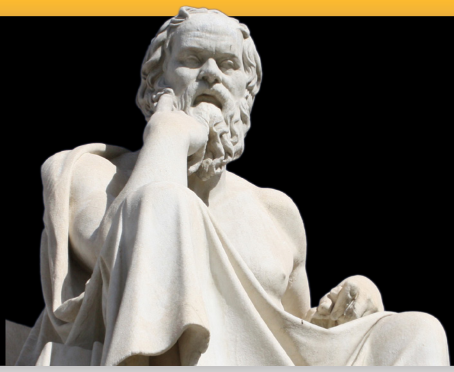

Alexander Proudfoot
Global Advisory Board

News from the board that merits your attention

Winning Strategy

Disciplined execution: the last rocky mile

“Amateurs worry about strategy, professionals worry about logistics and execution.”
– **Clausewitz,** Prussian soldier and German military theorist

“The best laid plans of mice and men, often go awry.”
– **Robert Burns,** Scottish poet

“For lack of a nail the shoe was lost, for lack of a shoe the leg was lost, for lack of a leg the horse was lost, for lack of a horse the general was lost, and for lack of a general the war was lost.”
– **Euripides,** Ancient Greek playwright

“The sergeants won the war in Europe.”
– **General George S. Patton,** Commander, US Third Army Europe WWII

“Execution, the gap between aspiration and achievement.”
– **Larry Bossidy,** Retired Chairman of Honeywell and author of Execution, the Discipline of Getting Things Done

Throughout human history the critical importance of planning well, and then working the plan with disciplined execution in order to achieve success has been emphasized by some of the greatest philosophers, military leaders, and successful business executives.

Chief Executives and their C-level management teams are charged by their boards and shareholders with two primary duties: Fashion a strategy which gives them a long-term perspective for success in their industry, and an advantage over their primary competitors; and manage the operations in such a way that the strategy and annual business plans deliver short-term, targeted revenue and profit, and increasing shareholder value.

‘Where there is no vision, the people perish (Proverbs 29:18).’

Hank McKinnell, former CEO of Pfizer, “I have found the opposite to also be true. If your people don’t support the strategy, really support the strategy, your strategy will be stillborn – dead on arrival. When you get really tired of selling the vision and the strategy, you are probably just beginning to have an impact.”

Jean Peyrelevade, former CEO of Credit-Lyonnais, "Yes, the sergeants won the war, but the choice of Normandy as the landing spot was strategic. Thus, strategy and execution are inextricably linked and are the responsibility of the CEO and each level of management. Thus, the borderline between strategy and execution, must not be too tightly drawn. Patton was not a sergeant, and was therefore an integral part of the success of the landing and subsequent victory. When I organized the turnaround at Credit Lyonnais as Chairman and CEO, I spent, in fact much more time on execution than on strategy, even though the discussions on strategy were much more sophisticated."

"A winning strategy is an integrated set of informed choices designed to achieve competitive advantage and superior financial returns."

– **Michael Porter**, Professor Harvard Business School and author of Competitive Strategy

Ray Wilcox, former CEO of Chevron Phillips Chemical, "Developing a winning long-term business strategy requires leaders to ask themselves: What do I really believe about the future that makes this a good strategy – one that will give my shareholders value and my company a competitive advantage? Management teams and Boards are great resources for developing these beliefs and shared beliefs within a company become the road maps for developing good execution tactics and measures."

The mortality rate among Chief Executives is at an all time high. Boards, shareholders, securities analysts, and the financial press are demanding, impatient, and have a very low threshold for underperformance. Chief Executives in this environment live in a world of both dream and nightmare, i.e. being a hero to their shareholders and having laudatory articles written about them in the financial press and the nightmare of becoming the latest casualty. It is rarely a failure in developing a good strategy, but, it is most often a failure of execution.

Rolf Stomberg, former CEO of BP International and Managing Director on the board of BP, "A friend of mine, whom I admire as a charismatic business leader always reminded us in discussions about business strategy that 'strategy is simple, but it ain't easy.' True, development of a clear strategy is a demanding exercise requiring you to run around the track many times before you have refined and distilled the essentials. And yet, it is less than half the way towards success. Execution is in the end the key. It requires more diligence and intellectual input than the typical strategist would devote to it. And yet, without implementation, a strategic vision, never mind how bold and original, is just a hollow phrase. Clausewitz was right."

