

# Audio-Tech Business Book Summaries

## Execution

### The Discipline of Getting Things Done

by Larry Bossidy and Ram Charan

*A summary of the original text.*



#### In this issue:

- **Focus...**  
on the most important job of any business leader — execution, which is the gap between a company's goals and its ability to get results.
- **Improve...**  
your company's performance by linking the three core processes of execution: people, strategy, and operations.
- **Develop...**  
the seven essential behaviors that are shared by virtually all effective, execution-driven leaders.
- **Select...**  
the right people for your business by hiring candidates who have the four key characteristics that identify them as top performers.
- **Create...**  
a powerful strategy by addressing nine questions that will help you evaluate your most crucial challenges and increase your chances of success.



Volume 11, No. 8 (2 sections), Section 1, August 2002  
© 2002 Audio-Tech Business Book Summaries 11-15.  
No part of this publication may be used or reproduced  
in any manner whatsoever without written permission.

To order additional copies of this summary, reference  
Catalog #8021.

In recent years, companies have embraced big business ideas like revolution, reinvention, breakthrough thinking, audacious goals, learning organizations, and the like. While all of these ideas can make a huge impact on any business, they're pointless unless you translate them into concrete steps for action.

Without execution, the breakthrough thinking breaks down. Learning adds no value. People don't meet their stretch goals. And the revolution stops dead in its tracks.

Execution is the missing link between aspirations and results. Because it must be part of the company's strategy and its goals, it is the most important job of any business leader.

In the past, businesses got away with poor execution by pleading for patience. But the business environment is always tough, and success is

no longer measured over years. A company can win or lose serious market share before it even realizes what has hit it.

Execution is now tested several times a year. Securities analysts look to see whether a company is showing progress toward meeting its quarterly goals. If they think it isn't, their downgrades can wipe out billions of dollars in market capitalization. The reason for this is simple: Most often today, the difference between a company and its competitor is the ability to execute.

The absence of execution is the single biggest obstacle to success and the cause of most of the disappointments that are mistakenly attributed to other causes. When a company executes well, people are not brought to their knees by changes in the business environment.

Execution is not just

something that does, or doesn't, get done. Execution is a specific set of behaviors and techniques that companies need to master in order to have a competitive advantage. It is a discipline of its own. And in big companies and small ones, it is critical to success.

To prepare you for what's ahead, here is a brief overview of this program:

We'll start by explaining the discipline of execution, and why it is so important today.

Next, we'll discuss the reality that execution doesn't just happen. We'll describe the most important building blocks: the leader's personal priorities, the social software of culture change, and the crucial job of selecting and appraising people.

Finally, we'll focus on the three core processes of execution: people, strategy, and operations.



## THE DISCIPLINE OF EXECUTION

In the year 2000 alone, 40 CEOs of the top 200 companies on Fortune's 500 list were removed from their posts. When 20 percent of the most powerful business leaders in America lose their jobs, something is clearly wrong.

What is the problem? When companies fail to deliver on their promises, the most frequent explanation is that the

CEO's strategy was wrong. But the strategy by itself is usually not the cause. Strategies most often fail because they aren't executed well.

To understand execution, you need to keep three key points in mind.

The first point is that **execution is a discipline**, and it is integral to strategy.

Don't confuse execution with tactics. Execution is a systematic process of rigorously discussing hows and whats, questioning, tenaciously following through, and ensuring accountability.

It includes several key activities, including:

- Making assumptions about the business environment.
- Assessing the organization's capabilities.
- Linking strategy to operations and the people who are going to implement the strategy.
- Synchronizing those people and their various disciplines.
- Linking rewards to outcomes.

It also includes mechanisms for changing assumptions as the environment changes and upgrading the company's capabilities to meet the challenges of an ambitious strategy.

The heart of execution lies in

the three core processes: the people process, the strategy process, and the operations process. Every business and company uses these processes in one form or the other. But more often than not, they stand apart from one another like silos. People perform them by rote and as quickly as possible, so they can get back to their perceived work. This is a formula for failure.

These three core processes are where the things that matter about execution need to be decided. Furthermore, they are tightly linked with one another, and should not be compartmentalized among staffs. Instead, the leader of the business and his or her leadership team should be deeply engaged in all three.

The second point is that **execution is the major job of the business leader**. An organization can execute only if the leader's heart and soul are immersed in the company.

Leading is more than thinking big and inspiring people with a vision. The leader must be in charge of getting things done by running the three core processes — picking other leaders, setting the strategic direction, and conducting operations. Leaders cannot delegate these actions, regardless of the size of the business.

The third point is that **execution must be a core element of a company's culture**. It isn't a program you graft onto your business. Everyone must understand

and practice the discipline of execution. It has to be embedded in the reward systems and in the norms of behavior that everyone practices.

Leaders who execute look for gaps between the desired and actual outcome in everything, from profit margins to the selection of people for promotion. Then they move to close the gaps and raise the bar still higher across the whole organization.

The discipline of execution doesn't work unless people are schooled in it and practice it constantly. It doesn't work if only a few people in the system practice it. Execution has to be part of an organization's culture, driving the behavior of all leaders at all levels.



### **BUILDING BLOCK #1: THE LEADER'S SEVEN ESSENTIAL BEHAVIORS**

A moment ago, we said that there are three core processes essential to execution: the *people process*, the *strategy process*, and the *operations process*. But before we can talk about those core processes, we need to discuss the three building blocks that those core processes rest on. Those building blocks are *leadership*, establishing a *framework for cultural change*, and getting *the right people in the right jobs*.

