Building a Strategy-Focused Organization

Mobilize Change Through Executive Leadership

Randall H. Russell
Vice President & Director of Research
Palladium Group, Inc.
The Balanced Scorecard has gone through three distinct cycles of evolution.

<table>
<thead>
<tr>
<th>Year</th>
<th>HBS Books</th>
<th>HBR Articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>'90</td>
<td>A Measurement System (The Balanced Scorecard)</td>
<td></td>
</tr>
<tr>
<td>'92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'94</td>
<td></td>
<td></td>
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<tr>
<td>'96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'98</td>
<td>A Performance Management System (Strategy-Focused Organizations)</td>
<td></td>
</tr>
<tr>
<td>'00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'06</td>
<td>A Core Competency (Strategy Execution)</td>
<td></td>
</tr>
</tbody>
</table>

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Opportunity Knocks

How?

Your organization has an opportunity to create a sustainable competitive advantage and achieve dramatic breakthrough results!

by mastering a new management competency!
A new management discipline is emerging. Every organization must make strategy execution a core competency.

"Execution is a specific set of behaviors and techniques that companies need to master in order to have competitive advantage. It is a discipline of its own."

Larry Bossidy and Ram Charan

*Execution: The Discipline of Getting Things Done*
Most organizations have difficulty executing strategy.

“Less than 10% of Strategies effectively formulated are effectively executed”
- Fortune

“Only 15% of the 794 (Federal Government) programs reviewed in Fiscal 2005 were rated effective.”
- Barron’s

Between 1988 and 1998, only one of eight companies was able to deliver 5.5% annual real growth in revenues and earnings while covering their cost of capital

- Chris Zook,
  Profit From the Core
Organizations with a formal strategy execution process in place are dramatically outperforming organizations without formal processes.

Do you have a formal strategy execution process in place?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>(54%)</td>
<td>(46%)</td>
</tr>
</tbody>
</table>

Describe your organization’s current performance.

<table>
<thead>
<tr>
<th></th>
<th>Winners</th>
<th>Losers</th>
</tr>
</thead>
<tbody>
<tr>
<td>.....We have <strong>breakthrough</strong> results</td>
<td>12%</td>
<td>7%</td>
</tr>
<tr>
<td>.....we are performing <strong>better</strong> than our peer group</td>
<td>58%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>70%</td>
<td>27%</td>
</tr>
<tr>
<td>.....performing at the <strong>same</strong> level as our peer group.</td>
<td>18%</td>
<td>30%</td>
</tr>
<tr>
<td>.....performing at a <strong>lower</strong> level than our peer group</td>
<td>9%</td>
<td>27%</td>
</tr>
<tr>
<td>.....<strong>not performing</strong> at a sustainable level</td>
<td>3%</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>30%</td>
<td>73%</td>
</tr>
</tbody>
</table>

Source: BSCol Research (Survey of 143 performance management professionals, drawn from BSCol On-Line Community, March 2006)
A new breed of organizations, using a different management philosophy and process, are successfully executing their strategy.
The typical benefits from successfully executing strategy are dramatic.

<table>
<thead>
<tr>
<th>Hall of Fame Company Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mellon</strong></td>
</tr>
<tr>
<td>21% revenue growth</td>
</tr>
<tr>
<td>14% decrease in operating expenses</td>
</tr>
<tr>
<td>(2 years)</td>
</tr>
<tr>
<td><strong>Hilton</strong></td>
</tr>
<tr>
<td>100% Stock increase</td>
</tr>
<tr>
<td>Guest Satisfaction 6.25 on 7 point scale</td>
</tr>
<tr>
<td>(2 years)</td>
</tr>
<tr>
<td><strong>E·LAND</strong></td>
</tr>
<tr>
<td>Revenues more than doubled</td>
</tr>
<tr>
<td>Net profit from $7.8 million to $150 million</td>
</tr>
<tr>
<td>(3 years)</td>
</tr>
<tr>
<td><strong>DaimlerChrysler</strong></td>
</tr>
<tr>
<td>Chrysler Group</td>
</tr>
<tr>
<td>$637 million loss to $1.9 billion operating profit</td>
</tr>
<tr>
<td>(3 years)</td>
</tr>
<tr>
<td><strong>US Army</strong></td>
</tr>
<tr>
<td>• Decision making accelerates with Strategic Readiness System</td>
</tr>
<tr>
<td>• New commanders easily grasp and implement their units’ respective strategies</td>
</tr>
<tr>
<td>(3 years)</td>
</tr>
<tr>
<td><strong>Royal Canadian Mounted Police</strong></td>
</tr>
<tr>
<td>• Stakeholder satisfaction rose 9% to 16%</td>
</tr>
<tr>
<td>• Saved $20 million in one year on protective policing</td>
</tr>
<tr>
<td>• Viewed as model organization by funding organizations</td>
</tr>
<tr>
<td>(4 years)</td>
</tr>
<tr>
<td><strong>Crown Castle</strong></td>
</tr>
<tr>
<td>Stock beat leading stock market indices by 200%</td>
</tr>
<tr>
<td>Free cash flow grew $100M</td>
</tr>
<tr>
<td>(3 years)</td>
</tr>
<tr>
<td><strong>Wells Fargo</strong></td>
</tr>
<tr>
<td>450% increase in # of customers</td>
</tr>
<tr>
<td>Best on-line bank</td>
</tr>
<tr>
<td>(3 years)</td>
</tr>
</tbody>
</table>
Why should you care?
Building a core competency in strategy execution creates a competitive advantage for organizations.

