jr. stated in his book, *War As I Knew It*, "A good plan executed now is better than a perfect plan executed next week."

Top Priorities

Ultimately, strategic execution is about identifying the top priorities that an organization must address and accomplish. Top priorities are the three to five most important items that the organization must accomplish over the next three years, during the current year and within each quarter of the current year. Focusing on top priorities is what enables an organization to continually make progress towards its envisioned future.

It is not uncommon to generate a lot of action items during strategic planning and then fail to prioritize which ones are the critical few. When this happens, there are no priorities because everything is a priority. Prioritizing requires tough discipline and facing the brutal facts.

> *Strategic execution is about identifying the top priorities that an organization must address and accomplish.*

The importance of focus is emphasized in the following excerpt from Al Ries' book, called *Focus*:

> *"The sun is a powerful source of energy. Every hour the sun washes the earth with billions of kilowatts of energy. Yet with a hat and some sunscreen you can bathe in the light of the sun for hours at a time with few ill effects. A laser is a weak source of energy. A laser takes a few watts of energy and focuses them in a coherent stream of light. But with a laser you can drill a hole in a diamond or wipe out cancer. When you focus a company, you create the same effect. You create a powerful, laser like ability to dominate a market."*

Executive Team Meeting Rhythm

The mechanism for driving strategic execution is a meeting rhythm that brings the CEO and his or her executive team together into annual, quarterly, monthly, weekly and daily meetings. The purpose of each meeting is to focus on accomplishing the organization's top priorities and accelerating the growth of the organization. While the meeting rhythm structure is relatively simple, it requires a high degree of discipline.

> *Focusing on top priorities is what enables an organization to continually make progress towards its envisioned future.*

Annual Strategic Planning Session

The meeting rhythm should begin with an Annual Strategic Planning Session. This session should be at least two days in length and be held at an off-site location. During this session, the CEO and executive team engages in sound strategic thinking about how well they are executing their business strategies and achieving the targets that they set. They also assess their long-term business assumptions and conduct a traditional SWOT analysis that provides them a current understanding of their marketplace and their true capabilities as an organization. SWOT stands for Strengths, Weaknesses, Opportunities and Threats.

Strengths and Weaknesses are usually internal and/or current issues, while Opportunities and Threats are usually external, and/or future issues. During the SWOT analysis, the most important priorities in each category should be identified.

The SWOT analysis moves the team naturally toward identifying their top three to five priorities and targets for the next three years. These priorities and targets should be platform issues that answer the question: What major platforms does the organization need to have in place to move toward their envisioned future? Entering a new market, launching a new product and diversifying the customer base are examples of major platform issues.

The organization's three-year top three to five priorities are identified first, and then the top three to five priorities for the upcoming year are set. The priorities for the upcoming year should have a consistent line of sight with the three-year priorities. Within the upcoming year's priorities, the CEO and executive team should clearly establish the number one priority that must be accomplished by the organization.

Once the upcoming year's top three to five priorities are established, the team then sets their top three to five priorities for the first quarter of the upcoming year. As with the annual priorities, the number one priority for the quarter should also be identified. To make sure that each quarterly priority receives appropriate focus, each priority should be assigned to an executive team member who is then responsible for leading the team's effort to accomplish each priority. This accountable team member is not expected to do all the work. The work should be delegated across the executive team and throughout the organization. The accountable team member's job is to make sure the priority is being addressed and that the priority is accomplished. This team member is responsible for reminding the executive team of their decision to make this item a priority, and ensuring that the necessary time and resources are committed to complete the priority.

Quarterly Planning Sessions

The executive team meeting rhythm should also include three Quarterly Planning Sessions between each Annual Strategic Planning Session. These sessions should be held for a full day, at an off-site location. During these sessions, the CEO and the executive team assess how well they accomplished their priorities for the quarter that just ended, determine and set accountabilities for their priorities for the upcoming quarter and recalibrate their annual priorities, if needed. The number one priority and the top three to five priorities for the new quarter should be set within the context of the annual priorities and targets. The question that should be asked is:

> *"Based on what we know today, what are the most important items that the organization needs to accomplish in the next quarter to accomplish it's annual priorities and targets and move closer to attaining it's envisioned future?"*

Monthly Team Meetings

During the months between each Quarterly Planning Session, the CEO and the executive team should carve out at least one half day each month to have a Monthly Team Meeting. These meetings should focus on the current quarter's priorities. The questions asked during these meetings should address the following: How are we going to accomplish our current quarter priorities? What resources do we need to accomplish our current quarter priorities? What kind of progress have we made toward accomplishing our current quarter priorities?