First, we'll talk about **leadership**. Virtually all effective, execution-driven leaders

have seven essential behaviors in common. Let's discuss each of those behaviors.

The first leadership behavior is to *know your people and your business*. Leaders have to live their businesses. In companies that don't execute, the leaders are usually out of touch with the day-to-day realities. They're getting lots of information delivered to them, but it's filtered. They aren't engaged with the business, so they don't know their organizations comprehensively, and their people don't really know them.

Being present allows you, as a leader, to connect personally with your people, and personal connections help build your intuitive feel for the business as well as for the people running the business. You'd be hard-pressed to name a great leader, in business or any other field, who didn't have these personal connections.

The second leadership behavior is to *insist on realism*. Realism is the heart of execution, but many organizations are full of people who are trying to avoid or shade reality. Why? Because stark reality can make life uncomfortable. How do you make realism a priority? You start by being realistic yourself. Then you make sure realism is the goal of all dialogues in the organization.

The third leadership behavior is to *set clear goals and priorities*. Leaders who execute focus on a very few clear priorities that everyone can

grasp. Why just a few?

- First, anybody who thinks through the logic of a business will see that focusing on three or four priorities will produce the best results from the resources at hand.
- Second, people need a small number of clear priorities to execute well.

Along with having clear goals, you should strive for simplicity in general. One thing you'll notice about leaders who execute is that they speak simply and directly. They talk plainly and forthrightly about what's on their minds. They know how to simplify things so that others can understand them, evaluate them, and act on them.

The fourth leadership behavior is to *follow through*. The failure to follow through is widespread in business, and a major cause of poor execution. How can you avoid this inertia? In many cases, a simple three-point plan will do.

1. Don't just hope or assume that people will buy into an idea. Instead, dig for their reasons for resisting it, and address those concerns.
2. Create a follow-through mechanism that ensures that everyone will do what he or she is supposed to in order to execute an idea. Often, a monthly meeting will be

sufficient, provided that the CEO and other high-ranking executives participate.

3. As the CEO, make it clear that you are not going to forget about the initiative at hand, and that everyone involved should expect frequent follow-through actions.

The fifth leadership behavior is to *reward the doers*. If you want people to produce specific results, reward them accordingly. Many corporations do such a poor job of linking rewards to performance that there's little correlation at all. They don't distinguish between those who achieve results and those who don't, either in base pay or in bonuses or stock options.

When companies don't execute, the chances are that they don't measure, don't reward, and don't promote people who know how to get things done. A good leader ensures that the organization makes these distinctions and that they become a way of life. If you want your company to have a culture of execution, make it clear to everybody that rewards and respect are based on performance.

The sixth leadership behavior is to *expand people's capabilities through coaching*. As a leader, you've acquired a lot of knowledge and experience along the way. One of the most important parts of your job is passing it on to the next generation of leaders.

This is how you expand the capabilities of everyone else in your organization, individually and collectively. It's how you will get results today and leave a legacy that you can take pride in when you move on.

Good leaders regard every encounter as an opportunity to coach. The most effective way to coach is to observe a person in action and then provide specific useful feedback. The feedback should point out examples of behavior and performance that are good or that need to be changed.

The seventh and final leadership behavior is to *know yourself*. Everyone pays lip service to the idea that leading a business requires strength of character. In execution, it's absolutely critical. To know yourself, you must develop emotional fortitude: an awareness of your personal strengths and weaknesses, especially in dealing with other people, and the ability to build on the strengths and correct the weaknesses.

Without emotional fortitude, you can't be honest with yourself, deal honestly with business realities, or give people forthright assessments. And if you can't do these things, you can't execute.

It takes emotional fortitude to be open to whatever information you need, whether it's what you would like to hear or not. Emotional fortitude gives you the courage to accept points of view that are the opposite of yours and deal with conflict, and the

confidence to encourage and accept challenges in group settings. It enables you to deal with your own shortcomings, be firm with people who aren't performing, and to handle the ambiguity inherent in a fast-moving, complex organization.

As everyone knows, the best leader is often not the most brilliant person in the company, or the one who knows the most about the business. Emotional fortitude is what gives the person the confidence to be a leader who delivers results.



## **BUILDING BLOCK #2: THE FRAMEWORK FOR CULTURAL CHANGE**

The second building block of execution is to create the *framework for cultural change*.

Most efforts at cultural change fail because they are not linked to improving the outcomes of the business. To change a company's culture, you need a set of social operating mechanisms that will change the beliefs and behaviors of people in ways that are directly linked to bottom-line results.

You don't need a lot of complex theory or employee surveys to use this framework. Instead, you need to change people's behavior so that they produce results. First, you tell people clearly what results you're seeking. Next, you discuss how to get those results. Then you

reward people for producing the results.

If people come up short, you provide more coaching, withdraw rewards, give them other jobs, or let them go. When you do these things, you create a culture of getting things done.

There are four keys to creating the type of behavior that supports an execution-driven culture. Let's look at each of these keys.

The first key is to *link rewards to performance*. This is a vital tool for changing behavior. A business's culture defines what gets appreciated and rewarded. It tells people what's valued, and in the interest of trying to make their own careers more successful, that's where they will concentrate. If a company rewards and promotes people for execution, its culture will change.