9 of 10 Fail to Execute Strategy

1 in 10 Have a Competitive Advantage

How do you close the execution gap?

…By making strategy execution a core competency
Our research shows that there is a consistent set of “best practices” applied by successful BSC users.

**II. TRANSLATE STRATEGY TO OPERATIONAL TERMS**
- 2.1 Strategy translated in strategy map
- 2.2 Strategy described in Balanced Scorecard
- 2.3 Targets identified for all measures
- 2.4 Strategic initiatives rationalized
- 2.5 Executives accountability assigned

**III. ALIGN THE ORGANIZATION TO THE STRATEGY**
- 3.1 Corporate role defined
- 3.2 Enterprise scorecard guides business units
- 3.3 Business unit scorecards guide support units
- 3.4 Scorecards align suppliers and/or customers
- 3.5 Scorecard reports to board and/or shareholders

**IV. MOTIVATE TO MAKE STRATEGY EVERYONE’S JOB**
- 4.1 Strategic awareness created
- 4.2 Personal goals aligned
- 4.3 Personal incentives aligned
- 4.4 Competency development aligned

**V. GOVERN TO MAKE STRATEGY A CONTINUAL PROCESS**
- A. RESOURCE MANAGEMENT
  - 5.1 Budget is linked to strategy
  - 5.2 Planning for HR/IT linked to strategy
- B. KEY PROCESS MANAGEMENT
  - 5.3 Portfolio of strategic initiatives aligned to themes
- C. LEARNING & CONTROL
  - 5.4 Process improvement aligned to strategy
  - 5.5 Best practice sharing in place
  - 5.6 Strategy reviewed on regular basis
  - 5.7 Data and analytics guide strategy

*These best practices represent a body of knowledge that you can learn.*
Principle 1: Mobilize Change Through Executive Leadership

1. Mobilize Change Through Executive Leadership

1.1 Leaders drive strategy execution
1.2 Executives make the case for change
1.3 Well articulated strategy exists
1.4 Leaders reinforce strategic priorities
1.5 Office of Strategy Management established

Managing strategy is managing change!
Principle 1: Mobilize Change Through Executive Leadership

- Sustained demonstration of commitment from Leadership
  - Lead from the front, show personal commitment
  - Facilitation and influence to create the ‘glue’
  - Manage strategic change through winning hearts and minds
  - Make it important and relevant to individuals
  - Strategy not one-off event, maintain focus
  - Link Leader’s personal objectives to corporate strategy at the outset

- Vision and strategy clarified
  - “To be the best performing financial services company”
  - ME - 25% contribution by 2007; 20% profitability growth year on year
  - IMS - Significant contribution to Mellon-wide account growth & profitability
  - Execute! Execute! Execute!