To keep the CEO and executive from being too sheltered in their views, it would be appropriate to include middle management in all or part of the Monthly Team Meetings. This approach helps develop the organization's future executives by giving them a chance to work alongside the current executives on strategic priorities. This can also accelerate the completion of the current quarter's priorities since more individuals would be involved in the strategic thinking process.

Weekly Team Meetings

During the weeks between each Monthly Team Meeting, the CEO and the executive team should conduct tight Weekly Team Meetings. These meetings should last from ninety minutes to two hours, depending on the needs of the organization.

During these meetings, the CEO and the executive team need to have the most current data available. This would include the typical sales, operational and financial data and also include employee and customer data. The data should provide an accurate picture of the organization's performance. To make the meeting as productive as possible, the data should be collected and disseminated prior to the meeting. By getting the data distributed prior to the meeting, the meeting time can be spent debating and talking about the conclusions the team is drawing from the data.

The agenda should also include thirty to forty-five minutes to work on one specific topic or one of the quarter's priorities. The specific topic should be selected in advance, at a prior Weekly or Monthly Team Meeting. Once defined, it is important to carry the discussion to a conclusion. The team should knock out one topic in each Weekly Team Meeting. The team should not attempt to spend a few minutes on a number of different topics that cannot be brought to conclusion, because there isn't time to fully debate and resolve them.

The Daily Huddle

During the days between the Weekly Team Meetings, the CEO and executive team should come together for a ten to 15 minute Daily Huddle. The Daily Huddle should be a stand–up meeting that is held at the same time and in the same location each day. Those in remote locations should participate via the telephone. The Daily Huddle provides the CEO and executive team a specific opportunity to identify "what's up and where they are stuck." No problem solving should occur during the Daily Huddle. Problem solving should be handled off-line. The Daily Huddle is preventive in nature and typically helps the team avoid a major problem once or twice every week.

Functional Team Meeting Rhythms

Just as an Executive Team Meeting Rhythm helps the CEO and the executive team become and stay aligned, Functional Team Meeting Rhythms help the rest of the organization become and stay aligned. They do this by bringing the functional teams that report to the executive team members together into Monthly, Weekly and Daily Meetings that focus on supporting the accomplishment of the priorities that are established during the executive teams Annual and Quarterly Strategic Sessions. In addition, the Meeting Rhythms help create clarity throughout the organization on who they are, where they are going and what they are going to do to get there. They also help the organization continually move closer to achieving their envisioned future, because the entire organization is focused on strategic execution.

The Daily Huddle should be a stand–up meeting that is held at the same time and in the same location each day.

Organizational Clarity and Alignment

Fundamental to successful strategic execution is the CEO's and executive team's ability to gain clarity on the organization's strategy. They should be able to articulate the strategy on an easy-to-follow, one page document that highlights the organizations:

Core Ideology or who the organization is:

- It's Core Values or unique and enduring tenets
- It's Core Purpose or reason for being, besides to make money

Envisioned Future or where the organization is going:

- It's Hedgehog or what it can be the best in the world at
- It's BHAG or long-term big hairy audacious goal
- It's Vivid Descriptions or what it will look like when it attains it's BHAG

Market Positioning or what the organization is going to do to get to it's Envisioned Future:

- It's Mission or simple description of the business it is in
- It's Strategic Anchors or the unique things it does to deliver on it's mission
- It's Sandbox or the products and services it offers and the markets it serves
- It's Value Proposition or the unique value it offers the market
- It's Brand Promise or unconditional guarantee that it offers it's customers

Even more important than understanding who the organization is, where it is going and what it is going to do get there, is how it is going to get there. The how is the secret sauce. It is the organizational alignment which occurs through smart and healthy teamwork that makes a comprehensive strategic execution process successful. To obtain organizational alignment and smart and healthy teamwork CEOs and executive teams need to act cohesively and focus on:

> *The how is the 'secret sauce'. It is the organizational alignment which occurs through smart and healthy teamwork the makes a comprehensive strategic execution process successful.*

- Getting the Right People on the Bus and in the Right Seats on the Bus
- Creating a Culture of Disciplined People, Thought and Action
- Preserving the Core and Stimulating Progress

Summary

As stated at the beginning of this document, to get results from strategic planning, CEOs and executive teams need to use a comprehensive strategic execution process. The goal of this process is to produce concrete results that move the organization toward its envisioned future, using the tools and methodologies highlighted in this article.