Missing from this definition is the second and most important element of the winning strategy: the resources to ensure that the strategy can and will be executed with discipline. In some instances, failures can be tracked to poor strategic choices, but, more often it is a failure to execute the strategy and plan. Management teams spend the fourth quarter of each year in intensive, highly-granular planning exercises for the coming year. Come the first week in January, the baton is handed to operations to start executing the plan. At that stage, the fate of the enterprise passes into the hands of mid-management and first-line supervisors and the employees who report to them. A business plan has many moving parts that affect the ability of the enterprise to meet the revenue targets and to manage the cost base.

Mike Critelli, former CEO of Pitney Bowes, "Execution is all about institutionalizing change in the way members of an organization think about strategy, the way they develop and implement processes, the way they measure and reward people, and the way leaders select and motivate the talent needed to effect the change measures."

The success of the plan rests primarily in the hands of the first-line supervisors, and their ability to plan the work, assign the work, follow up to ensure that it is being done, be a good mentor, be a good coach, and be the face of the company to their direct reports. No other manager has a greater impact on the ability of the company to achieve its strategic goals and succeed with its annual plan than the front-line sales manager and the front-line operations supervisors. Almost all of the formal management education that takes place globally is focused on MBAs, who aspire to become CEO, COO or CFO. First-line management is usually promoted out of the ranks because they were particularly good at a given job, and the best salesman becomes the sales manager, etc. They tend to be reactive managers, responding with urgency and skill when something bad happens, but, are never educated and given the skills training to manage ahead of off-plan events occurring and, therefore managing to plan.

There are three primary requisites to executing with discipline and therefore optimizing the chances of achieving the goals of the business plan.

- It has been said that 'All work is a process, all work needs to be organized (process), managed (supervised), and measured (actionable KPIs)'.
- There is non-value added work embedded in the work processes of most organizations, and the larger the company and span of footprint, the more there is. This results in lost sales, added cycle-time, missed schedules, poor customer service, and added cost. The first-line management, because of the reasons already outlined above isn't equipped to proactively manage to a schedule and therefore ensure that the planned targets are met.
- Finally, while the IT tools being used by most businesses today have turbo-charged information gathering and dissemination, they have also resulted in a flood of data and reports, which ultimately prove to be more confusing to first-line management than actionable in day-to-day management.

Ray Wilcox, former CEO of Chevron Phillips Chemical, "When it comes to execution, you get what you measure and what you reward. That's why developing key performance indicators that will actually 'deliver the plan' is so important, and why rewarding people based on those indicators is what gets the desired results. The two biggest detriments to successfully delivering plans are creating too many metrics (all number one priority!?) or letting everyone develop their own (and they will)."

"Good strategy + good metrics + good execution = good results!"

Ed Hanway, former CEO of Cigna, **"In this flood of data, knowing which performance metrics really matter is very important."**

"Engaging each associate in reviewing a strategy and making sure that they understand how their work impacts it is also important. Often execution does not advance your strategy, because those who are at the front line of execution do not identify their role with the strategy."

Thus, a successful CEO comes to understand the importance of the old adage that success is complex, but, it is also as simple as 'making your plan and working your plan with discipline'. As outlined above the three primary drivers of good execution are: processes which organize the work in a way that eliminates the non-value added content; a cadre of first-line supervisors (sergeants) who proactively manage ahead of bad things happening; and a management operating system which uses actionable KPIs to identify on a 'short interval basis' when off-schedule events are occurring, so that the first-line manager can address them as they are occurring instead of having to wait for the 'rearview mirror' provided by the accounting numbers and show that they are behind plan again.

Gordon Ulsh, former CEO of Exide Technologies, **"To ensure disciplined execution, the CEO needs to stay connected to the reporting, listen to the feedback, and respond in a timely fashion. Being 'seen to hear and act' by the 'sergeants' keeps the cycle of improvement and change moving."**

Ozires Silva, former President of Petrobras and Varig Airlines, **"We must understand clearly the meaning of 'executed with discipline'. Surely the discipline is necessary, but this does not mean that over time the top decision makers will stay attached to the initial strategies. Currently, the market changes at high speed and adjustments to strategic plans must be always considered."**

The successful Chief Executive recognizes that a strategy only becomes a winning strategy when he and the other members of the C-level team take the second, and most critical step: ensuring that the execution level of the business is equipped with a cadre of motivated and skilled first-line managers, optimal business processes, and actionable KPIs. Someone has said that 'strategy is fun, execution is hard, tireless work'. Indeed it is, but, it is the last, hard, rocky, challenge-filled mile on the path to winning in today's fast moving, constantly changing and challenging global business environment.

Alexander Proudfoot's Impact

Our business is driving disciplined execution to enable you to achieve your growth targets, revenue goals, and profit goals with greater speed, predictability, and control.