The second key is to *develop the social software of execution*. Like a computer, a corporation has both hardware and software. The hardware of the organization includes such things as strategy and structure. The social software includes the values, beliefs, and norms of behavior. Just as computer hardware is useless without software, the hardware of a business cannot perform without the software of beliefs and behaviors.

The social software of execution relies on social operating mechanisms. These are formal or informal meetings,

presentations, or any other forum where dialogue takes place. Two elements make them social operating mechanisms, and not just meetings:

- First they're integrative, cutting across the firm's traditional boundaries. They create new information flows and working relationships. They let people who normally don't have much contact with one another exchange views, share information and ideas, and learn to understand their company as a whole.
- Second, social operating mechanisms are where the beliefs and behaviors of the social software are practiced consistently and relentlessly. They spread the leaders' beliefs, behaviors, and mode of dialogue throughout the organization. Other leaders learn to bring these beliefs and behaviors to their own lower-level meetings, and to use them in giving coaching and feedback.

The third key to creating an execution-driven culture is to *recognize the importance of robust dialogue*. Robust dialogue makes an organization effective in gathering information, understanding the information, and reshaping it to produce decisions. It fosters creativity. And ultimately, it creates more competitive advantage and shareholder value.

Robust dialogue starts when people go into discussions

with open minds. They're not trapped by preconceptions or armed with a private agenda. They want to hear new information and choose the best alternatives, so they listen to all sides of the debate and make their own contributions.

Finally, robust dialogue ends with closure. At the end of the meeting, people agree about what each person has to do and when. They've committed to it in an open forum, and they are accountable for the outcomes.

How do you get people to practice robust dialogue when they're used to the games and evasions of classical corporate dialogue? It starts at the top, with the dialogues of the leader. If he or she is practicing robust dialogue, others will take the cue.

The fourth and final key to creating the type of behavior that supports an execution-driven culture is to *understand that leaders get the behavior they exhibit and tolerate*.

To build the culture, the leader has to create and reinforce the social software with the desired behaviors and robust dialogue. He has to drill them relentlessly in the social operating mechanisms. For example, some leaders use regular conference calls as an operating mechanism to drive change in the culture by forcing new realism in the dialogues and decision making of the company's top leaders. The calls introduce accountability and

follow-through. The leader's own behavior reinforces the beliefs and behaviors his people need to learn.

But the leader can't be everywhere. Once he builds the culture and models the right behavior, all he can do is to make sure that he has the right people in the right jobs to execute. We'll discuss that building block next.



### **BUILDING BLOCK #3: THE RIGHT PEOPLE IN THE RIGHT JOBS**

We've just talked about leadership and cultural change, two of the three building blocks of execution. Now we turn our attention to the third and final building block. This is the most important job that leaders do: ***selecting and evaluating people.***

If you look at any business that's consistently successful, you'll find that its leaders focus intensely and relentlessly on people selection. Common sense tells us the right people have to be in the right jobs. Yet, so often they aren't. What accounts for the mismatches you see every day? The leaders may not know enough about the people they're appointing. They may pick people with whom they're comfortable, rather than others who have better skills for the job.

Or they may not have the courage to discriminate between strong and weak performers and take the necessary actions. All of these

scenarios reflect one absolutely fundamental shortcoming: The leaders who make these errors aren't personally committed to the people process and deeply engaged in it.

To avoid such problems, Bossidy believes that leaders need to commit as much as 40 percent of their time and emotional energy to selecting, appraising, and developing people. This immense personal commitment is time-consuming and fraught with emotional wear and tear in giving feedback, conducting dialogues, and exposing your judgment to others.

But the foundation of a great company is the way it develops people. If you spend the same amount of time and energy developing people as you do on budgeting, strategic planning, and financial monitoring, the payoff will come in sustainable competitive advantage.

All of this raises the question: What kind of people are you looking for? In many ways, the answer to this question is deceptively simple. CEOs and other senior executives are too often seduced by the educational and intellectual qualities of the candidates they interview. They evaluate how articulate and visionary the candidate is. They don't ask the most important question: *How good is this person at getting things done?*

There's very little correlation between those who talk a good game, and those who get things done come hell or

high water. Too often the latter are given short shrift. But if you want to build a company that has excellent discipline of execution, you have to select the doer instead of the talker.

The kind of people you are looking for in leadership roles should possess four key characteristics. Let's examine each of these characteristics:

- First, *leaders know how to energize people.* This is not the same thing as inspiring people through rhetoric. Too many leaders think they can create energy by giving pep talks. The leaders whose visions come true are those who build and sustain their people's momentum. They bring things down to earth, focusing on short-term accomplishments on the way to bigger goals.
- Second, *leaders are decisive on tough issues.* Decisiveness is the ability to make difficult decisions swiftly and well, and to act on them. Most corporations are filled with people who dance around decisions without ever making them. Some leaders simply do not have the emotional fortitude to confront the tough ones. When they don't, everybody in the business knows they are wavering, procrastinating, and avoiding reality.
- Third, *leaders get things done through others.* This is a fundamental

leadership skill. Yet, poor leaders smother their people, blocking their initiative and creativity. They're the micromanagers — insecure leaders who can't trust others to get it right because they don't know how to monitor their performance. Other leaders err in the opposite direction and abandon their people, tossing the ball entirely into their court. Then, when things don't get done as expected, they're frustrated. Both types reduce the capabilities of their organizations.

- Fourth, *leaders follow through*. Follow-through is the cornerstone of execution, and every leader who's good at executing follows through religiously. Following through ensures that people are doing the things they committed to, and according to the agreed timetable.

