	Effective Strategy Execution® Overview Vaughn Frick	**Analysis Report** Date: 28 September 2008
ESE Overview		

Management Summary

Effective Strategy Execution® (ESE) is a systematic approach to the management of adaptive, learning organizations. It starts with the premise that the organization has a business strategy that should direct the activities of the organization. The methodology views the organization in three layers,

1. a physical transformation layer that transforms labor, raw materials and capital into goods and services,
2. the decision-making layer that provides management control, and
3. the IT processes that connect the two.

Processes in all of the three layers should be subject to ongoing improvements both large and small. A number of transformation disciplines (i.e., BPR, change management, organization theory, Activity Based Costing, Balanced Scorecard, Lean Six Sigma, etc.) can be applied to improving the processes. The purpose of ESE is to provide a framework that coordinates process improvement and business transformation activities across the enterprise. ESE provides a framework that allows senior management to explore new management techniques in a cost-effective manner and propagate best management practices across the organization.

ESE provides a skeletal framework that must be customized to each organization. The purpose of this paper is to describe the basic skeleton and the underlying principles that should be adhered to in any implementation. Primary among these is the overall objective of identifying the manner in which each part of the organization contributes to the achievement of strategic objectives. ESE is not a strategic planning methodology but it does place requirements on the business strategy that is developed. In order to drive ESE, a business strategy must have clearly defined objectives that are both measurable and decomposable.

Some of the key principles embedded in ESE are as follows:

- Standardized methods including transformation methods
- Strategic objectives must drive the process
- Value chains achieve objectives
- Relevant, real-time performance measurement feedback
- Having the right design won't change an organization
- ESE is a continuous process
- Learning organizations require different attitudes and perspectives
- Only learning organizations will survive

This paper addresses some of the issues associated with implementing ESE in organizations of any size. ESE adapts to the organization providing the foundation needed to improve the organization's management.

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Effective Strategy Execution® Overview

1.0 Introduction

Effective Strategy Execution® (ESE) is a set of management guidelines and principles that clients can employ enterprise-wide to both manage the enterprise and introduce change in a way that ensures effective execution of the chosen business strategy. Most organizations have difficulty effectively implementing a strategy. The larger the organization is, the greater the degree of difficulty. These organizations are less responsive to the wishes of senior management and the marketplace. In the vast majority of cases, they will not be cost effective. To a large degree, an organization's ability to execute their business strategy effectively determines how competitive they are in their marketplace. A study entitled *What Really Works* by Nitin Nohria, William Joyce and Bruce Roberson published in the July 2003 issue of Harvard Business Review concluded: ***"We learned, for example, that it doesn't really matter if you implement ERP software or a CRM system; it matters very much, though, that whatever technology you choose to implement you execute it flawlessly."***

This "less than flawless" execution comes about for a number of reasons. Some senior executives have come to accept this organizational unresponsiveness as unavoidable. Sometimes the problem is a lack of detailed planning in the rush to "get something done". Many business management researchers have made major contributions that address only part of the problem. What has been lacking is a holistic engineering approach to the entire problem. ESE is a first step towards providing that solution. It provides the bedrock for a management infrastructure focused on strategy execution and business transformation.