- Case for change clearly articulated
  - Clear message of shareholder expectations
  - Developed detailed Change Agenda with timeframe for IMS

- Managed as a programme
  - Internal core team & BSCol, Strategic Projects Manager
  - Mellon Champions to sustain the learning and development of BSC
  - Strategic Management Office identified at the outset
1. Mobilize Change Through Executive Leadership

2. Translate Strategy to Operational Terms

3. Align the Organization to the Strategy

4. Make Strategy Everyone’s Job

5. Make Strategy a Continual Process

**Strategy Execution**

**Best Practices**

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**Principle 2: Translate Strategy to Operational Terms**

- **2.1** Strategy translated to strategy map
- **2.2** Strategy described in Balanced Scorecard
- **2.3** Targets identified for all measures
- **2.4** Strategic initiatives rationalized
- **2.5** Accountability assigned

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*You can’t manage what you can’t describe!*
BSCol Best Practice Case Study

Organization: Mobil NAM&R

Practice: 2.1 – Strategy Map Developed

Increase ROCE to 12%

Revenue Growth Strategy
- New Sources of Non-Gasoline Revenue
- Increase Customer Profitability Through Premium Brands

Productivity Strategy
- Become Industry Cost Leader
- Maximize Use of Existing Assets

Financial Perspective

Customer Perspective

Basic
- Clean
- Safe
- Quality Product
- Trusted Brand

Differentiators
- Speedy Purchase
- Friendly Helpful Employees
- Recognize Loyalty

Financial Perspective

“Build the Franchise”
- Create Non-Gasoline Products & Services
- Understand Consumer Segments
- Best-In-Class Franchise Teams

“Increase Customer Value”
- Improve Hardware Performance
- On-Spec On-Time
- Industry Cost Leader

“Operational Excellence”
- Improve Inventory Management
- On-Spec On-Time
- Industry Cost Leader

“Good Neighbor”
- Improve Environmental, Health and Safety
- Good Neighbor

Internal Perspective

Learning & Growth Perspective

“Delight the Consumer”
- Speedy Purchase
- Friendly Helpful Employees
- Recognize Loyalty

“Win-Win Dealer Relations”
- More Consumer Products
- Help Develop Business Skills

Climate for Action
- A Motivated and Prepared Workforce
- Aligned Personal Growth

Competencies
- Functional Excellence
- Leadership Skills
- Integrated View

Technology
- Process Improvement
- Climate for Action
- A Motivated and Prepared Workforce
### BSCol Best Practice Case Study

**Organization:** Mobil NAM&R

#### Practice: 2.2 – Balanced Scorecard Created

<table>
<thead>
<tr>
<th>Strategic Themes</th>
<th>Strategic Objectives</th>
<th>Strategic Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financially Strong</td>
<td>F1 Return on Capital Employed</td>
<td>ROCE</td>
</tr>
<tr>
<td></td>
<td>F2 Existing Asset Utilization</td>
<td>Cash Flow</td>
</tr>
<tr>
<td></td>
<td>F3 Profitability</td>
<td>Net Margin Rank (vs. Competition)</td>
</tr>
<tr>
<td></td>
<td>F4 Industry Cost Leader</td>
<td>Full Cost / Gallon Delivered (vs. Competition)</td>
</tr>
<tr>
<td></td>
<td>F5 Profitable Growth</td>
<td>Volume Growth Rate vs. Industry</td>
</tr>
<tr>
<td><strong>Customer</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delight the Customer</td>
<td>C1 Delight Targeted Consumer</td>
<td>Share of Segment in Selected Key Markets</td>
</tr>
<tr>
<td>Win-Win Dealer Relations</td>
<td>C2 Improve Dealer Profitability</td>
<td>Mystery Shopper Rating</td>
</tr>
<tr>
<td><strong>Internal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Build the Franchise</td>
<td>I1 Innovative Products and Services</td>
<td>New Product ROI</td>
</tr>
<tr>
<td>Increase Customer Value</td>
<td>I2 Best-in-Class Franchise Teams</td>
<td>New Product Acceptance Rate</td>
</tr>
<tr>
<td>Operational Excellence</td>
<td>I3 Refinery Performance</td>
<td>Dealer Quality Score</td>
</tr>
<tr>
<td></td>
<td>I4 Inventory Management</td>
<td>Yield Gap</td>
</tr>
<tr>
<td></td>
<td>I5 Industry Cost Leader</td>
<td>Inventory Levels</td>
</tr>
<tr>
<td></td>
<td>I6 On Spec - On Time</td>
<td>Run-out Rate</td>
</tr>
<tr>
<td></td>
<td>I7 Improve Environmental, Health &amp; Safety</td>
<td>Activity Cost vs. Competition</td>
</tr>
<tr>
<td><strong>Learning &amp; Growth</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivated and Prepared Workforce</td>
<td>L1 Climate for Action</td>
<td>Perfect Orders</td>
</tr>
<tr>
<td></td>
<td>L2 Core Competencies and Skills</td>
<td>Number of Environmental Incidents</td>
</tr>
<tr>
<td></td>
<td>L3 Access to Strategic</td>
<td>Days Away from Work</td>
</tr>
<tr>
<td><strong>Motivated and Prepared Workforce</strong></td>
<td>L1 Climate for Action</td>
<td>Employee Survey</td>
</tr>
<tr>
<td></td>
<td>L2 Core Competencies and Skills</td>
<td>Personal BSC (%)</td>
</tr>
<tr>
<td></td>
<td>L3 Access to Strategic</td>
<td>Strategic Competency Availability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Strategic Information Availability</td>
</tr>
</tbody>
</table>
The Balanced Scorecard provides a framework to link long term strategic objectives to short term targets, initiatives and accountability.