You won't be able to identify people who have these characteristics by conducting a traditional job interview. Such interviews are not useful for spotting the qualities of leaders who execute. Too often, they focus on the chronology of an individual's career and the assignments the person has had. Interviewers rarely dig into the person's record to see how she actually performed in her previous jobs.

In contrast, Bossidy asks questions like these:

- How did she set priorities?
- Did she include other people in the decisions she made?
- Can she justifiably take credit for good financial results, or was she just moving from position to position, one step ahead of calamity?

There are far too many examples of people who have chalked up an admirable record by the numbers at the expense of people and then left behind a weakened organization. They jump ship at the right time, and their successors have to clean up the mess. Even when interviewers check references, they often fail to get the true picture of a person's performance and skills.

When Bossidy interviews a candidate for an executive position, the first traits he looks for are energy and enthusiasm for execution. Does the candidate get excited by doing things, as opposed to talking about them? Has she brought that energy to everything she's done, starting with school? Bossidy doesn't care if she went to Princeton or Podunk State; he wants to know what she accomplished there.

Bossidy also considers what the candidate wants to talk about. Does she talk about the thrill of getting things done, or does she keep wandering back to strategy and philosophy? Does she detail the obstacles that she had to overcome? Does she explain

the roles played by the people assigned to her?

Bossidy personally checks the references of candidates he interviews, instead of delegating the job to Human Resources. He believes that you can't spend too much time on hiring and developing the right people for your company.

The questions he asks are different from most calls to references because he focuses on the candidate's energy, accomplishments, and willingness to put in extra hours to get things done. He asks the same type of questions that he asks during interviews, including:

- How does she set priorities?
- What qualities is she known for?
- Does she include people in decision making?
- What is her work ethic and energy level?

Those types of questions get at the person's real potential.

There's nothing sophisticated about the process of getting the right people in the right jobs. It's a matter of being systematic and consistent in interviewing and checking references.



## **THE PEOPLE PROCESS**

The three building blocks we've just discussed are

essential for execution. If you have leaders with the right behavior, a culture that rewards execution, and a system for placing the right people in the right jobs, the foundation is in place for a company that executes effectively.

But what do you do once this foundation is in place? In the final part of this program, we'll explore the three core processes of execution: the people process, the strategy process, and the operations process.

We'll begin with the **people process**, which is the most important. After all, it's the company's people who make judgments about how markets are changing, create strategies based on those judgments, and translate the strategies into operational realities. To put it simply, if you don't get the people process right, you will never fulfill the potential of your business.

A robust people process achieves three goals:

- First, it evaluates individuals accurately and in depth.
- Second, it provides a framework for identifying and developing leadership talent.
- Third, it fills the leadership pipeline that is the basis of a strong succession plan.

In order to accomplish these goals, a people process

consists of four components.

The first component is *linking people to strategy and operations*. To a large extent, the success of the people process lies in its linkage to strategic milestones over the near, medium, and long terms, as well as the operating plan targets. The business leaders create this linkage by putting the right people in place to execute the business strategy. Whether they're expanding overseas or launching a new product line in the domestic market, leaders must ask, "Who are the people who are going to execute the strategy, and can they do it?"

Meeting medium- and long-term milestones greatly depends on having a pipeline of promising and promotable leaders. That's where the second component of the people process comes in: It's essential for every execution-driven company to *develop the leadership pipeline*.

Assess your leaders constantly and decide what each of your leaders needs to do to become ready to take on larger responsibilities. The dialogue resulting from this assessment will reveal the adequacy of the leadership pipeline in terms of quality and quantity. Nothing is more important to an organization's competitive advantage.

To learn about four useful tools that managers have at their disposal to develop the leadership pipeline, please refer to the following section.

#### **FOUR TOOLS TO DEVELOP THE LEADERSHIP PIPELINE**

**There are four highly powerful tools that managers have at their disposal to develop their company's leadership pipeline:**

- **The Leadership Assessment Summary.**
- **The Continuous Improvement Summary.**
- **The Succession Depth Analysis.**
- **The Retention Analysis.**

