



The Master Key to Performance Excellence:

**ALIGNMENT AND INTEGRATION FOR STRATEGY
EXECUTION**



Executing Excellence

Agenda

- Business Health Assessment Exercise
- Research Overview
 - Problem Statement
 - Purpose Statement
 - Population & Sample
- Conceptual Framework
 - Baldrige Model
 - Balanced Scorecard Model
- Study Conclusions
- Pro-TEC & Six Disciplines Example
- Exercise Report Out

Strategy Management

- **Business Health Assessment**

“How well do we do what we plan to do”

Problem Statement

- The **general problem is strategy execution failures** remain at the top of corporate business leader concerns (The Conference Board, 2007; Yukl & Lepsinger, 2007; Norton, 2008)....Leaders have used TQM to enable organizations to focus on process management and organizational improvements more effectively, but “the ability to implement strategy across organizational units [has] remained elusive” (Kaplan & Norton, 2006b, p.103)....Execution failures result from **the specific problem of leadership’s inability to bridge the *knowing-doing gap*** (Pfeffer & Sutton, 2007).

Purpose of the Study

- The purpose of this qualitative, multi-case study was the exploration of best practice approaches of strategy execution and examination of the manner in which (hard and soft) TQM alignment-integration factors contributed to strategy execution

Population & Sample

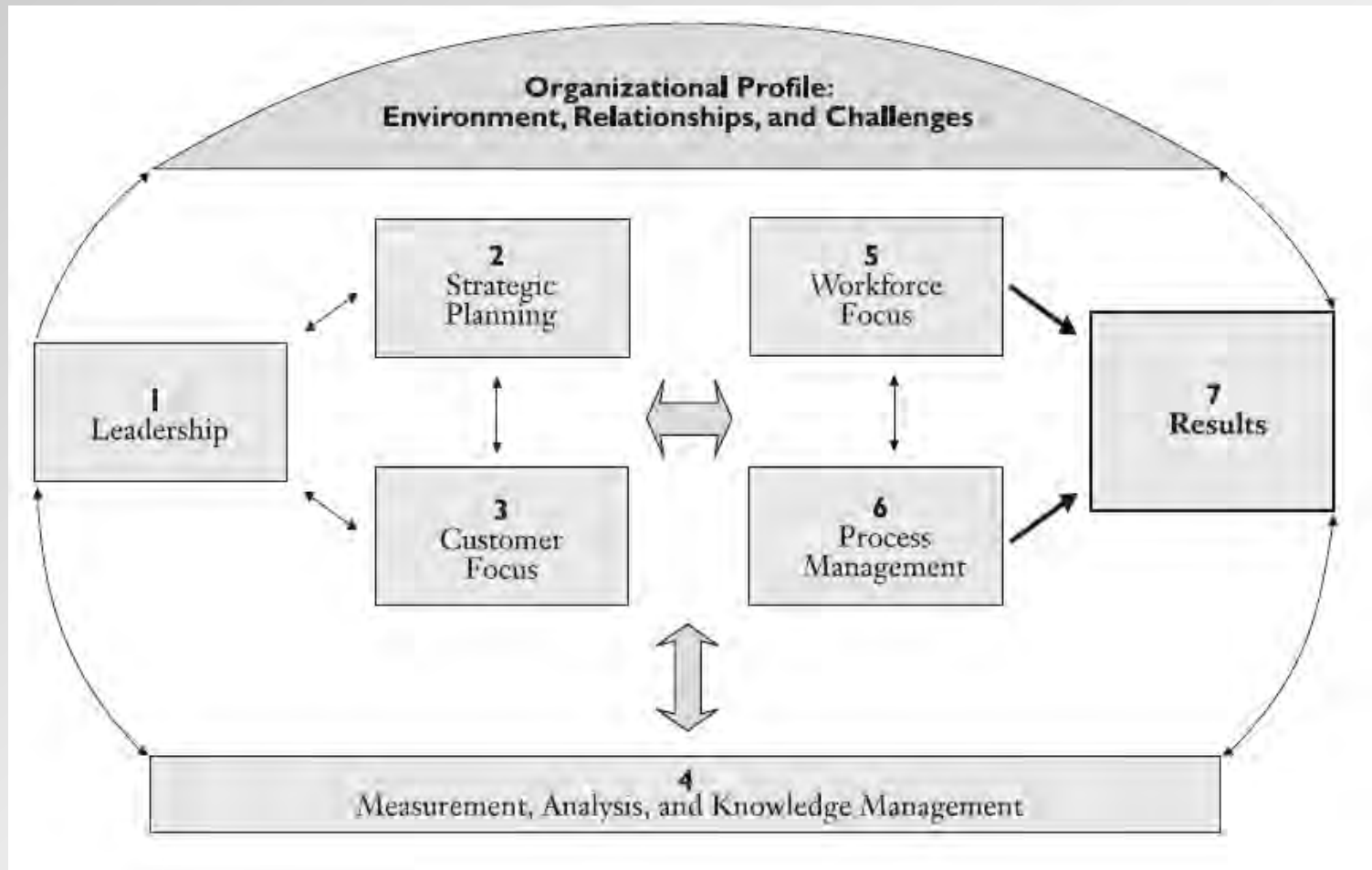
- The population of study is MBNQA winning organizations within the industry sectors of manufacturing, business, service, education, and health care.
- Sample
 - ▣ From 2000-2009
 - ▣ That use a balanced scorecard approach (n=19)

