

Swallowing THE Elephant:

Using Strategic Goal Deployment to Break Down and Accelerate Strategic Initiatives

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It's an annual corporate ritual. Senior executives gather to discuss strategic goals for the next year. Plans and data pour in. Eventually, the CEO signs off on the new strategic plan and budgets are assigned. Accountabilities are split among the executive team, and they disperse. Their marching orders are clear. Or are they? The strategic objective on their plate is huge—an elephant of a project. Anxiety starts to creep in. Finally, some begin to wonder . . . How am I going to do this?

It's a rational concern. Companies spend much time and money determining their strategic initiatives, but less on how to execute those initiatives. While some companies have strategy development mastered, execution is often improvisation. It's a concern for many. In The Conference Board report, "CEO Challenge 2006," "consistent execution of strategy by top management" was one of the top-two issues raised by CEOs polled.

But there are those who have invested equally in the capability to execute on strategy as the capability to develop strategy. In doing so, they've reduced the unpredictability of strategy execution while increasing the likelihood of success. Part of that capability leverages an approach called Strategic Goal Deployment (SGD), the focus of this article.

Why Execution Falls Apart

Before we discuss SGD, let's examine five key reasons big

strategic initiatives fail during execution:

1. Poor definition of the objective
2. Lack of ownership
3. Management misalignment
4. Unfocused or uncoordinated activity
5. Lack of visibility to progress.

Poor definition of the objective: With a vague goal, the team will have difficulty accepting the objective as being possible. As a result, they won't pour their heart and soul into its achievement. Without a clear path forward or a bridge between "strategic intent" and "tactical planning," there's natural inertia.

Lack of ownership: The size of the initiative can overwhelm the organization if no one leader will take accountability for the mammoth efforts required. When this occurs, finger-pointing is more prevalent than problem-solving.

Management misalignment: Alignment problems manifest themselves in several ways. Functions or departments have different agendas related to different business needs—and this becomes a point of contention, not discussion. Another critical misalignment occurs when compensation methods are disconnected from strategic goal achievement, and performance dialogue is around non-strategic topics. A key goal of SGD is to help facilitate align-

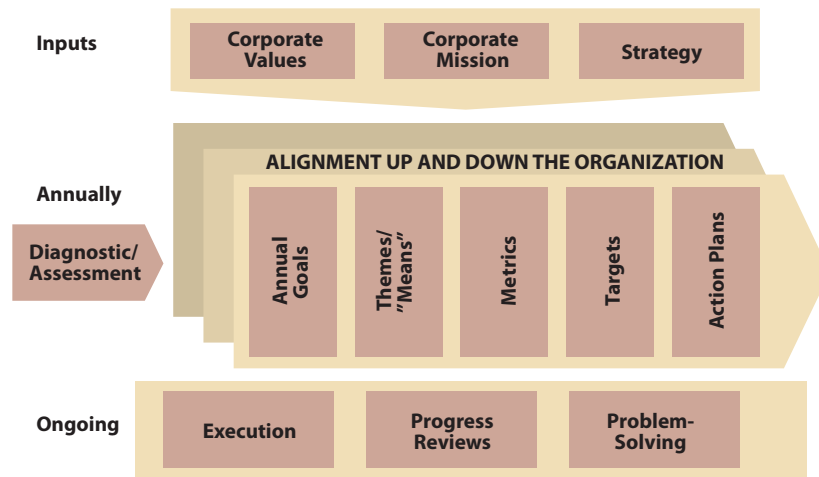


Figure 1: SGD Helps Realize the Value of Strategy Through Effective Execution

ment—first among the executive team, then through the whole organization.

Unfocused or uncoordinated activity: It isn't unusual for a company to have several hundred projects going on simultaneously. The question to ask is, "How many projects have you finished in the last year?" An electronics manufacturer one year had 114 projects ongoing, but none were completed. In a radical move the next year, they slashed the portfolio to 20—and finished 14! The CIO's office is particularly vulnerable to overcrowded project portfolios. Most projects require IT involvement; so uncoordinated, unfocused project portfolios will quickly cause an insurmountable IT backlog.

Lack of visibility to progress: Without the right metrics in place, big initiatives will stall.

A common issue is that metrics tied to strategy get no traction in the noise of the organization. Metrics are often disconnected from strategic initiatives and reflect instead the cumulative effects of manager requests for information.