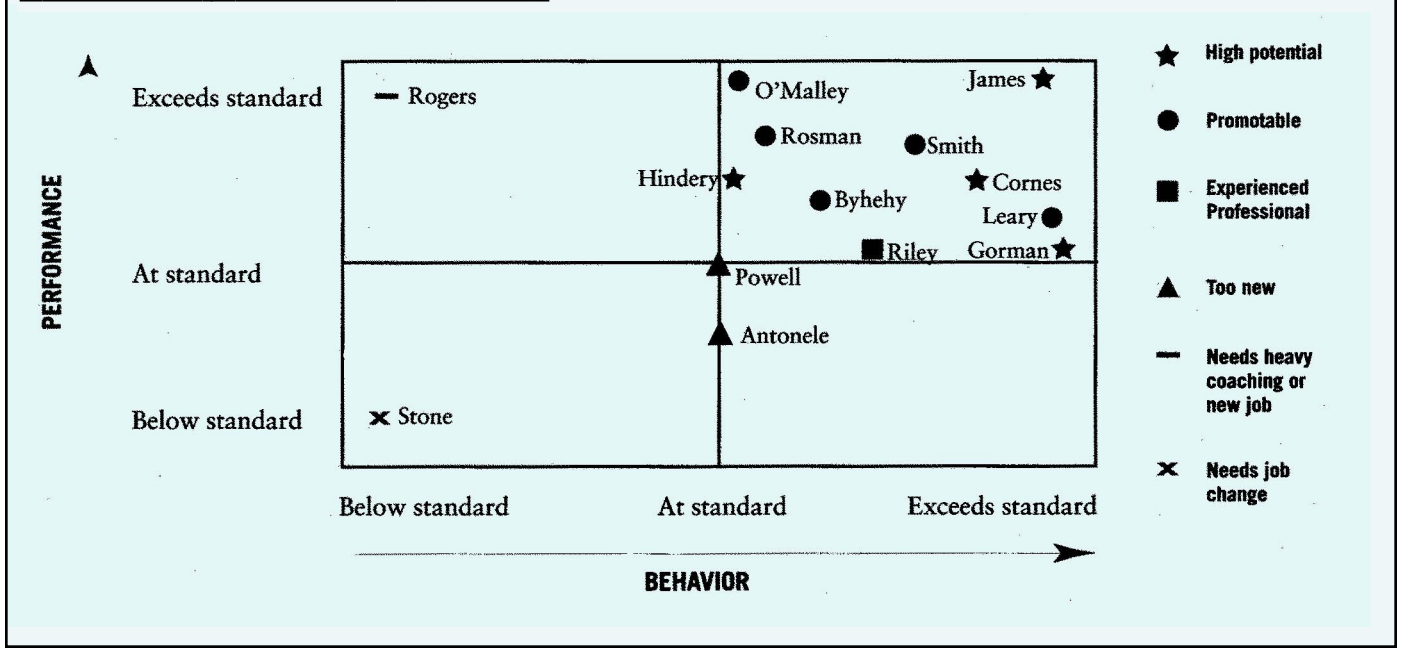
**First, let's discuss the *Leadership Assessment Summary*. This summary, which can take the format of a simple four-quadrant graph, compares both performance and behavior for a group of individuals. Furthermore, the *Leadership Assessment Summary* gives an overview of those in the group who have high potential and those who are promotable.**

**Those who have both qualities are placed in the upper right-hand quadrant. Similarly, it shows who surpasses the standards in terms of performance but needs improvement in behavior, as well as those who are below standard in both areas.**

**For an example of a *Leadership Assessment Summary*, please refer to the chart on page 9.**

**The *Leadership Assessment Summary* is often based on the results of the other tools we're about to discuss: the *Continuous Improvement***

## LEADERSHIP ASSESSMENT SUMMARY



### Summary, the Succession Depth Analysis, and the Retention Risk Analysis.

The second key management tool for developing the leadership pipeline is the *Continuous Improvement Summary*. The *Continuous Improvement Summary* looks much like a traditional performance appraisal. Where it differs is that it not only captures the key performance highlights, but also includes clear, specific, and useful information on development needs.

Thus, the *Continuous Improvement Summary* helps the individual become a better performer. In this way, it helps form the foundation of succession.

For a sample of the *Continuous Improvement Summary*, please refer to the accompanying chart.

The third and fourth key management tools for developing the leadership pipeline are the

## CONTINUOUS IMPROVEMENT SUMMARY

SKILLS	EXCELLENT	AT STANDARD	BELOW STANDARD
Bus. Acumen	•		
Cust. Focus		•	
Strategic Insight	•		
Vision and Purpose	•		
Values and Ethics	•		
Action	•		
Commitment	•		
Teamwork		•	
Innovation		•	
Staffing		•	
Developing People		•	
Performance	•		

### RESULTS OVERVIEW

#### 2001 PERFORMANCE HIGHLIGHTS

- Developed aftermarket strategy for solution-selling environment
- Developed marketing and profit improvement strategy for European market

#### 2002 TARGETS MISSED

- Missed 2 major global accounts coverage in Hong Kong and France
- Did not recruit a Chinese marketing executive for greater China market

#### 2001 CHALLENGES

- Continued execution of aftermarket strategy

### SUMMARY STRENGTHS

- Extraordinary business insights
- Upholds the highest standards and sets right example

### DEVELOPMENT NEEDS

- Needs to excel in recruiting staff
- Must devote energy to developing her people
- Move faster to upscale weak people

### DEVELOPMENT PLAN

- Must work with a coach or mentor in the area of people skills

### POTENTIAL NEXT MOVES (SHORT TERM 0-2 YRS)

- Stay in current role

### POTENTIAL NEXT MOVES (LONG TERM 0-2 YRS)

- With significant improvement, she will be able to run a business unit.

**Succession Depth Analysis and Retention Risk Analysis. Analyzing succession depth and retention risk is the essence of building a leadership pipeline of high-potential people.**

**Taken together, they put meaning into the slogan "people are our most important asset" and are the foundation for a robust discussion of individual needs as well as lateral and upward job moves. They also focus on what needs to be done to retain critical people and replace those who leave unexpectedly, are promoted, or who fail.**

**The Retention Risk Analysis looks at a person's marketability, her potential for mobility, and the risk a business faces if she leaves. Meanwhile, the Succession Depth Analysis determines whether the company has enough high-potential people to fill key positions. It also looks at whether there are high-potential people in the wrong jobs and whether key people will be lost if a job is not unblocked for them.**

**Using these four management tools to identify high-potential and promotable people avoids two dangers. One is organizational inertia, the practice of keeping people in the same jobs for too long. The other is moving people up too quickly, as many of the dot-coms did.**



Even the best people process doesn't always get the right people in the right jobs, and it can't turn everybody into a good performer. That's why it is necessary to include the third component of the people process, *dealing with nonperformers*.