2.0 The Skeletal View of ESE

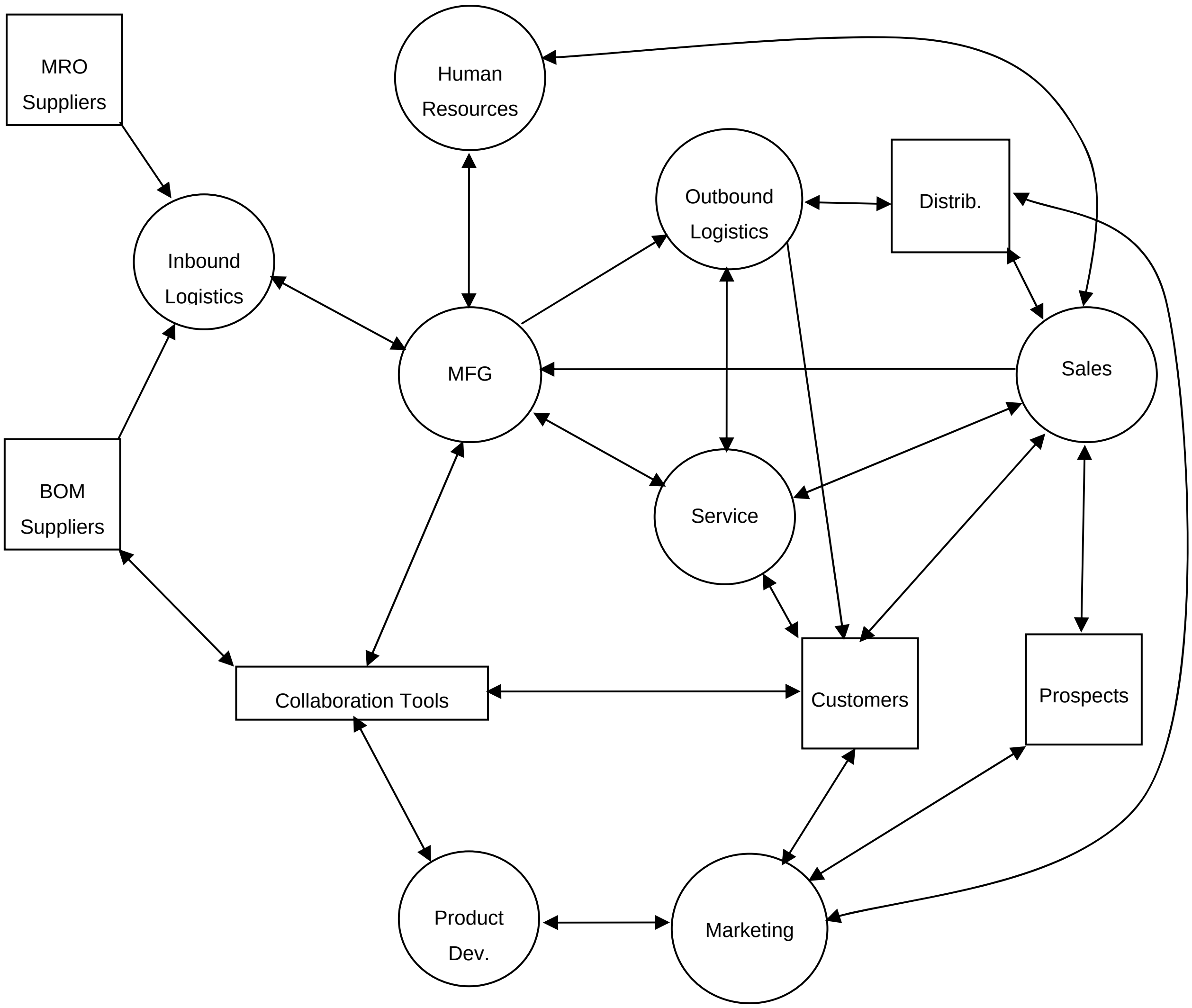
2.1 The Small Business Example

Perhaps the most effective way to provide a high-level description of ESE is to describe how it would appear in a small business example. Let's assume that we wanted to implement ESE in a small manufacturing firm. The business activities and their interactions would look something like those depicted in figure 1. Note that the flows in figure 1 are not labeled. They were intentionally left vague to allow us to condense several flow diagrams down into a single diagram. In actual practice, we would need to track the flows of:

- Resources (labor and material)
- Operational information
- Performance information
- Cost (derived from the above)
- Management control information

For the sake of simplicity, this discussion will not go into the details of how to define or analyze all of the flows. We will focus on the overall management issues that need to be addressed to gain competitive advantage by effectively and efficiently executing a business strategy.

Figure 1. Activities in a small manufacturing firm



One of the first tasks would be to compare the existing management practices against an ESE yardstick. What questions would we wish to ask for each activity or functional area?

2.1.1 Overall Strategy Requirements

Each activity or functional area must contribute to the achievement of the overall business strategy. The lean, highly efficient organization would contain only activities focused on achieving the business objectives or meeting mandatory constraints such as obeying the law. So what does that imply for the content of the strategy?