The Role of SGD

SGD addresses common barriers to strategy execution. It helps companies:

- **Ensure crisp definition of the objective:** by breaking down the broader goals into a series of actionable, high-impact chunks that management can grasp. A tool called an "X-Matrix" is used to deploy objectives down each level of the organization and define the specific initiatives for that level to use as its focal point.
- **Clarify ownership:** by clearly defining accountabilities to achieve the milestones that support plans against each metric/target pair (cascaded from the strategic goals). Each metric has an owner who is completely accountable for defining and executing required action plans that will ensure targets are met on schedule.
- **Align management:** by galvanizing management to a common set of objectives. Through the X-Matrix, the few pri-

ority strategic goals are cascaded and redefined, specific to each management leader, at the next organizational level.

- **Focus and coordinate activity:** by prioritizing resources and investments against the critical path toward the goal and managing the "components-in-process," reducing unproductive delays in the critical path timeline. Action plans to drive strategic results receive resources first; these are priorities for the organization.
- **Provide visibility to progress:** by measuring and monitoring progress toward the overall objective, so corrective actions can quickly occur. In regular progress review discussions, metric owners should share their updated milestone charts and describe their planned interventions for any metrics behind schedule.

SGD is a well-proven approach, with its roots in the teachings of Dr. W. Edwards Deming and Dr. Joseph Juran and their work with Japanese executives during the '50s. The core principles of these teachings are the Plan-Do-Check-Act (PDCA) cycle, and the need to manage continuous improvement processes, including both breakthrough management and daily management. In the '60s and '70s, "Hoshin Kanri" became more formalized and was used more broadly in application to execute large-scale strategic projects. Hoshin means "compass, or pointing the direction" and Kanri means "management or control."

SGD involves the broadest application of these principles—building on the Hoshin Kanri methodology to incorporate key elements for driving strategy to execution, including understanding the interaction of "too many projects in process," and the interaction of complexity on execution risk, etc. Additionally, SGD incorporates some of the psychology of goal achievement to ensure that the organization internalizes these goals and drives them forward.

Figure 1 shows the key elements of SGD. A critical input (which SGD assumes to be correct) is the right set of strategic initiatives. The diagnostic aims to understand business issues along both operational and cultural dimensions. With

this insight, goals are defined and execution is planned in light of the complexities and intricacies unique to the organization. This improves probability of success.

Each goal has broad improvement themes defined against it (such as grow in a specific market or migrate to a new IT platform). Metrics to reflect successful implementation of these improvement themes are defined with stretch targets, and accountable resources are assigned. This process cascades to these resources and through the organization to ensure focus and alignment.

Once the accountable metric owners are defined, they create action plans to reflect choices about the specific projects that need to be implemented to hit the targets. These projects range from simple process changes, to kaizen (focused continuous improvement) events, to longer-term, cross-functional projects with dedicated resources.

Through the year, these projects are implemented and progress is tracked and reviewed. At scheduled weekly or monthly progress review meetings, the team challenges each metric owner, especially if they're missing their milestone targets. The problem-solving that ensues may lead the team to shift resources or dive into an area that requires unanticipated attention. Remember, these metrics are leading indicators of successful achievement of the annual and strategic goals, so these intense review discussions and problem-solving dialogue are necessary to ensure progress occurs according to plan.

In short, SGD has annual and monthly steps. The annual exercise is to:

- Understand the organization's critical issues and imperatives
- Define strategic business goals
- Deploy the goals by defining improvement priorities, metrics, targets and owners
- Cascade the goals and develop action plans to meet the targets.

The monthly exercise is to:

- Execute the action plans
- Review performance achieved
- Determine if management "course corrections" are needed
- Add action steps to correct an unanticipated problem, change resource allocation, and occasionally redefine priorities when facts warrant it.

The Wiremold Company, an electrical distribution product company, completed a full enterprise transformation during the '90s. They used SGD processes to emphasize metric accountability and progress review meetings during the first few years of the transformation and focused on the few most critical improvement initiatives that would drive breakthrough performance. The focus on these selected initiatives was intense, with senior management providing appropriate attention and resources.

Danaher, a \$10 billion diversified industrial company, also has successfully applied SGD principles, which it calls "policy deployment," to drive financial and operational performance. There are strict expectations that each operating company will have cascaded their strategy using the

X-Matrix methodology, and then hold monthly meetings to check progress on each metric against targets. Larry Culp, Danaher's CEO, attributes the company's success to its use of policy deployment (SGD) and the Danaher Business System (a broad umbrella of improvement tools Danaher uses) in all operating companies' annual business processes.

Over 20 years, Danaher has returned a remarkable 25 percent annually to shareholders, far better than GE (16 percent), Berkshire Hathaway (21 percent), or the Standard & Poor's 500-stock index (12 percent). In 2006, Danaher posted revenues of nearly \$10 billion and net profit margins of 16 percent—well above its peers in such old economy businesses as heavy-truck braking systems and hand tools.