Sometimes managers have been promoted beyond their capabilities and need to be put in lesser jobs. Others just have to be moved out. The test of a people process is how well it distinguishes between these two types of people, and how well leaders handle the painful actions they have to take.

No matter how successful a person has been so far, every promotion is a new decision. You can't take it for granted that he's going to succeed in the next job.

Nonperforming people are essentially those who aren't meeting their established goals. They're unable, on a regular basis, to accomplish what they are responsible for. Or maybe they failed to exercise the leadership expected of them in a situation. There are many ways in which people can fail.

Whatever the reason, sometimes you have to let people go. But you have to do it as constructively as you can. For example, Bossidy suggests that instead of telling the person he's fired because he didn't get good results, you could share the blame. Admit that you might not have explained the job as well as you should have, and

that he hasn't performed it well.

Tell the person that although you have to make a change, you want to do it in a way that allows him to preserve his dignity. You could offer a year's salary, the opportunity to resign rather than being terminated, and an honest but fair appraisal when a new employer calls for a reference.

The fourth and final component of the people process is *linking HR to business results*. Human Resources is more important than ever, but its role has to change radically. HR has to be integrated into the business process. It also has to be linked to strategy and operations. In this new role, HR becomes recruitment-oriented and a far more powerful force for advancing the organization than it was in its typical staff function.

The right people are in the right jobs when information about individuals is collected constantly and leaders know the people, how they work together, and whether they deliver results. It's the consistency of practice that develops expertise in appraising and choosing the right people. The people process begins with one-on-one assessments, but when developed and practiced as a total process, it becomes incredibly effective as an execution tool.



## THE STRATEGY PROCESS

We now turn our attention to the **strategy process**, the second of the three core processes of execution.

The basic goal of any strategy is simple enough: to win the customer's preference and create a sustainable competitive advantage, while leaving sufficient money on the table for shareholders. It defines a business's direction and positions it to move in that direction. Why, then, do so many strategies fail?

Few people understand that a good strategic planning process also requires the utmost attention to the *hows* of executing the strategy. Its substance and detail must come from the minds of the people who are closest to the action and who understand their markets, their resources, and their strengths and weaknesses.

A contemporary strategic plan must be an action plan that business leaders can rely on to reach their business objectives. In creating it, you have to ask whether, and how, your organization can do the things that are needed to achieve its goals. Developing such a plan starts with identifying and defining the critical issues behind the strategy.

For example, how is your business positioned in the context of its competitive environment, including its market opportunities and threats, and its strengths and weaknesses? How good

are the assumptions on which the plan hinges? Do you have the organizational capacity to execute the plan? Can you adapt the plan to changes in the business environment?

To have realism in your strategy, you have to link it to your people process. Do you have the right people in place to execute the strategy? If not, how are you going to get them?

Finally, you've got to link your strategic plan's specifics to your operating plan, so that the multiple parts of the organization are aligned to get you where you want to go.

The substance of any strategy is summed up by the half-dozen or fewer key concepts and actions that define it. Pinpointing these key concepts forces leaders to be clear as they debate and discuss the strategy. It helps them judge whether the strategy is good or bad, and why. It also provides a basis for exploring alternatives if needed.

A strategy itself should not be complex. Every strategy ultimately boils down to a few simple elements. Furthermore, to be effective, a strategy has to be constructed and owned by those who will execute it. They know the business environment and the organization's capabilities because they live with them.

A strong strategic plan must address nine key questions.

*Question one: What is the assessment of the external environment?*

Every business operates within a shifting political, social, and macroeconomic context, and the strategic plan must explicitly state the external assumptions that management is making. The leaders of a business unit have to scrutinize its environment carefully and understand it well. They should examine everything from economic and demographic trends and regulatory shifts to new technologies, alliances between competitors, the drivers of increasing or decreasing demand for its products, and so forth.

*Question two: How well do you understand the existing customers and markets?*

Perhaps not as well as you think you do. People tend to look at their businesses from the inside out. That is, they get so focused on making and selling their products that they lose awareness of the needs and buying behaviors of their customers. The issue here is to spend time understanding the specific people who make the purchasing decisions and their buying behavior.

*Question three: What is the best way to grow the business profitably, and what are the obstacles to growth?*

Answering this question requires asking a host of others:

- Does your business need

to develop new products?

- Does it need to take existing ones into new channels and to new customers?
- Does it need to acquire other businesses?
- How are its costs compared with those of its competitors?

One tool that's useful in defining growth opportunities is market segment mapping. The tool is simple enough, and any business can be segmented. Many consumer goods companies use it to great advantage.

For example, a simple map of A.T. Cross's segments of the luxury pen market identifies three different types of customers:

- The first is the customer who wants to buy such a pen for himself.
- The second is the person who buys a pen as a gift for another individual.
- The third is the corporation that buys thousands of pens with its logo on them and gives them as gifts.

For each market segment, the product is basically the same, but the strategy is different because the company has to deal with different competitors, channels, and pricing.

*Question four: Who is the competition?*

Sometimes businesses miss the emergence of new competitors. For example, while Staples, OfficeMax, and Office Depot were competing with each other, they failed to see that Wal-Mart was penetrating the market for discount office supplies. All three have since been losing market share.