First, the strategy must have clearly defined objectives. That definition must include units of measure that managers can use to determine whether the specific objective has been met. Any strategy must identify what decisions and actions are needed now to position the business properly in the future. That implies that the conditions necessary for the achievement of each objective must be identified as well as the activity or functional area that is responsible for creating the condition. In other words, a second criterion for good strategy is that it can be decomposed. It must be possible to identify the collective set of contributions from all parts of the organization necessary to achieve the overall objective and to identify which activity will make each contribution.

In a small business, this decomposition process probably only goes down one or possibly two levels. It should be comparatively easy to decompose the strategy into manageable objectives. Let's look at some specific areas and some example objectives.

2.1.2 Inbound logistics

As soon as you select the specific activity or functional area, it immediately becomes obvious that you must focus on both the objectives and the prerequisites that must be supplied by other functional areas. For inbound logistics associated with the MRO suppliers, the purchasing department simply has to ensure that a sufficient quantity of “pencils and paper clips” is supplied cost-effectively. The task becomes more difficult with the bill of materials suppliers. Now purchasing is dealing with razor thin JIT inventory levels of a critical nature. Whether it is a seat assembly or the bolt that holds it to the frame, if a part isn't there, substantial sums of money are lost. For purchasing to achieve their objectives, manufacturing and the suppliers must be able to provide accurate information from a pull production (kanban) system to execute the logistical plans jointly prepared by the three areas.

Since the purchasing group does not have total control over the variables that will determine whether the objective is achieved, some might question whether they should be held accountable for the overall functioning of the inbound logistics system. The answer is unequivocally YES! It would not be appropriate to hold them solely responsible but shared activities imply shared objectives. Purchasing will of course hold the BOM suppliers responsible for delivering the requested parts on time. Manufacturing must also be held responsible for providing accurate and timely demand scheduling information. Clearly, this will not be the only objective for the manufacturing area but they must measure and manage their performance with respect to this requirement.

This will be typical of accountability for any part of the organization. A cross functional effort by teams of workers is required to efficiently perform the activities in a given value stream. The overall objective will be to deliver value to the customer. If manufacturing turns up a problem that was created in purchasing, fixing the problem does not involve finger-pointing. In many cases, a systemic problem in a particular functional area can only be identified when viewed across an organizational boundary. Workers in a particular functional area will often be dependent on their team members in other organizational units to identify problems in their work practices so that they can be improved. This self-improvement expectation will reduce pressure on everyone and must be made part of the organization’s culture.

2.1.3 Sales

For this example, let's assume that the business strategy includes developing a new market segment. In such a situation, a purely revenue based commission plan would not incent the desired behavior. It is always easier to get additional revenue from existing customers than it is to open new markets. The extent to which the commission plan would be weighted to favor revenue from new markets would be dependent on how critical penetration of the new markets was to achieving the overall business strategy. This example also shows how there are prerequisites for good performance in this functional area. For the sales force to achieve the objective of opening new markets, other parts of the business must also do their jobs. For example, there should be related objectives for product development (rapidly developing products responsive to the needs of the new market segment) and marketing (cost-effectively providing brand awareness and product differentiation in the new market segment). While these objectives are not as tightly integrated as those in the previous example are, it is still clear that achieving the overall business objective requires the coordinated participation of the whole organization.

Note that while performance objectives across different areas must be related, not all areas require the use of incentive compensation. In fact, incentive compensation should be used sparingly if at all. It is common for workers with objectives that are tied to incentive compensation to display unanticipated behavior in an attempt to maximize their income. Incentive compensation is a double-edged sword that should be wielded only with great caution. Quite often, group membership and the expectations of the group provide a more powerful and more predictable incentive.

2.1.4 Information Technology

Even in small companies that may have only one computer professional, information technology plays a critical role. For each functional area to achieve its objectives, key information must be shared with other areas to coordinate their activities. Traditionally, functional areas have created "information fiefdoms" to supply their internal information needs. This has been particularly true in larger organizations. Over time, the scope of information systems has increased but no single system will meet the needs of an entire organization. (Despite the term "enterprise" in ERP, even those systems fail to meet all of the information requirements of management.) The box labeled "collaboration tools" in figure 1 refers to information systems that allow for the sharing of information across organizational boundaries. These tools might be based on an agreed-upon common data format for such things as part design information. It might be a set of standards for EDI systems that are imposed on a supply chain by the channel master. The tools might be a set of Web services that use data described by XML to interface between disparate applications systems both inside and outside of the organization. However it is done, shared management control information must be provided in real time to allow the buyer and seller to coordinate their activities in different parts of the same value stream and increase the efficiency of their transactions.