Conceptual Frameworks

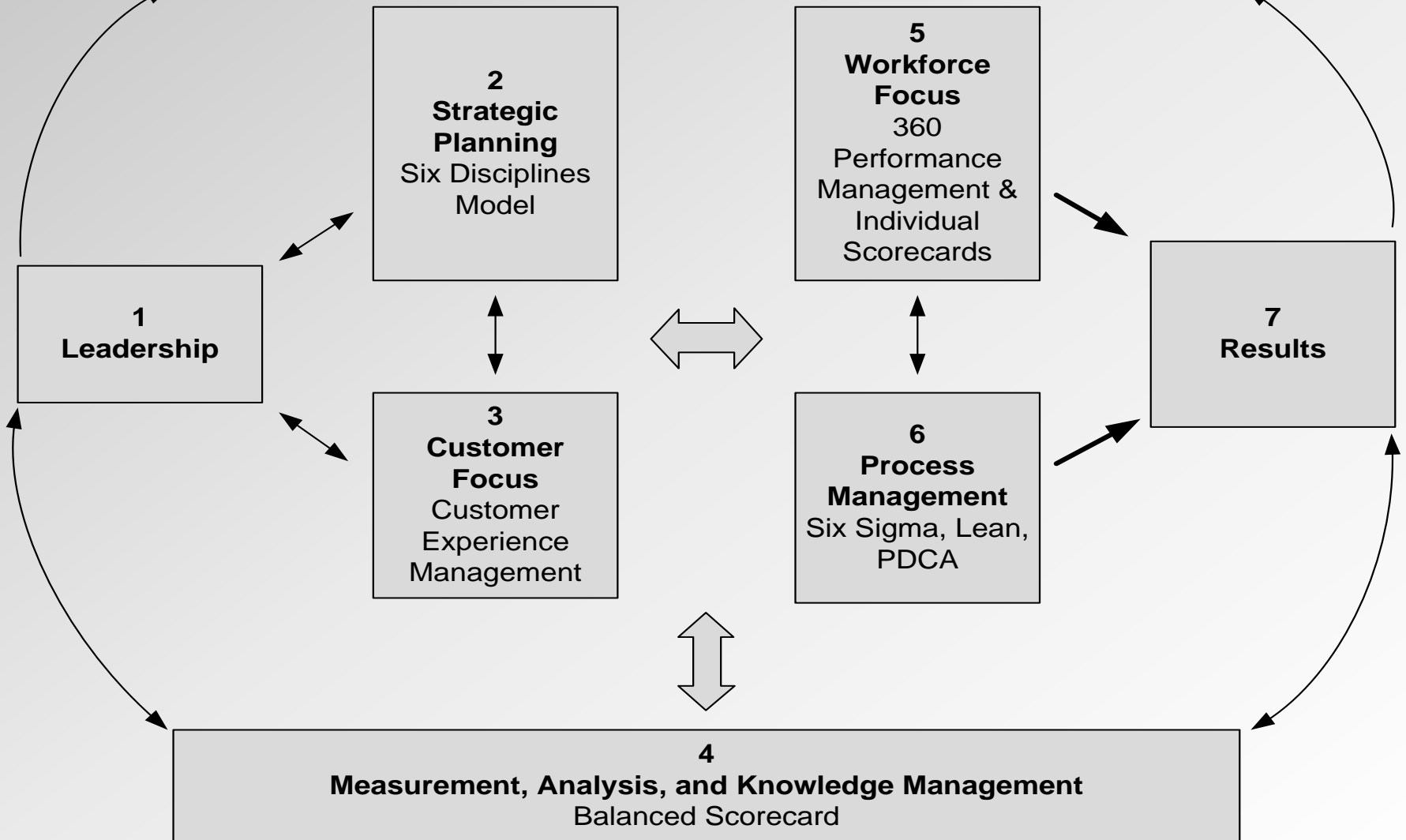
Baldrige, BSC...