### Longer Term (3-5 year) View

**Mission**

**Vision**

**Strategy and Map**

**Objectives**

**Measures**

#### Financial

- Grow high-margin service
- % revenue from high-margin services

#### Customer

- Provide personalized care
- Customer satisfaction survey rating

#### Internal

- Keep patients informed
- Service level spot check rating

#### Learning

- Provide technology & resources
- % new technology used by staff

### Shorter Term (Annual) View

**Targets**

**Initiatives**

**Milestones**

**Accountable**

**Resource Alloc.**

#### Financial

- ’04 xx%
- ’05 xx%
- ’06 xx%

- Develop organization-wide survey
- Survey drafted by 6/04

- Mkg. Team
- $ xxxx

#### Customer

- ’04 xx%
- ’05 xx%
- ’06 xx%

- Electronic notes project
- Complete by 2004

- Dept. Chairs
- $ xxxx

#### Internal

- ’04 xx%
- ’05 xx%
- ’06 xx%

- Learning assessment project
- Deadline met

- HR Committee
- $ xxxx

#### Learning

- ’04 xx%
- ’05 xx%
- ’06 xx%

- Learning assessment project
- Deadline met

- HR Committee
- $ xxxx
Making the whole greater than the sum of the parts.

1. Mobilize Change Through Executive Leadership
2. Translate Strategy to Operational Terms
3. Align the Organization to the Strategy
4. Make Strategy Everyone’s Job
5. Make Strategy a Continual Process

Principle 3: Align the Organization to the Strategy

3.1 Corporate role defined
3.2 Enterprise scorecard guides business units
3.3 Business unit scorecards guide support units
3.4 Scorecards align suppliers and/or customers
3.5 Scorecards align Board of Directors
The process of “cascading” creates synergy. It must be based on a clear understanding of the corporate role.

The Balanced Scorecard aligns priorities throughout the enterprise.
Organization: Ingersoll-Rand

Practice 3.1: Corporate Role Defined

A Global Industrial Enterprise With Market Leading Brands

Drive Shareholder Value
- Accelerate Organic Growth
- Drive Growth Through Acquisitions
- Improve Asset Utilization
- Drive Cash Flow Generation
- Continuously Lower the Cost Base

Provide Leading Customer-Focused Solutions in the Markets We Serve
- Provide the Best Products, Services, and Solutions
- Develop Partnerships to Deliver the Best Total Value
- Create Loyalty through Excellence in Quality, Service, and Delivery

Drive Dramatic Growth through Innovation
- Manage the Product Portfolio for Competitive Advantage
- Restructure Businesses and Markets to Drive Growth and Profitability
- Identify, Acquire, and Assimilate Complementary Solutions
- Develop Innovative, Differentiating Applications and Solutions
- Identify and Target Growth Markets and Segments

Drive Demand through Customer/End-User Intimacy
- Leverage IR Channel and Customer Network
- Develop Customized Marketing Programs With Key Customers
- Align With Innovative, Market-Driving Customers within Target Channels
- Identify and Select Target Channels
- Understand Customer and End-User Needs

Drive Operational Excellence
- Continuously Improve Health, Safety, and Environmental Practices
- Continuously Improve Manufacturing Network Efficiency and Effectiveness
- Create Best-in-Class Corporate Center
- Create Best-in Class GBS Processes and Services
- Design for Speed, Cost, and Value
- Continuously Improve Technology Efficiency and Effectiveness

Leverage the Power of Our Enterprise Through Dual Citizenship
- Develop Strategic Employee Competencies
- Leverage Cross-Business Synergies
- Exemplify IR Guiding Principles
- Share Best Practices
- Expand Capabilities with Technology
Strengthen the Line of Sight