In addition to meeting the needs of each functional area, the IT function must also meet the needs of senior management. For example, the decomposition of business objectives into contributions from each functional area implies many assumptions about how the areas will interact to achieve the overall business objective. The IT function must also provide senior management with the ability to monitor achievement of the overall business objective and verify that achieving all of the individual contributions will in fact result in the achievement of the overall objective. The IT function must also provide an alert system (many parts of which may be manual, e.g., the andon system used to stop local production in lean manufacturing is often manual). When unexpected performance levels jeopardize the achievement of a strategic objective, the system (manual or automated) must notify the appropriate managers immediately.

The critical objective for the information technology function is to provide the information needed to achieve the objectives of the line organizations. Outside of software companies, the IT organization plays a purely support role. A secondary objective is to be cost-effective by using such measures as Total Cost of Ownership (TCO). The objectives by which senior management will measure the performance of the IT activity must be defined and monitored whether internal or external resources provide IT services. Like any other process in a learning organization, the support processes executed by the IT organization should be standardized, self-aware and adaptive.

3.0 ESE in Larger Organizations

For small business, the same basic pattern would be repeated for each business function. Each area would have specific objectives that would collectively result in the achievement of the organization's strategic objectives. The achievement of each area's objectives would be dependent on the achievement of objectives by other functional areas. Quantitative performance measures would be used to monitor and manage each business area in much the same way that performance measures are used to manage a Lean Six Sigma program in manufacturing. In a small organization, this process is not simple but it is relatively straightforward. However, as the size of the organization increases and the number of layers in the organization becomes greater, the complexities that are introduced require a more rigorous management approach.

3.1 Constant change and organizational dynamics

Everyone jokes about “nothing is as constant as change” but few organizations augment their infrastructure to help them manage the inevitable change or transform their business organization effectively. In some cases, there may be a staff position for a low ranking executive officer in charge of “Business Transformation” but this person generally has few resources available. Seldom do they manage a group of business transformation experts.[1]

Also of critical importance is having a “play book” that helps all of the managers manage the introduction of change in a similar, coordinated manner. Outside of management consulting firms, it is extremely rare to find standard methodologies for any of the transformation disciplines. Even the best management consulting firms rarely have a methodology that integrates more than two or three of the key management disciplines necessary to transform an organization effectively. Most of those are good within their limited scope but even those methodologies tend to focus on executing a consulting engagement as opposed to building management control systems that will allow a business to manage the new business process effectively over time.

Change will continue to arrive in waves. Often changed is imposed on organization by its external environment. The organization's very survival may depend on its ability to accept the required change and adapt the organization to meet the change. To manage change effectively, the organization must have standard methods and procedures for transforming itself. Each substantial business process should have the ability to incrementally change built into the process. There must also be time and talent available to continually challenge the basic assumptions underlying the existing business process designs and allow the creation of new alternative process designs. Management must allocate resources for that purpose. The business will use these methods repeatedly. Businesses implement strategy through this mechanism be it planned or ad hoc. Without a standard approach to integrating the various methods and management disciplines needed to transform a business, an organization will dramatically reduce its ability to implement or change strategic direction. These methods must include the ability to use real-time performance information to quickly identify the existence of best practices, define them in such a way that they can be replicated and propagate them to relevant parts of the organization quickly. They must also recognize the sometimes illogical behavior of organizations and incorporate techniques that address change in large groups.

[1] For a more complete discussion of the value these “change agents” bring to an organization, see “Who’s Bringing You Hot Ideas (And How Are You Responding)?” by Davenport, Prusak and Wilson in the February 2003 issue of Harvard Business Review.

3.1.1 Advantages of group decision-making

The advantage of group decision-making can be easily demonstrated using an exercise common in many university organization theory classes. The exercise works like this. The professor passes out a quiz on some subject of general knowledge to the students in his lecture. They take the exam individually and set their papers aside. The professor then organizes the lecture into several groups, each of which contains five or six students. The group then collectively discusses each question and through collaboration decides on a common answer for each question in the same quiz. When the groups have finished, all of the exams are graded. Invariably, the grade of the group will be higher than the grade of any individual in the group. In a group such as a university class where the individuals have comparatively uniform IQs, all of the group scores are typically higher than that of any single individual in the class. The principal demonstrated is simply that anyone's work can be improved by the participation of other individuals in the organization.