CEM, ISO, Lean, Six Sigma...

Baldrige Conceptual Framework



**Organizational Profile:
Environment, Relationships, and Challenges**



BSC Conceptual Model

Why Needed?

□ Move from an industrial to knowledge economy

▣ With change of focus from *standardization/production + process* to

innovation + individual contribution



An issue of measurement

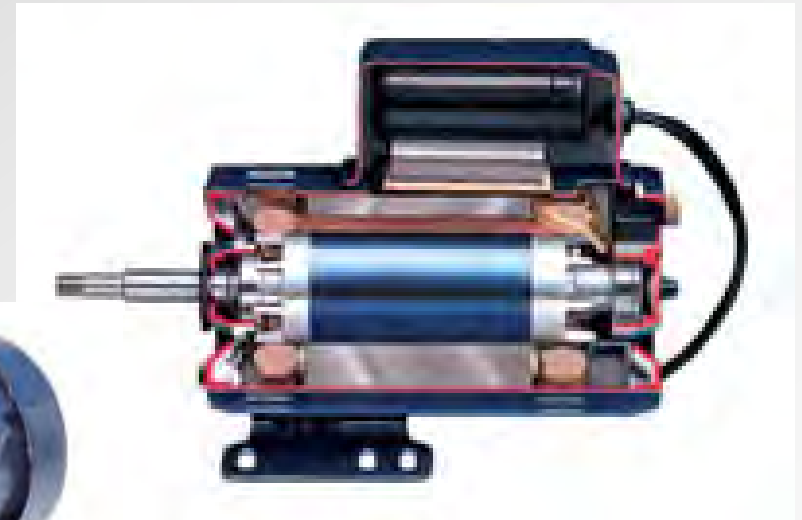
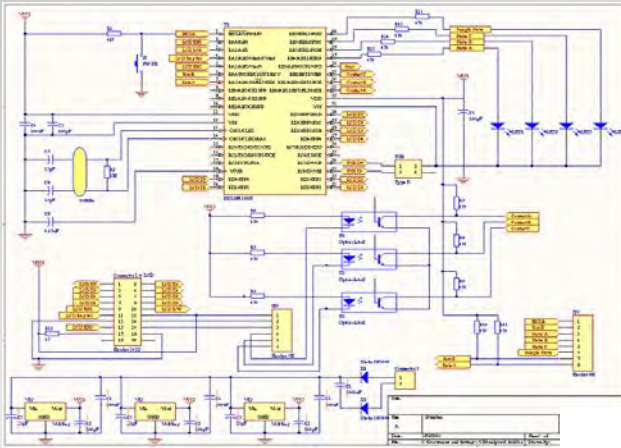
- **Financial systems** are used to measure tangible assets and return on tangible assets
- **Need systems** to measure knowledge-based assets and value-creation strategies using these assets.
 - *Intangibles...the key source of value creation in the 21C organization*

It's hard to manage
what you can't measure

Concept of “Balanced”

- BSC added new perspectives to traditional financial performance measurements with a four level tier of performance to balance stakeholder needs
 - Financial- shareholder
 - Customer- customer
 - Process- core process and supplier/partner
 - People- employee

We have process maps for our Core Run-the-Business Processes...

