Executive Vision Matters

CHARTING THE WAY IN A COMPLEX WORLD

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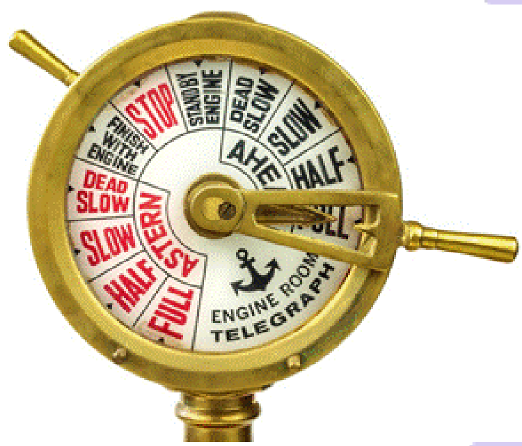
Who moved my Enterprise Vision?

Many small and medium size companies lack or struggle to build a comprehensive vision of what their business, their market or customers will be 5 to 10 years from now. This causes them to make imperfect, reactive decisions based on flawed or incomplete data. To make things worse, would a strategic vision exists, probably just one or maybe a few key people would understand enough of it to make consistent decisions.

A brief conversation with a CEO, Executive team or Board generally provides, if not a vision, at least a solid foundation for it (fortunately, entrepreneurs have usually a good sense of why they are in business). A problem is that this knowledge does not percolate down to the operating level, including in particular to those who are craving for directions. The root cause encompasses serious communication and organizational effectiveness gaps, as well as an even more crucial misunderstanding of how an organization becomes capable of performing to a vision.

Since a reasonable strategic plan would aim for the creation of future economic value, it does not take much to figure out that each day, month and year that the achievement of a strategic goal is delayed increase the tab of missed out business value and associated hard dollars. What if you could not only avoid the delay, but actually accelerate the realization of your strategic plan? And if you did not have to invest much to get it done?



Organizations (in particular SMB, but large ones too) operate sometimes like an old warship; the skipper (CEO) operates a bridge telegraph to command throttle movement (goals and objectives); down into the engine room, a First Officer (VP Operations) gets the message, and translates it to both crew and peers, in the process elaborating and refining the order (Ahead Half), to enable its proper execution by the staff. In effect making up stories around the order to make it intelligible. A counter-intuitive fact is that the closer to the execution, the more details and information you need to provide.

A few years ago, a CPG company from the Greater Chicago area engaged into a major IT and Business Transformation. The CFO and CIO made a joint presentation to their direct reports and provided them with a copy of the presentation package they just went through. The Senior Leadership team then repeated the presentation and gave the package their next line of management, with instructions to present it to the entire organization, by department and business units. More than half of the presentations were met with rejection or raised countless issues and challenges: the entire Program was in big trouble. What happened was that the middle managers presenting to their teams did not have sufficient details to answer all questions, and were challenged in their leadership; in turn they switched from diligently carrying the message to backing off from it, explaining it somehow as an obligatory communication that they did not really adhere to, hence undermining the entire project. A revised communication package was prepared adding details and answers to the version was circulated earlier; many aspects were discussed with the middle-management along with a specific training enabling them to address gaps or corrections to the Plan. The program took off and kept on track for the following two years.

Business parameters and conditions are changing too fast for such minimal communication to be an effective management tool. But it does not mean that all organizations evolved beyond the WWII warship command and control structure, creating friction and frustration all around. The “re-interpretation” (as opposed to the expansion or refinement) of the directions by the first line of management is a clear signal of disconnect between Executive and Operational Leadership; it rarely goes better over time.

Is the congruence deficit the only culprit? It could be tempting to blame the organizational effectiveness and communication mishaps and to leave it at that. Why then does it often take so much effort to extract from Leaders what makes their Vision whole and executable? Without a clear, structured message to share with the first line of management, chances are that they will bridge the gap the best they can, initiating the first level of distortion before even leaving the room.

Many leaders lack both pragmatic, field proven tools to structure their vision into operating charters and guidelines and the self-confidence that would enable them to expand and detail their vision in an open, challenging dialog. Although ideas get improved through constructive criticism and feedback, it rarely takes place in the office. It can be challenging to expose your newborn ideas to a rowdy trusted crowd who might just speak their mind without filter; this becomes especially hard without the help of a set of tools and techniques to lay down the plan and capture the feedback.