3.1.2 Dangers of group decision-making

One of the key questions this raises is what happens when an individual has the right answer but the majority of the group disagrees with the individual. The sometimes upsetting answer to this question can be demonstrated by a second exercise. In this case, the professor needs some outside help. In one instance, a graduate student was placed in a group with several actors. The group was given a simple task. They were presented with a group of cards each of which contained a line segment. Each person was to select the card that they felt had the longest line segment. There were no optical illusions or other tricks. One line segment in each group of cards was clearly longer than the others. The actors had been instructed to select the same incorrect answer chosen by the first actor. Initially the graduate student will select the correct answer and be somewhat amazed that no one agrees with that answer. After the person selecting the correct answer has "stood out" from the group two or three times, they invariably adopt the same behavior as the actors. They select the same incorrect answer chosen by the first person in the group. It is more important for the individual to conform to the group than it is to be right.

This may in fact be a characteristic that is unique to Homo sapiens. Nonconformity can be hazardous to the health of an individual as any persecuted minority will be happy to explain be it for racial, religious or other reasons. To date, this characteristic has caused individuals to place the well-being of the group above their own well-being and has had a positive effect on the preservation of the species. Unfortunately, this is the same characteristic that motivates suicide bombers, terrorists and political fanatics. As the destructive power of small groups increases, this characteristic may eventually cause the destruction of the species.

3.1.3 Ramifications for business transformation

This group dynamic always comes into play when a new process design affecting many people is created by an individual or small group. Even if the new process design has major advantages and is clearly the right choice, the people that will execute the process must be convinced of the benefit of adopting the new design. A well thought out communications program that provides these individuals with a clear understanding of the benefits of the new design must be carefully executed. It should also be noted that the benefits communicated to these individuals do not necessarily need to be specific to them. If the new process design is clearly to the benefit of the group as a whole, the dynamic described above will allow them to accept the new approach and actively support it even if doing so costs the individual their membership in the group (i.e., they lose their job). Most group members will be willing to make a sacrifice if they feel an allegiance to the group.

3.2 Strategic planning drives transformation

What causes executives to decide that it is necessary to transform their organization? Invariably, the reason is that their organization cannot effectively execute the existing or planned business strategy. The reason why it cannot be executed effectively will vary. It might be because of an undesirable change in the organization. It might be because a change in the market situation has rendered the old business process ineffective. It might be because new technology facilitates a new business process design that was not previously feasible. In the healthcare community, an example would be the environmental change caused when insurance companies decided they would stop paying for correcting preventable medical error thereby making it strategically important to avoid such errors. Regardless of the underlying cause, the transformation always takes place because the organization is not achieving the strategic objectives currently or will not be able to in the future.

The contribution of each part of the organization to the achievement of the common objectives must be coordinated through the management framework. If an overall objective is to increase market share by reducing costs and selling price, procurement and manufacturing must make defined and measurable contributions to the cost reduction.

If new products are required,

- Faster and more cost effective product development may be needed.
- Marketing must verify that the market share is achievable and it must prepare the market for the sales activity to move the lower cost product.
- The sales organization must penetrate the market using the new message and close business for the new products.
- The financial organization must provide effective cost accounting to ensure that the cost reductions are actually achieved.

Regardless of the specific strategic objective to be achieved, the management framework must ensure that each part of the organization has a defined contribution, each contribution is verifiable and that the sum of the contributions will actually result in achievement of the common strategic objective. In addition, the management framework must allow the organization to change the way the objective is achieved and adapt to changing business environments and objectives.

3.3 Interrelated transformation methods

A number of very talented business management researchers have done a substantial amount of work on methods related to transforming business organizations. Unfortunately, very little work has been done to integrate methods for such disciplines as:

- Activity based management
- Budgeting
- BPR
- Business performance measurement
- Cultural change management

- Incentive compensation
- Lean Six Sigma
- Quantitative modeling and analysis
- Supply chain management

One of the objectives of Effective Strategy Execution® is to provide a framework for an integrated set of methods and procedures. This integrated methodology will provide coordination between the activities that make up these disciplines. Taken as a whole, the research papers in the ESE series will provide a basis for an integrated methodology for transforming organizations and executing a business strategy effectively. Not all methods or disciplines will be appropriate for a particular organization. Each organization must select the appropriate practices and tools for their culture and build an ESE framework that is specific to their needs.