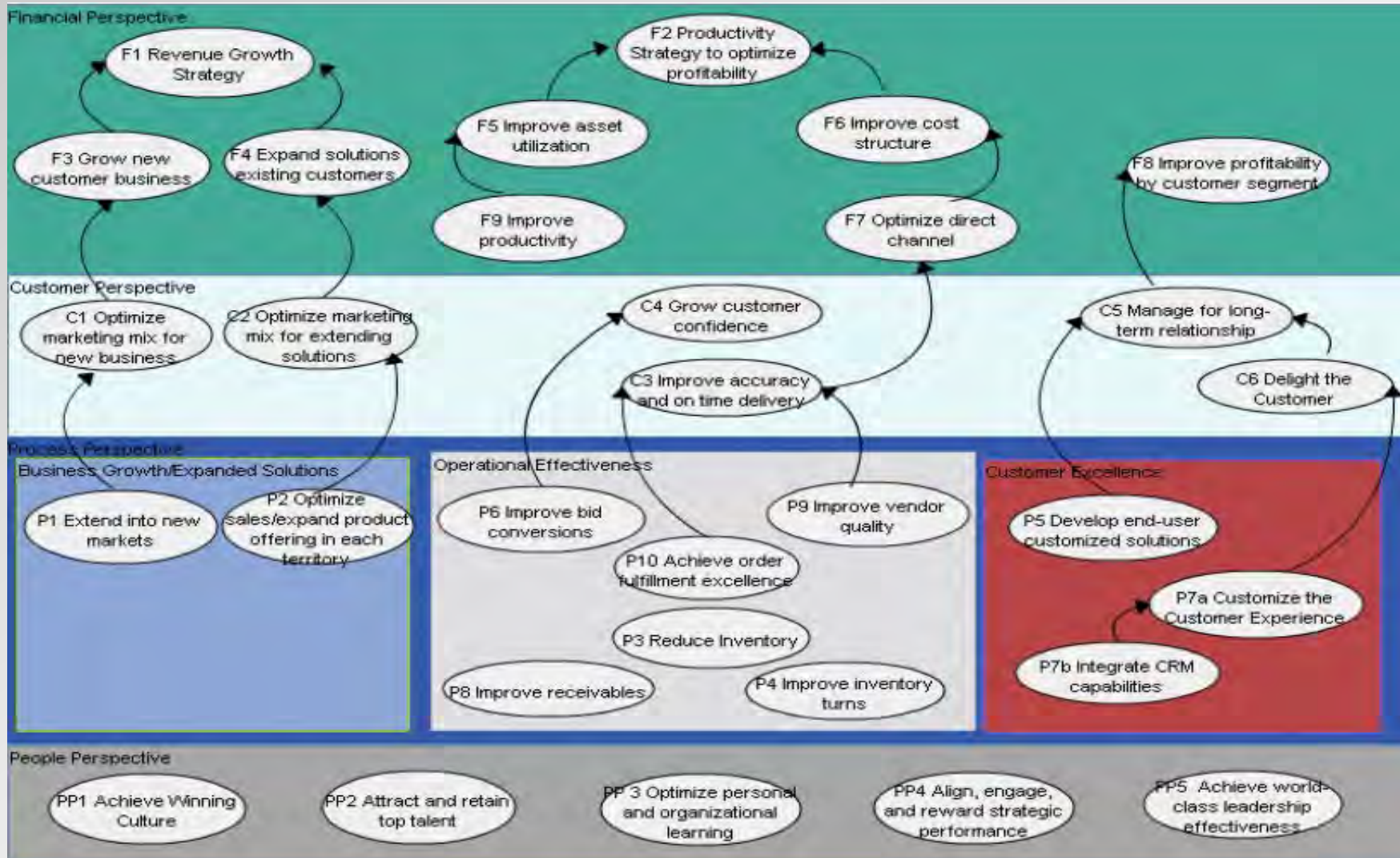


Hazardous Duty Conduit Box