A combination of better enterprise strategic governance and a simple execution toolkit can emulate dynamic, vibrant executive leadership that aligns fully with strategic and operating performance parameters.

A Strategic Analysis Toolkit that works

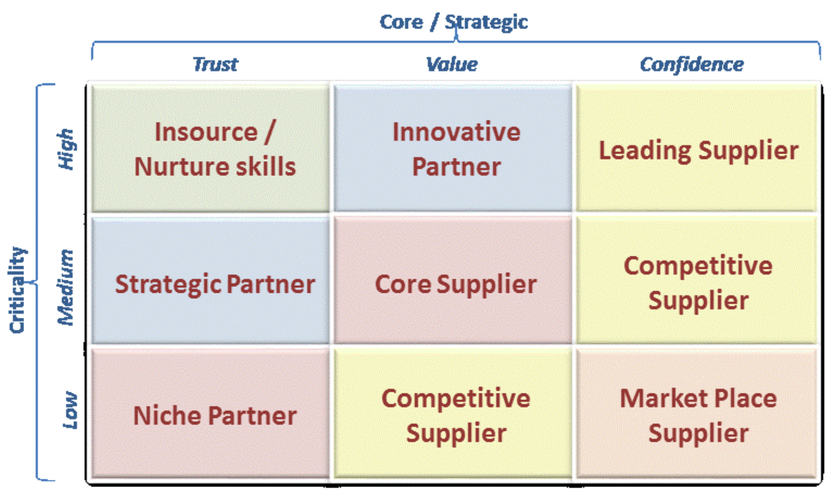
Companies operate on the premises that they have a viable business model (otherwise they would be short lived) and that this model is sustainable, albeit with adaptations; from this they attract investments, employees and customers.

A good place to start strategic analysis would be defining precisely, what is the true "DNA" of the organization from the top, down to the lowest possible level. What is the real core business of the company? Is there is more than one business, product line or region? Are they under the same overall mission statement or has each a distinct one? It can be an invigorating process to revisit periodically what makes the Core of the company. Is Nike an Apparel company with a great brand recognition, or a Brand which distributes apparel and other products supporting the Brand values? Can we summarize General Electric as one corporation or a federation of somehow independent businesses?

A strategic analysis is the opportunity to refresh and verify the alignment of the organization with the Core (fundamental components that make the company true). The process might require to dismiss functions, products and business that might be critical or even high rollers; the goal will not be to shed those off, but to refocus on why the organization exists.

Then comes the hard part: first what will be this core looking like in the longest foreseeable future? Which non-core parts of the organization are strategic in nature (support the strategic value) or are critical to the operations and profitability? Electric power is a critical supply to a plant manufacturing goods; does it mean that the organization should build its own power station? Design competencies are strategic to an engineering company: should the company partner with a Design firm to supplement the resources needed for the growth? An expanded version of a framework developed originally by McKinsey & Co is the "9 boxes" strategic analysis framework.

The simplified version below has been used around the globe in a diversity of industries and strategic situations; try it out, and you'll be surprised at the strategic depth you can reach…



Many decisions of strategic nature must be made early in the process, as the definition of the "5 year horizon" plan will need to be crisp on which goals have to be achieved internally, and which ones can be done with a strategic partner or critical supplier. Failing to define those up-front creates ambiguities in the Vision details, and confusion when the drill-down process will cross those lines.