*Question five: Can the business execute the strategy?*

If you're doing your job as a leader, you can't help but have an idea of your capabilities. But don't stop there. Listen to your customers and your suppliers. Get all your leaders to do the same, and ask them to report what they've heard.

*Question six: What are the important milestones for executing the plan?*

Milestones bring reality to a strategic plan. If the business doesn't meet the milestones, leaders have to reconsider whether they've got the right strategy after all. A good strategic plan is adaptable. Periodic reviews of the plan can help you understand what's happening and what turns in the road are going to be necessary.

*Question seven: Are the short term and long term balanced?*

Balancing the short run with the long run is a critical part of a strategic plan. Most plans don't address what a company has to do between the time the plan is drawn up and the time it is supposed to yield peak results. A plan

that doesn't deal with the near-term issues of costs, productivity, and people makes getting from here to there unacceptably risky, and often impossible.

*Question eight: What are the critical issues facing the business?*

Every business has half a dozen or so critical issues — the ones that can keep it from reaching its goals. Addressing these critical issues in the strategic plan helps focus the preparation and dialogue when it comes time to review the strategy. Many strategies fall apart because the right critical issues aren't raised.

*Question nine: How will the business make money on a sustainable basis?*

Every strategy must lay out clearly the specifics of the anatomy of the business, how it will make money now and in the future. That means understanding the following foundations, the mix of which is unique for every business: the drivers of cash, margin, velocity, revenue growth, market share, and competitive advantage.

By now, it should be evident that a strategic plan contains ideas that are specific and clear. It is not a numbers exercise. A good plan requires relatively few numbers, and the ones you need are those that add to the power of the ideas in the strategic plan.

The nine questions are also quite important. Of course,

the importance of each question will vary from situation to situation, and from year to year. So will the answers. Yet, a plan prepared according to the guidelines and questions outlined here provides the foundation for a robust dialogue linking the strategy to the people process and to the operations process.



### **HOW TO CONDUCT A STRATEGY REVIEW**

Properly conducted, the business unit strategy review is the prime social operating mechanism of the strategy process. It's the last chance to get things right before the plan faces the ultimate test of the real world. As such, it has to be inclusive and interactive. It must feature a solid debate, conducted in the robust dialogue of the execution culture, with all of the key players present and speaking their minds.

The review should be a creative exercise, not a drill where people regurgitate data. People have to leave with closure to the discussion and clear accountability for their parts in the plan, and the leader must follow through to be sure that everyone is clear about the outcome of the review.

The strategy review is also a good place for a leader to learn about and develop people. You'll find out about their strategic thinking capabilities, both as individuals and as a group. At the end of the review, you'll have a good perspective on the people

involved and an assessment of their potential for promotion. And you'll have had opportunities to coach people.

In the end, the discussion must answer four key questions:

- Is the strategy plausible and realistic?
- Is it internally consistent?
- Does it match the critical issues and the assumptions?
- Are people committed to it?

Once people are comfortable with the plan itself, there are five critical questions that need to be addressed. You'll notice that some of these questions are similar to those that need to be asked during the creation of the strategic plan. However it's crucial to revisit some key questions and ask a few new ones right before you attempt execution.

The first question is: *How well-versed is each business unit team about the competition?* It goes without saying that the strategy review needs to analyze the competition. But what really counts is not pages of data about what the competition has done in the past, but real-time reporting on what they're up to and likely to do next.

The second question is: *How strong is the organizational capability to execute the strategy?* Here's where a tight and consistent linkage between strategy and

people processes becomes critical. Without the right people in place, the organization is unlikely to execute the strategy successfully.

The third question is: *Is the plan scattered or sharply focused?* As businesses pursue growth by expanding their offerings, they often end up trying to provide more goods and services than they can handle comfortably. It's far better to do a good job executing a less ambitious plan than it is to do a poor job of executing an overly ambitious plan.

The fourth question is: *Are we choosing the right ideas?* This is a question that is best answered by more questions:

- Is the idea consistent with the realities of the marketplace?
- Does it mesh with our organization's capabilities?
- Are we pursuing more ideas than we can handle? Will the idea make money?

You get the answers to these questions through robust dialogue among the relevant decision makers. Only after this dialogue takes place can you make a decision about which ideas to pursue.

The fifth question is: *Are the linkages with people and operations clear?* Linking the strategy process to the people process and the operations process is critical. The more you and your people know about all three, the better

**judgments and trade-offs you can make about how well your strategy meshes with your capabilities and whether it has a reasonable chance of being profitable**

**A good way to follow through at the end of the strategy review is to write a letter to each of the leaders to solidify and confirm the agreements you made so that later you can use them as the basis for reviewing progress. The letter should talk about growth and new products, and it should establish the link between strategy, people, and operations.**



## **THE OPERATIONS PROCESS**

Having discussed the people and strategy processes, we will conclude with the **operations process**, the third of the three core processes of execution.

The operations process focuses on the specifics of operating and executing on a short-term time scale of four quarters. This process is where all of the parts in an organization are aligned, and where the link with strategy and people is made.

If the strategy process defines where a business wants to go, and the people process defines who's going to get it there, the operating plan provides the path for those people. It breaks long-term

output into short-term targets.

Meeting those here-and-now targets forces decisions to be made and integrated across the organization, both initially and in response to changes in business conditions. It puts reality behind the numbers.

An operating plan includes the programs your business is going to complete within one year to reach the desired levels of such objectives as earnings, sales, margins, and cash flow. The assumptions on which the operating plan is based are linked to reality and are debated among the finance people and the line leaders who have to execute.