Corporate Mission

TVA Act 1933

Defined Strategy

TVA Strategy Map

Leadership Standard

TVA Scorecards

Performance Plans

Corporate Mission

TVA Act 1933

Defined Strategy

TVA Strategy Map

Leadership Standard

TVA Scorecards

Performance Plans

TVA Act 1933

Defined Strategy

TVA Strategy Map

Leadership Standard

TVA Scorecards

Performance Plans
1. Mobilize Change Through Executive Leadership

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4. Make Strategy Everyone’s Job

5. Make Strategy a Continual Process

**Strategy is formulated at the top and executed from the bottom.**

**Principle 4: Make Strategy Everyone’s Job**

- 4.1 Strategic awareness created
- 4.2 Personal goals aligned
- 4.3 Personal incentives aligned
- 4.4 Competency development aligned
Human Capital Is an Asset

The value of an asset is determined by measuring its degree of readiness to execute its mission.

\[
\text{Human Capital Strategic Readiness} = F (\text{Awareness} + \text{Alignment} + \text{Preparation} + \text{Values} + \text{Motivation})
\]

- Understanding of Strategy Created
- Strategic Job Families Identified
- Strategic Competencies and Skills Developed
- Goals and Incentives Aligned
- New Culture and Values Aligned
Principle 4: Motivate to Make Strategy Everyone’s Job

- **Strategic awareness created**
  - Personal relevance brings the strategy to life
  - Sustained communication using different channels to get the message across
    - Leadership meetings
    - Dear Colleague Quarterly Letter in Mellon News
    - Learning lunches & informal discussions
    - Intranet
    - Working groups facilitated by HR
    - Staff briefings

Source: Presented by Jack Klinck, Vice Chairman, Mellon Europe at BScol European Summit, June 2005
Principle 4: Motivate to Make Strategy Everyone’s Job

- Personal goals and incentives aligned
  - Personal goals more clearly linked to corporate performance
  - BSC and PMP synchronised, providing greater rigor and integrity in the rewards process
  - Use the BSC as a way to change peoples’ behaviour
  - BSC enhanced employee alignment
  - Not just PMP but monthly one-on-one reviews
  - Shared values underpin strategic direction and activity

Source: Presented by Jack Klinck, Vice Chairman, Mellon Europe at BSCol European Summit, June 2005
2. Translate Strategy to Operational Terms

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Principle 5: Make Strategy a Continual Process

**Resource Management**
- 5.1 Budget is linked to the strategy
- 5.2 Planning for HR/IT linked to strategy
- 5.3 Portfolio of strategic initiatives linked to themes

**Key Process Management**
- 5.4 Process improvement linked to strategy
- 5.5 Best practice sharing in place

**Learning and Control**
- 5.6 Strategy reviewed and adapted on a regular basis
- 5.7 Data and analytics guide strategy

Linking Strategy to Operations
Strategy Management is An Integrated Closed Loop Process

<table>
<thead>
<tr>
<th>STRATEGY MANAGEMENT PROCESS</th>
<th>This Year</th>
<th>Next Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Enterprise Strategy Planning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Unit Strategy Planning</td>
<td></td>
<td></td>
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<tr>
<td>Financial Planning</td>
<td></td>
<td></td>
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<tr>
<td>Human Capital Planning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management Control &amp; Learning</td>
<td>Strategy Communication</td>
<td>Strategy Reviews</td>
</tr>
</tbody>
</table>

- Strategy Update
  - Clarify Vision
  - Update Strategy

- Organization Alignment
  - Corporate role updated
  - Corporate-SBU aligned
  - SBU support unit aligned
  - Board of Directors aligned

- Planning/Budgeting
  - Budgets
  - Initiatives

- Human Capital Alignment
  - Personal goals
  - Incentives
  - Personal development
## Motorola CGIS Planning & Alignment Process

<table>
<thead>
<tr>
<th>Strategy Management Process</th>
<th>This Year (2004)</th>
<th>Next Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Strategy Development</td>
<td>Strategic Planning Process</td>
<td>Sector Staff</td>
</tr>
<tr>
<td>Scorecarding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alignment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning / Budgeting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Capital Alignment</td>
<td>Leadership Supply &amp; Organization</td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategy Reviews</th>
<th>Strategy Review is a Continual Process: Structured and AD HOC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initiative Management</td>
<td>Charter/Profiles For Initiatives</td>
</tr>
<tr>
<td>Best Practice Reviews</td>
<td>Annual &quot;Lessons-Learned&quot; Program</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q4+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb</td>
<td>Mar</td>
<td>Apr</td>
<td>May</td>
<td>Jun</td>
</tr>
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</table>

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I. MOBILIZE CHANGE THROUGH EXECUTIVE LEADERSHIP
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   1.2 Executives make case for change
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These best practices represent a body of knowledge that you can learn.
Just as with other management disciplines you must build the capability to execute strategy as a permanent, enduring competency of your organization.