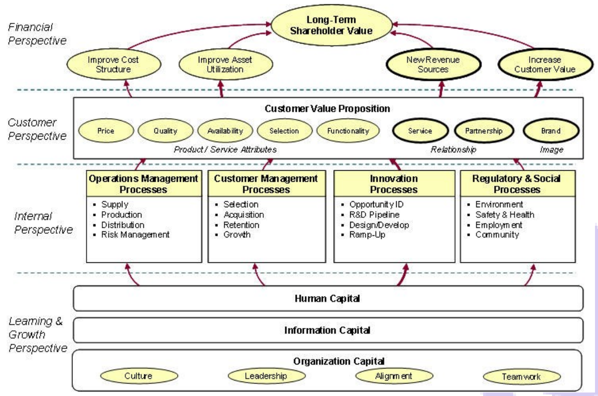
But strategic plans have also to factor in ongoing efforts or situations, directions from the Board, market dynamics and many other elements. It can help to categorize the Helping factors and their counterpart the Hindering factors, and spell out which might influence (in which way) the achievement of the Greater Goals that you just defined. A fringe benefit could be that all involved into the process of defining these elements and their capacity to derail or strengthen the strategic plan, will eventually turn into the best champions for the Plan itself: they gained a deep understanding of the goals, what it would take to achieve them, and how to address obstacles and catalysts. These are precious resources to nurture.

Finally, associating each strategic goal with Value will provide the Plan with the legs it needs to get both funding and credibility. The calculations of Future Economic Value involves some financial analysis and is the best process to sort out the true strategic value goals from the "pet projects" that seem attractive initially but fail to deliver quantifiable value to the organization. The detailed process steps and tools used for such assessment would be too long to describe in the present document; an important guideline however is to associate each strategic goal with both internal value (in short: revenue or operating costs savings) and external value (market, brand, market entry parameters, etc.) which can also indirectly be translated into hard dollars. A strategic move to gain market share against a competitor might not translate into increased revenue or profit for instance, in the case of a shrinking market. It might still be worth going after if a growth cycle follows, making the investment a smart move paid back with exponential returns. In the same way, a "cash cow" move might not be strategic in nature, but could enable a strategic program to be funded without altering the CAPEX balance. Maintaining both dimensions provides a lot more understanding of the value creation and helps make better decisions.

How about a Strategic Execution framework?

Now that we have a refined definition of what to achieve within our strategic horizon, how can we execute this journey with limited or controlled variance from the Vision that initiated it? Like all plans spread over time, things will change and evolutions and adjustments will be necessary. It actually matters that such changes are made with the goal of keeping the spirit and (fiduciary correctness) the targets stable. Both underwriters of the plan (shareholders, employees, customers and partners) do care that the goals and objectives they "bought" are in effect achieved, rain or shine. Keeping the goals alive in the face of adverse events and conditions is probably one the strongest demonstration of effective leadership a Company can provide to its internal and external stakeholders.

This is where a solid Program execution framework is the best companion for a Strategic Plan. We saw earlier that defining each strategic objective together with internal and external value provides greater understanding and control of their achievement. Let's see how it works.

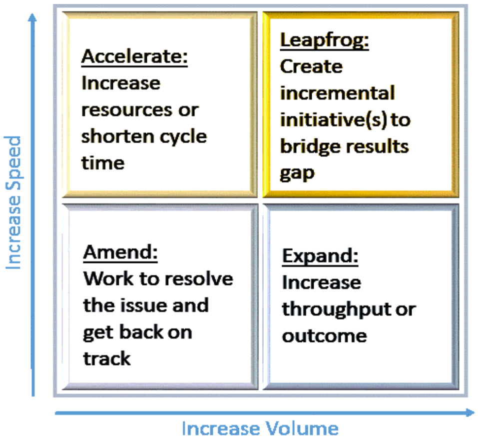


From the various decomposition models available today, a favorite is the Strategic Mapping by Kaplan and Norton illustrated here. It provides a repeatable approach for breaking down a strategic goal into blocks of strategic intent, which in turn become programs, and then projects or initiatives. The rigorous decomposition helps refine the value estimates, and provides an implicit sequencing of the initiatives, which helps ordering the strategic chaos. The biggest benefit might be that it turns the entire strategic plan and associated future economic value into elementary projects and initiatives. Even with an average score at completing projects successfully, most organizations have some level of competencies at managing projects, so we are back in familiar territory here.

A risk to avoid by all means is to fail at managing and monitoring these projects and programs. Let's not be fancy and use any standard project management toolkit available, as long as the organization is familiar enough with it. Most will provide executive dashboards which, regardless the format, tell the story of how well is the effort going, is it going to end up on target and how much variance is being carried. Upon completion, a project is closed with the recognition of achievement against the scope. For a strategic project, it means usually that the strategic capability has been created, and that if it is being used, the strategic value is going to be achieved. This is as simple as this. Really.