Other Considerations

One: The right people for an organization are those whose personal core ideologies synch with the organizations core ideology. They must also consistently exhibit behaviors that are in line with the organizations core ideology. When a comprehensive strategic execution process is in place, it will become clear as to which team members are right for the organization and which are not. Team members will rise or fall with the increased discipline and accountability that a strategic execution process brings.

Two: Reaching agreement does not mean that you have to reach consensus. Encourage constructive conflict and encourage all team members to share there perspectives. Once there has been robust debate, identify the viable options and then determine what best works for the organization. Everyone should be able to live with what is agreed to. If not, they might not be the right people for the organization. One thing should be consistent; the CEO should have the final decision-making authority and should act on it.

Three: CEOs should consider using a trusted, independent advisor to help guide the organization's strategic execution process. Some CEOs and executive teams can be very disciplined and lead such a process effectively. Others may be disciplined and effective, but would benefit from having an outside perspective as they discuss opportunities and make decisions on priorities. Still other CEOs and executive teams may need an outside influence to hold them to the discipline of the process. Jim Collins offered the following point, during an interactive question and answer session, a few years ago:

> *"Some of the companies that went from good to great used outside advisors, while others did not. Those who did use outside advisors used them in a very specific way that is different from other good (vs. great) companies.*

A council is a group of top people who engage in debate around strategic issues and help the CEO and executive team make the best decisions.

> *The great companies did not use outside advisors to tell them "what to do" or "how to do it". In short, they did not let outside advisors do their thinking (making decisions) for them. Instead, the great companies used outside advisors in one or both of the following capacities:*
>
> *1. To give them the "brutal facts"-an assessment of the current reality for the organization, and/or*
>
> *2. To be a part of the "council" working alongside the executives on some periodic basis to help them wrestle with questions and issues.*
>
> *Take for example the Wells Fargo CEO who asked a partner from McKinsey to work with his organization on long-term strategy, as a part of their "council".*

An independent advisor should provide a reflective, objective viewpoint.

> *The partner from McKinsey agreed and began lining up a team from McKinsey to work with Wells Fargo. The Wells Fargo CEO called the McKinsey partner back and stated that there was a misunderstanding. Wells Fargo did not want McKinsey, they wanted him. From that point on, the McKinsey partner worked with Wells Fargo over a number of years as part of their "council."*

This story highlights, at a philosophical level, the value of an independent advisor. An independent advisor should not tell you what your strategy ought to be. An independent advisor should provide a reflective, objective viewpoint. They should bring a higher level of discipline and accountability to the strategic execution process.

Recommended Reading

The following books and articles contain valuable tools and methodologies that are essential to a successful strategic execution process:

Jim Collins, *Built to Last*

Jim Collins, *Good to Great*

Jim Collins and Jerry Porras,"Building Your Company's Vision", *Harvard Business Review* (September-October 1996, Reprint #96501)

Larry Greiner, "Evolution and Revolution as Organizations Grow", *Harvard Business Review* (May-June 1998, Reprint #93308) [originally published in the July—August 1972 issue of HBR]

John Hamm, "Why Entrepreneurs Don't Scale", *Harvard Business Review* (December 2002, Reprint #R0212J)

Verne Harnish, *Mastering the Rockefeller Habits*

Patrick Lencioni, *Death by Meeting*

Patrick Lencioni, *The Five Dysfunctions of a Team*

Patrick Lencioni, *The Five Temptations of a CEO*

Patrick Lencioni, *The Four Obsessions of An Extraordinary Executive*

Patrick Lencioni, "Make Your Values Mean Something", *Harvard Business Review* (July 2002, Reprint #R0207J)