In other words, the operating plan specifies how the various moving parts of the business will be synchronized to achieve the targets that have been set, deal with the trade-offs that need to be made, and look at contingencies for the things that can go wrong or offer unexpected opportunities.

In the operating plan, the leader is primarily responsible for overseeing the seamless transition from strategy to operations. He has to set the goals, link the details of the operations process to the people and strategy process, and lead the operating reviews that bring people together around the operating plan.

An operating plan addresses the critical issues in execution by building a budget

that is based on realities. For example, what do the capital markets expect, and what are your assumptions about the business environment?

Debate on assumptions is one of the most critical parts of any operating review. You cannot set realistic goals until you've debated the assumptions behind them. This is often a difficult process, because in budget and operating plan negotiations, there's an inherent conflict of interests.

Yet, debating the assumptions and making trade-offs openly in a group is an important part of the social software. It builds the business leadership capacities of all the people involved. As they construct and share a common picture of what's happening on the outside and the inside, they hone their ability to synchronize efforts for execution. And they publicly make their commitments to execute.

Once the assumptions are pinned down, the next step in the operations process is to build the operating plan itself, which is a three-part process that takes place in the operating review. Let's look at each part of the process.

The first part of the process is *setting key targets* for revenues, operating margin, cash flow, productivity, and so forth. The participants in this part of the process will vary from business to business, but what's important is

that they give a one-page overview focused on the thing that will drive the improvement in results.

In the second part of the process, you *develop action plans*, including making the necessary trade-offs between short-term objectives and long-term goals. Also, some strategies contain very specific and clear ideas that will grow the business profitably but that require investment in the current operating periods.

In the third and final part of the process, you *get agreement and closure from all the participants*, establishing follow-through measures to make sure people are meeting their commitments.

One outcome of the operations process is identifying targets that clearly and specifically reflect not only what a business wants to achieve but also what it is likely to achieve, because the targets are based on the most realistic assumptions and on the hows of achieving them.

In addition to clear targets, the operations process yields a lot of learning. The leaders who participate in the reviews are thinking about and debating the very guts of the business. They get to see the company as a whole and how each of their moving parts fits into it. They learn how to allocate and reassign resources when the environment changes.

Of course, any good review

ends with closure and follow-through. One powerful technique is to send each person involved a memo outlining the details of the agreements. Quarterly reviews are another tool that helps keep plans up to date and reinforce synchronization. They also give a leader a good idea about which people are on top of their business, which ones aren't, and what the latter need to do.

The fortunes of every business depend on how well the three core processes link together: the people process, the strategy process, and the operations process. You need to master each of these individual processes and the way they work together as a whole.

In addition, you must use the three building blocks that serve as the foundation for the core processes. Those building blocks are *the seven behaviors of leadership*, *establishing a framework for cultural change*, and *getting the right people in the right jobs*.

None of this work is extraordinarily hard. But it is extraordinarily important. Without these building blocks and processes, even the best plan is nothing more than a plan. The difference between a great strategy that succeeds, and a great strategy that fails, lies in how well everyone in the company gets things done to carry out that strategy. This

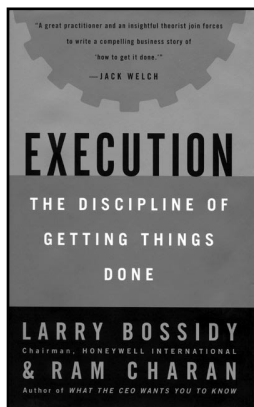
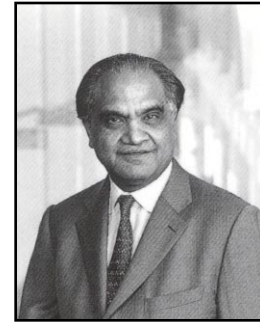
takes energy, commitment, enthusiasm, and above all, a focus on execution.



## ABOUT THE AUTHORS

**Larry Bossidy** is chairman and former CEO of Honeywell International, a Fortune 100 diversified technology and manufacturing leader. Earlier in his career, he was chairman and CEO of AlliedSignal, chief operating officer of General Electric Credit (now GE Capital Corporation), executive vice president and president of GE's Services and Materials Sector, and vice chairman of GE.

**Ram Charan** is a highly sought advisor to CEOs and senior executives in companies ranging from start-ups to the Fortune 500, including GE, DuPont, EDS, and Colgate-Palmolive. He is the author of *What the CEO Wants You to Know* and *Boards That Work* and the coauthor of *Every Business Is a Growth Business*. Dr. Charan has taught at both the Harvard Business School and the Kellogg School of Northwestern University.



## HOW TO ADD THIS BOOK TO YOUR LIBRARY

To order this book, please send check or money order for \$27.50, plus \$3.50 shipping and handling to:

**Audio-Tech Business Book Summaries**  
825 75th Street, Suite C  
Willowbrook, IL 60527

*Execution* summarized by arrangement with Crown Business, a member of the Crown Publishing Group, a division of Random House, Inc., from *Execution: The Discipline of Getting Things Done*, by Larry Bossidy and Ram Charan. Copyright © 2002 by Larry Bossidy and Ram Charan.



825 75th Street, Suite C, Willowbrook, Illinois 60527  
1-800-776-1910 • 1-630-734-0600 (fax) • [www.audiotech.com](http://www.audiotech.com)