Let's take a strategic project which is completed on target, having created a new product to be introduced on the market. The launch of the product and associated sales will create the revenue stream and market value that were anticipated. Measuring this value will in return be the basic measure of how much of the associated goal is being achieved. Repeat until all projects under a strategic goal are completed, and you can measure the full scale of Economic Value being created forward. Many organizations do not realize that they already have a lot of the capabilities to excel at executing strategic plans, and keep seeking the pot of gold they are just sitting on.

To this point we have define achievable strategic goals with their associated value; defined helping and hindering factors to include into the execution plan; established a familiar management process to record the Future Economic Value being created. What if the realization of this value does not match with the original projections? Assuming that the answer is not just a tweaking of the project, the risk would be to under-deliver the Strategic Plan, which can be heavy of consequences. Two dimensions can be used to solve this classic situation as illustrated below:



1. Accelerate / increase the development of value resulting from completed projects (increase marketing efforts for the product, increase production of the good, offer incentives to the sales teams, etc.). Any project completed that could be leveraged to bridge the value gap would be a good candidate.

2. Create and launch a new project, which goal will be to achieve the missing volume of the specific value under-delivered so far (product revenue, operating margin improvement, labor costs savings, etc.).

A benefit of working with five year horizon plans is that you have time to do course correction so you can make up for inevitable variances. Take advantage of it and remember that the Plan is design for the sole purpose of structuring the journey to achieve the value. As long as the committed value is achieved, altering the plan should never be a concern.

Establish two-way genuine communication, at all times

Many leaders reduce communication value to necessary and unavoidable executive duties, in the same category as a flu shot or having the obnoxious cousin for dinner. There is of course much more to it, and we all know that too well. But it is easy to dismiss what we don't handle well as not critical, de facto self-prophesying that only people born with a special DNA arrangement can be good and effective communicators.

The first step of an elementary communication plan consists in the acknowledgement of all parties involved into the communication's fabric, along with the core nature of the communication needs, both ways.

To begin with, who are the direct and indirect players and spectators of this game, with their role and expectations? One of many reasons that made Nike a remarkable success story includes the dual effort to both become experts at creating and distributing lines of apparel for active lives, in the same time they relentlessly gathered input, feedback and contribution from the very customers who would eventually purchase those products. One fuels the other, and a striking feature within Nike's Leadership has been a deliberate, provocative openness to feedback and constructive criticism.

So let's identify those who are going to lead, drive, execute and support the new strategic approach to a memorable success. This category includes all those who will be working with the staff directly involved into the strategic effort; making them part of the action even marginally will foster broad acceptance and good will, as well as establish implicit recognition of those involved into the doing. Even if only one person from Marketing and one from Products are working on the new project, they can use support and cheering from their peers. In return their peers want to feel part of the future, often genuinely looking at how they can help.

Then are those who will be impacted, even slightly or whose action could make it easier or harder to achieve the goals. Telling the recruiting team about the future profile of the candidates they will slowly start focusing on will save a lot of time and aggravation.

Now comes the question of determining the nature of the information that they will need, along with the information needed from them, and the timing of each communication event. The resulting table is going to look like an expanded matrix where each individual or group of individuals will be targeted with communication events throughout the Program. By correlating the needs and the formats, the actual number of events and artifacts to be created will reduce dramatically, as in most cases the information needed by one is the same others need too. The final "product" is giving the list of targeted audiences, the nature, format and topical content as well as the frequency and timing of the communication events.

This is a very powerful tool that can be used to many other projects and executive needs, and it is advisable to train one or two people in the organization to be able to repeat this process as needed.

The Feedback Loop is a key element of communication that few people besides marketers really appreciate the true value. All leaders are facing the same predicament: each time someone is repeating a story to another level of audience, there at least 20% loss of content, in many cases close to 40% if the communication is large or complex. If the Communication Plan or process is based on three or four tiers repeating the message, such as a leader to the line managers, the line managers to the team leaders, and the team leaders to the agents, the final understanding will hardly carry the same detail and content as the original communication.