3.4 Disjointed methods and procedures

During the author's seven-year tenure at Gartner, the best business transformation methodologies reviewed made substantial progress integrating traditional business process reengineering and cultural change management. Some of the methodologies addressed interactions with some of the other management disciplines. None of the methodologies reviewed addressed all of the interactions included in the (partial) list that appears here. Only rarely did their clients attempt to adopt the business transformation methodologies as a standard part of a learning organization. No successful attempts were reported to Gartner during the period. While I have not had exposure to a group as large as Gartner's client base since, I still have not encountered an organization that has successfully incorporated a systematic change process into their management methods.

3.5 Reduced success rates and effectiveness

Most organizations have no standard methodologies in place and even the best available business transformation methodologies have substantial shortcomings. In a marketplace where speed, efficiency and flexibility determine competitiveness, most business organizations are attempting to compete with all of the grace of a man hobbled in a sack race. Most new business transformation efforts are ad hoc affairs where what is learned from past mistakes is limited to the experience of a single manager or a small group of designers. This lack of management commitment and lack of a management support infrastructure results in transformation efforts that are less effective, take longer and cost more money. As the competitive level of the business environment intensifies, organizations that do not develop the infrastructure needed to change efficiently will cease to exist. Only learning organizations will survive.

3.6 Transformation and consultants

Attempting to execute a business transformation by using a large management consulting firm has advantages and disadvantages. In many cases, they can provide the largest number of people with the specific skills required. Even though the methodologies that they employ tend to be limited in scope, they are substantially better than no methodology at all. Since it is a basic requirement of success in the consulting industry, clients can expect good project management skills. (Note: that expectation is not the same as delegation of project management responsibility.) All of these factors tend to increase the likelihood of a successful initial transformation when skilled management consultants are used.

On the downside, management consultants tend to be engagement oriented. The methodologies that they develop are meant to increase their competitiveness but also to reduce the financial risk to the firm related to liabilities from project failures. They typically do not focus on the management control systems needed to manage the new business process on an ongoing basis. What happens after the consultants leave is typically not a concern of the designers of the methodology. Clients need to take steps to ensure that ongoing activities such as real-time performance monitoring and business process maintenance are designed and built during the initial transformation. While some management consulting firms have the capability of performing such transformation activities, they are motivated to do so only for clients where they expect a long-term strategic relationship. Once a client does begin to develop a learning organization, they must insist that consultants on new transformation projects start with the client methods that have been adopted as standard practices and justify any deviations in the same manner that a client employee would. As with any other source, improved and proven methods learned from the consultant should be made part of the client's standard practices.

4.0 Guiding Principles of Effective Strategy Execution®

4.1 Integrated/standardized transformation methods

It is tempting to draw an analogy between the various management disciplines and the links of a chain because of the concept of the chain being only as strong as its weakest link. That would be somewhat misleading in the sense that the management disciplines we're discussing here are typically not applied sequentially but rather in parallel. Perhaps a more apt analogy would be to the load bearing members in a bridge. A failure in one part of the bridge can increase stresses in the rest of the bridge to the extent that the entire bridge fails. For example, a sales compensation system based on a step function may work well if performance elsewhere in the organization is also good. On the other hand, suppose problems in the supply chain will cause production to fall just below the level needed for the salespeople to reach the next incremental increase in their commissions. The sales force will now push new revenue into the following year when they can receive a greater commission on the sale. Because of problems elsewhere in the organization, the incentive compensation system was placed under increased stress and became, in fact, a disincentive.

It is imperative that the transformation methods used to design or redesign business organizations are integrated. The interactions between business process design, management control systems, strategic plans, budgeting, incentive compensation, etc. must be recognized and managed in every transformation project. This requires a standardized methodology that provides a checklist of management issues that must be addressed on every project regardless of the business process being changed.