Using SGD Successfully

Many companies have heard about SGD—but few have fully leveraged it. Here's how to get the most out of SGD:

- Make it the method by which you run your organization, not some separate set of processes. For companies such as Danaher, the annual business processes have the SGD cascade, metric definition, targets, owners, and action plan development at its core of strategy execution. The structured performance dialogue to check progress and develop countermeasures when targets are missed ensures focus on the most important initiatives. This is most effective when it's CEO-led.
- The metrics and targets should transcend budgeted numbers. The SGD targets set as part of the cascade of priority initiatives should exceed what was budgeted. For example, if you have a five-year strategic goal, set the target to achieve a third of that in this year. If you have a three-year strategic goal, set the target for half in this year. Manage aggressively to stretch the targets even though they exceed budget expectations. While you're not likely to hit them all, you'll have much better success than if you focused only on the budget.
- Use "catchball" to increase buy-in and to develop more realistic expectations. Catchball is the two-way dialogue in which desired results (from party 1) and methods of achieving them (from party 2) are shared, with the end result being a consensus of goals and the means for achieving them. Vertical catchball is the process of management defining the desired end-state condition or targets and their teams working to define how they'll get there. Additionally, horizontal catchball is where teams at the same organizational level share their objectives and plans to make sure they're not in conflict but in fact are complementary to all areas hitting their targets.
- Tie your Human Resource performance management processes to SGD goals. The method by which an individual is compensated will certainly influence his/her behavior. If bonus formulas don't have a significant contribution from achieving the team and individual SGD goals, then change them accordingly. Also, look for reasons to celebrate successes along the way. Being goal-motivated and reinforcing the goal-achieving behavior will make winning fun for the whole organization.

1. People in my organization spend _____ % of time on the most important strategic goals:

- a. > 80%
- b. 50 - 80%
- c. 30 - 50%
- d. < 30%

2. In my organization, there are _____ initiatives I'm accountable for:

- a. 1 - 3
- b. 4 - 6
- c. 7 - 10
- d. > 10

3. Metrics I'm accountable for _____ to metrics that my manager is accountable for:

- a. Directly tie
- b. Closely tie
- c. Loosely tie
- d. Do not tie

4. If surveyed, _____ % of all employees in my organization would be able to describe the company's strategic goals:

- a. > 90%
- b. 90% - 76%
- c. 75% - 60%
- d. < 60%

5. _____ % of my goals are aligned with my organizational counterparts (e.g., Operations with IT)

- a. > 80%
- b. 50 - 80%
- c. 30 - 50%
- d. < 30%

6. These types of visuals are used in my area:

- a. Status on "target vs. actual" on strategic metrics and implementation of strategic projects
- b. Dashboard with KPIs that indicate health of the business
- c. Visuals that describe workload, output rates, and whether we are meeting targets
- d. We don't use visuals

[Note: 6b. and 6c. are critical for managing performance but not strictly part of SGD.]

7. Metric owners in my organization have _____ progress reviews with senior executives with "target vs. actual" discussions, and countermeasure actions defined when targets are missed:

- a. Weekly or bi-weekly
- b. Monthly
- c. Quarterly
- d. Never done

8. I would describe the selection of improvement projects as:

- a. The outcome of thoughtful analysis of what will drive a metric from baseline to target
- b. A brainstorming session of what people believe is important
- c. Senior executives' pet projects
- d. We don't work on improvement initiatives

9. When we run into implementation roadblocks, we typically:

- a. Identify the root cause of the issue and address it
- b. Barrel through it with brute force
- c. Find people to blame
- d. Run the other way

10. Our organization's major initiatives are reprioritized _____ times in a year:

- a. 1
- b. 2
- c. 4
- d. More than 4

Tally your score as follows:

- a. 3 points
- b. 2 points
- c. 1 points
- d. 0 points

If your score is more than 35, you're on track and are already applying many of the SGD principles. If your score is between 30 and 35, you have adopted some principles, but could improve by adopting SGD more holistically. If your score is less than 30, then you should study and implement SGD; it will enable sustainable performance improvement for your organization.

Figure 2: Assessing Your Company's Capability in Strategy Execution

Taking the First Step: Understand Your Baseline

The methodology—the nuts and bolts of SGD—won't count for much without management alignment on the problem and success drivers unique to your organization. If your organization executes extremely well but your competitors are still outpacing your performance levels, you might have a strategy issue that SGD alone won't address. So the first step is diagnosis. What's your current capability level for executing on strategic objectives?

To help with this exercise, we've included a short survey (see figure 2) to quickly assess if you have a gap. Take the survey, share the survey, and discuss the findings with your management team. If it feels like a big gap, consider that

closing the execution gap in itself may become a top strategic initiative, but until the gap is closed, all other strategic initiatives may be in jeopardy. **a**

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