This is a well-known phenomenon, and the biggest challenge is not to just know it, but to be able to identify which part of the communication has disappeared or be distorted. Without this knowledge it would be impossible to prepare efficiently the next communications and assume that the whole organization is fully aware of what is going on and what the expectations are. This is, precisely, what the feedback loop can bring you. Check after a communication event, through a sampling of attendees, what they have retained, understood and liked / disliked in the event. Appreciate the distortions, omissions, potential resistance or buy-in signals and use them to prepare the next communication event. This enables actual course correction before bad habits or perceptions set in, which is an invaluable help in keeping the program on track.

Another basic value for the Feedback Loop is the candid, unbiased feedback on what people like, dislike, their perceptions and emotional response to the Program and the communication event. When asking for feedback, executives or leaders rarely get the straight story, as their interlocutor cannot ignore who is asking the question. Fear, desire to please, misunderstanding, desire to look good, surface jokers etc. are many traits showing up when the interviewing is not done by a neutral party. Through systematic feedbacks gathered after each event, including newsletter and publications, you can get a sense of how much of a past perception has been corrected or how a strategic or other topic's perception has been evolving.

A last consideration for communication is the impact of not having it. People left without (or with improper) communication are going to feel disenfranchised and rapidly turn into passive-aggressive or straight hostility. Besides Grouch Marx, who would praise a club that denies them access? But the toughest one is that in the absence of data, the human nature is such that we fill the blanks with things we imagine or someone suggests to us. And the picture is not pretty: unknown generates anxiety, which fuels the worst case scenarios. This is a pretty much no-exception rule: people will feel relief when being told even the worst news, because they know now, and they likely had an even worst picture in their minds already. If the news are actually not that bad, why let the organization experience anxiety, pain and start to build devastating negative momentum, when a good word to all would have nipped the issue in the bud?

Some individual are natural communicators, which is a great talent. But all of us have the capacity to do great communication if we chose to, by simply following proven best practices.

Isn't the result what really matters?

Sharing the Vision to keep it alive

Two things happen when Visionary Leaders share their vision with their core team and trusted confidents: first, they get feedback, inputs and likely improvements of the details and on how to "operationalize" it; the second is that the group is already stepping into congruence, "buying" the vision as they elaborate the options forward. Transformational leaders are familiar with the concept of letting people play with an idea to maximize its adoption rate. Business Leaders should take advantage of this decades-old best practice and use it to gain fast adherence to their vision.

Complications start when the Strategic Plan is poised to being executed. How to establish a simple and effective tool enabling leaders and all involved to know when an effort is engaged? How well the execution goes? When the actual benefits are being harvested? Once again, looking into existing toolboxes can provide a whole set of tools and practices to learn from or emulate.

The Hoshin Planning, originally developed on the joint foundation of TQM and of the Japanese designed Hoshin management system, is an excellent example of such a tool. By incorporating the Plan-Do-Check-Act routine with a combination of strategic, operational and programmatic planning, the Strategic Planner in effect slices the Strategic Plan into several dimensions which are working together in real time. The strategic level establishes the nature of the goals and benefits to be achieved upon completion, together with the metrics to measure success and progress. The Operational layer focuses on the more tactical execution with a six month to one year horizon, and includes the macro course corrections required by the inevitable changes to the environment. Finally a Programmatic level offers the basic tools to launch, manage and close efforts, projects and programs, including fully integrated reporting on the efforts spent in executing the Plan.

Another benefit of using such framework is the casual evolution of the organization and its leadership team into managing by outcome versus managing by activities. Such focus could possibly bring even greater value to the Enterprise, as one year of Strategic Planning could very well help grow the executive maturity to a level that long term, intensive coaching and training might not achieve.

So yes, Executive Vision matters: managing it as a deliberate discipline can not only enable an organization to get more predictably where it wants to be, but also create a natural rallying of all the goodwill behind the Vision banner, upgrades the way communication and feedback flow into the company, and finally link together planning, execution and operations into a manageable framework.

There certainly are tools and consulting organizations that can provide all or part of the above, providing that sufficient funds and will exist to initiate and sustain such enterprise level effort. Experience showed that companies rarely invest in such efforts unless they experienced it before. This situation creates a natural barrier for newcomers, leaving those initiated into a semi-private club of sort.

Let's crash the doors open; there is not even a key.