4.2 Strategic objectives must drive the process

4.2.1 Keep your eyes on the prize!

Every management discipline that is applied during the transformation process must focus on achieving the strategic objectives. If the process being transformed is CRM, trade-offs between market share and profitability must be driven by the business strategy. If the process is budgeting, the question to ask is "How can I ensure that I am allocating resources in such a way that I am maximizing the organization’s ability to achieve the strategic objectives?" Quantitative modeling and analysis techniques must be used to link the local objectives of subsets of the organization to their role in achieving the overall strategic objectives. No matter which discipline is being applied, ESE follows the advice of Martin Luther King. "Keep your eyes on the prize!"

4.2.2 Value chains achieve objectives

In most cases, maintaining this focus will involve organizing work to achieve the strategic objective in the same fashion that you would organize the work along a value chain. In fact, maximizing the cost-appropriate value delivered to the customer may often be the strategic objective. All activities necessary to achieve the objective must be coordinated and managed as a group cutting across functional or organizational boundaries as required. The management and workers continually improving the process must not a distracted by performance measures that will optimize the performance of an individual activity or functional area but produce suboptimal results across the whole business process.

4.3 Real time performance measurement feedback

Another underlying principle of ESE is a strong belief that people and organizations perform best when they get immediate feedback in the form of objective performance measurements. All but the smallest businesses should build management control systems that include near real-time performance measurement and alerts. This performance information needs to be provided to the appropriate people with the right level of detail at the right time. Keeping in mind that performance objectives have been decomposed from the top level of the organization down, relevant performance measurement feedback must be provided to all levels of the organization on a rapid basis.

4.4 Being right is not enough

As discussed earlier, groups and organizations do not operate logically. Almost by definition, they are political beasts. Having the world's greatest process design is of no value if there is no way to convince the people that will execute the process. Having a communications process that can select the key benefits that will be valued by the state holding group and clearly communicate those benefits is essential. Top-down fiats don't work. Business transformation is as much about marketing as it is about organizational or systems theory. This stumbling block is probably the primary reason most organizations cannot effectively execute their strategy.

4.5 ESE is a Continuous Process

It must be recognized that improving strategy execution is not a onetime event or even something that is done occasionally. Business transformation is a continuous process. Strategic planning focuses on determining what actions need to be taken now to properly position the organization in the future. Identification of those actions needs to occur on an ongoing basis because they change. Budgeting resources in such a way that strategic projects that occur "off cycle" can be funded in a timely fashion is a continuous activity. Monitoring business performance and fine-tuning the business process design is a continuous activity. The methods and procedures for performing these activities will be used repeatedly. They are critical to the creation of the competitive organization. Integrating and improving the performance of these activities should not be left to the whims of each project manager or even a consulting firm hired for a particular transformation. Senior management must allocate resources (including permanent staff) for this purpose. Without such a home for conceptual thinkers focused on management issues, an organization will be repeatedly blindsided by more strategically oriented competitors.

4.6 Failure Is Usually Not a Mistake

Product defects, failure to meet performance objectives, system failures or other undesirable results are rarely the result of some worker not doing his or her job in the way that he or she was taught to do it. Yet all too often, effort is expended and time is wasted trying to determine "whose fault it is". In a learning organization, that attitude cannot be tolerated. The perspective must be changed so that problems are viewed as opportunities to improve. Rather than being dreaded, these events should be eagerly anticipated as the first step towards improving performance.

This is also true when new methods are piloted. Process improvement often involves experimentation. Improving the management process is no different. In some situations it is necessary to try new and unproven techniques. All too often, what is deemed an "experiment" is simply a project that failed unexpectedly. Often we learn from these so-called experiments but only at a price that was higher than necessary. Senior management must recognize that improving the management of the organization requires designing management experiments that will provide the knowledge necessary to improve with minimal cost if the experiment delivers an unsuccessful result. An experiment that delivers an unsuccessful result in the real world and thereby adds to our knowledge of effective management techniques is a success. The only mistakes are unsuccessful results that could have been predicted in advance and from which we gain no new knowledge.

4.7 Demonstrable results

Demonstrable results go hand-in-hand with real-time performance measurement feedback. Tracking the improvement in performance also allows evaluation of the organization's ability to innovate and transform itself. A performance increase would indicate the degree of effectiveness of a particular transformation project. The rate at which performance increases occur over time is a measure of the effectiveness of the organization at applying transformation methods and techniques. As the organization gains experience with standard transformation methods, the rate of performance improvement and the speed with which entirely new objectives can be met should increase.