Core Competencies

Skills which an organization must master if it is to succeed

Managing Strategy

Managing Quality
- Black Belts
- ISO Certified

Managing Customers
- Market Research
- Brand Management

Managing Technology
- Engineers
- Scientists

Managing Money
- Accountants (CPAs)
- Controllers

Managing People
- Aligning and Developing Human Capital
Strategy Management is an emerging profession. It requires an organization and leadership role.

“Execution is a specific set of behaviors and techniques that companies need to master in order to have competitive advantage. It is a discipline of its own.”

Larry Bossidy and Ram Charan

*Execution: The Discipline of Getting Things Done*
The Office of Strategy Management – Roles & Responsibilities

<table>
<thead>
<tr>
<th>STRATEGY MANAGEMENT PROCESS</th>
<th>OSM Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Scorecard Management – Design and report on the BSC measures</td>
<td></td>
</tr>
<tr>
<td>2 Organization Alignment – Ensure all business and support units are aligned with the strategy</td>
<td></td>
</tr>
<tr>
<td>3 Strategy Reviews – Shape the agenda for management strategy review and learning meetings</td>
<td></td>
</tr>
<tr>
<td>4 Strategy Development – Help the CEO and executive team formulate and adapt the strategy</td>
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<tr>
<td>5 Strategy Communication – Communicate and educate employees about the strategy</td>
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</tr>
<tr>
<td>6 Initiative Management – Identify and oversee management of strategic initiatives</td>
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</tr>
<tr>
<td>7 Planning/Budgeting – Link financial, human resources, information technology, and marketing to strategy</td>
<td>CFO, HRO, CIO, CMO</td>
</tr>
<tr>
<td>8 Human Capital Alignment – Ensure all employee’s goals, incentives and development plans link to strategy</td>
<td>HRO</td>
</tr>
<tr>
<td>9 Best Practice Sharing – Facilitate a process to identify and share best practices</td>
<td>CKO</td>
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**Core Roles**

- **Scorecard Management**
- **Organization Alignment**
- **Strategy Reviews**

**Desirable Roles**

- **Strategy Development**
- **Strategy Communication**
- **Initiative Management**

**Integrative Roles**

- **Planning/Budgeting**
- **Human Capital Alignment**
- **Best Practice Sharing**

**KEY**

- **OSM must run the process**
- **OSM should run the process**
- **OSM links strategy to a process run by someone else (X)**

- CFO: Chief Financial Officer
- HRO: Human Resource Officer
- CIO: Chief Information Officer
- CMO: Chief Marketing Officer
- CKO: Chief Knowledge Officer
How the OSM Helps a CEO Get Things Done

OFFICE OF STRATEGY MANAGEMENT

“Gives me a closer connection to the business”

“Gives me levers to exert influence”

“Gives me more complete perspective on performance information”

Source: Dr. Graham D. Sher, Chief Executive Officer, Canadian Blood Services, 12/9/2004 BSCol OSM Conference
What can you do to improve your ability to execute?

MAKE STRATEGY MANAGEMENT A CORE COMPETENCY!

#1. Build Your Strategy Management Process

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<thead>
<tr>
<th>STRATEGY MANAGEMENT PROCESS</th>
<th>This Year</th>
<th>Next Year</th>
</tr>
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<tbody>
<tr>
<td>Enterprise Strategy Planning</td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Business Unit Strategy Planning</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td>Financial Planning</td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Human Capital Planning</td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Management Control &amp; Learning</td>
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</table>

#2. Build Your Office Of Strategy Management

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Palladium provides a range of value-added services to accelerate our client’s ability to build execution competencies.

**Consulting**
- Strategy Management
- Business / Analytics Consulting
- Technology Implementation

**Executive Education**
- Executive Conferences
- Training
- Publishing

**Technology**
- Applications / Portal
- Industry Applications
- Templates

**Peer Group Communities**
- Best Practices
- Research Briefs
- Web-based content

Each of these areas represents an option for getting started…