5.0 Implementing ESE in a Large Organization

5.1 Swallowing the Elephant

Implementing Effective Strategy Execution® across a large organization is a non-trivial exercise. As in the activity of "devouring elephants", the best strategy is to swallow one bite at a time. The process should start with an organizational review. This review should provide an overview of existing management practices and identification of management activities that are missing or that should be coordinated but are not currently. (Optionally the review may also include operational issues such as the use of lean manufacturing concepts or supply chain integration across the extended value chain.) The review should provide the information necessary to "carve the elephant". The improvements to the management infrastructure that are possible are then prioritized

- based on their impact on the achievement of the strategic objectives and
- their relative independence with respect to other needed improvements.

The first incremental improvement project is then focused on the highest priority areas of the management support infrastructure.

5.2 Customize it to your environment

The methods used to implement Effective Strategy Execution® in different environments will vary both with respect to the level of detail the methodology needs to contain and the flexibility required to accommodate transformation efforts of different types. For example, if the majority of transformation activities will be implementing best practices, a less flexible and more prescriptive methodology is appropriate. Transformation activities that require more innovation need a methodology that clearly specifies outcomes and issues that need to be addressed but provides less information on exactly how the activity should be performed. Large organizations will need a methodology that can accommodate either type of project without confusing the two.

Large organizations are also more likely to need comprehensive planning activities for managing cultural change. In smaller organizations, resistance to change will be less of an issue. Unionized organizations will need a different checklist than non-union shops, etc. Care must be taken to build transformation methods that fit the management requirements of each particular organization.

5.3 Plan for it in advance of the next crisis

Building a firefighting infrastructure after the building is already in flames seldom works. Resources need to be allocated to develop the methods and techniques that will be used in future transformation activities before a critical project requires them. Clear deadlines need to be established to ensure a usable (albeit imperfect) framework is produced in a relatively short period. It should also be understood that the creation of the methods is a transformation project that should be funded separately. This will be an ongoing activity with ongoing budget requirements.

5.4 Trial by fire

That said, the methods should then be immediately applied to a business area with a transformation requirement of at least medium if not high criticality. It should NOT be immediately rolled out as a standard across the organization. The first application of the methods always leads to substantial improvements and typically surfaces issues that cause resistance to change. The work practices will typically need at least one more iteration and a carefully thought out change management plan before they are introduced as the standard approach.

5.5 Standardize across your organization

Process designs should be proven and stable before they become candidates for standardization. The premature adoption of a promising but unproven method can damage the credibility of the entire process. Once a methodology has proven its worth through either pilots or limited production use, it should become a standard part of the management fabric of the organization. Reducing resistance to change and establishing a methodology as a standard practice is substantially easier if it has a sufficient record of accomplishment to be considered a "best practice".

5.6 Continually adjust and improve methods

Everyone in the organization should continually strive to improve his or her work practices. This is as true in the executive suite as it is on the factory floor. It is also as true in a support organization as in a line organization. No work activity can be improved until it is standardized. Standard work methods should be defined for all parts of the organization. Process designs and standard methods should incorporate sufficient information gathering to support continuous improvement.

Key to the successful implementation of this principle is the attitude that problems are simply opportunities to improve performance. Without the HR policies and practices in place to reinforce this attitude, continuous improvement is not possible. If those policies and practices are put in place, an enormous amount of goodwill is generated. Teamwork will improve and a sense of loyalty to the group (organization) will grow in the employee base. Perhaps more than any other, adherence to this principle is essential to the creation of a learning organization.

6.0 The Bottom Line

"Effective" is a relative term. Creating a business organization that will execute a business strategy ever more effectively implies creating a learning organization. A systematic approach to creating that learning organization is the only approach that can succeed. Creating such an organization is becoming the only way to increase an organization's competitiveness. Creating a customized version of Effective Strategy Execution® and establishing it as the standard transformation method will allow an organization to improve its performance and increase the speed with which it can adapt to a changing business environment. The only question is which organizations will allocate resources to build management infrastructure and create their learning organization before "the building is in flames."