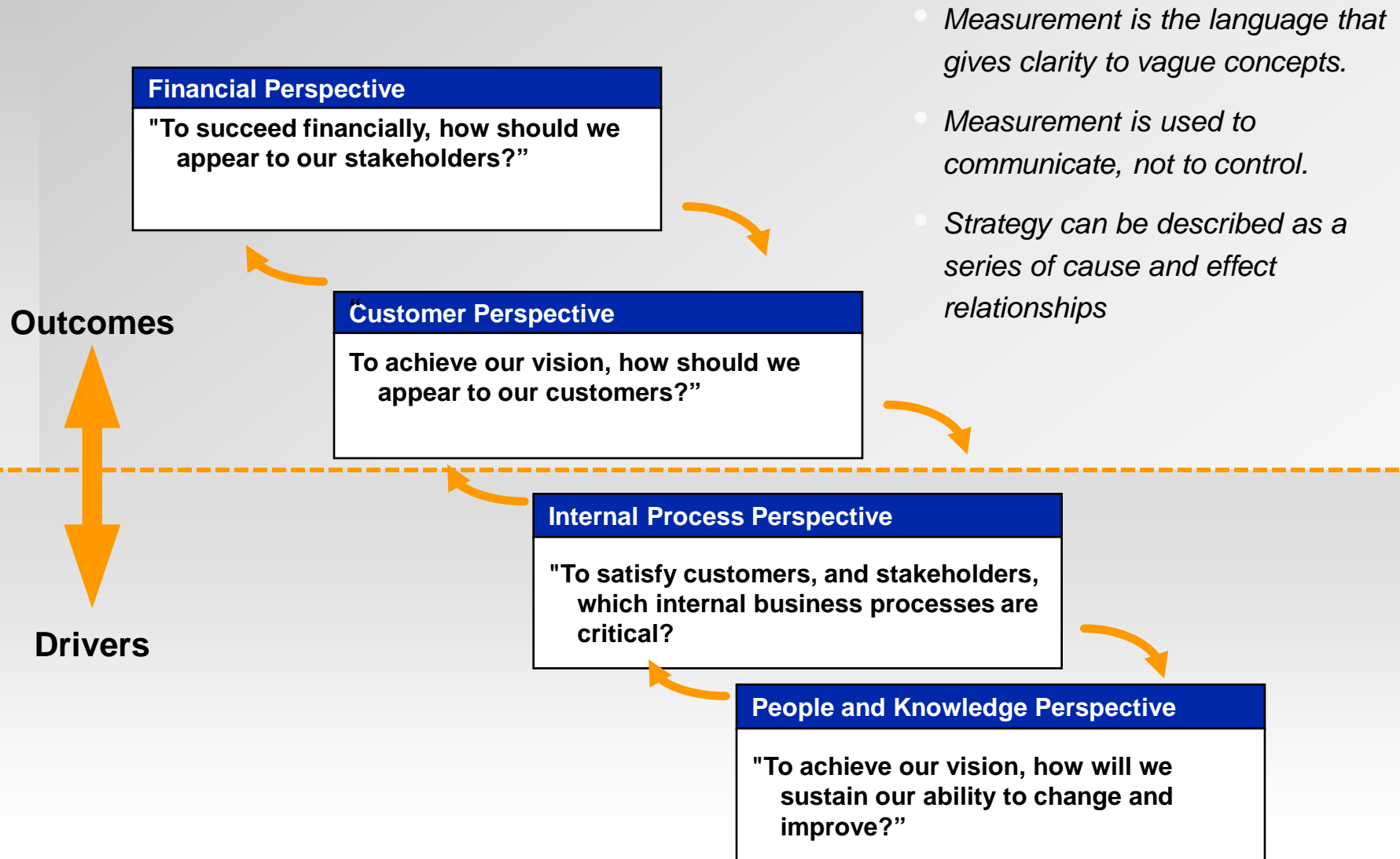
What about our processes for changing the business?



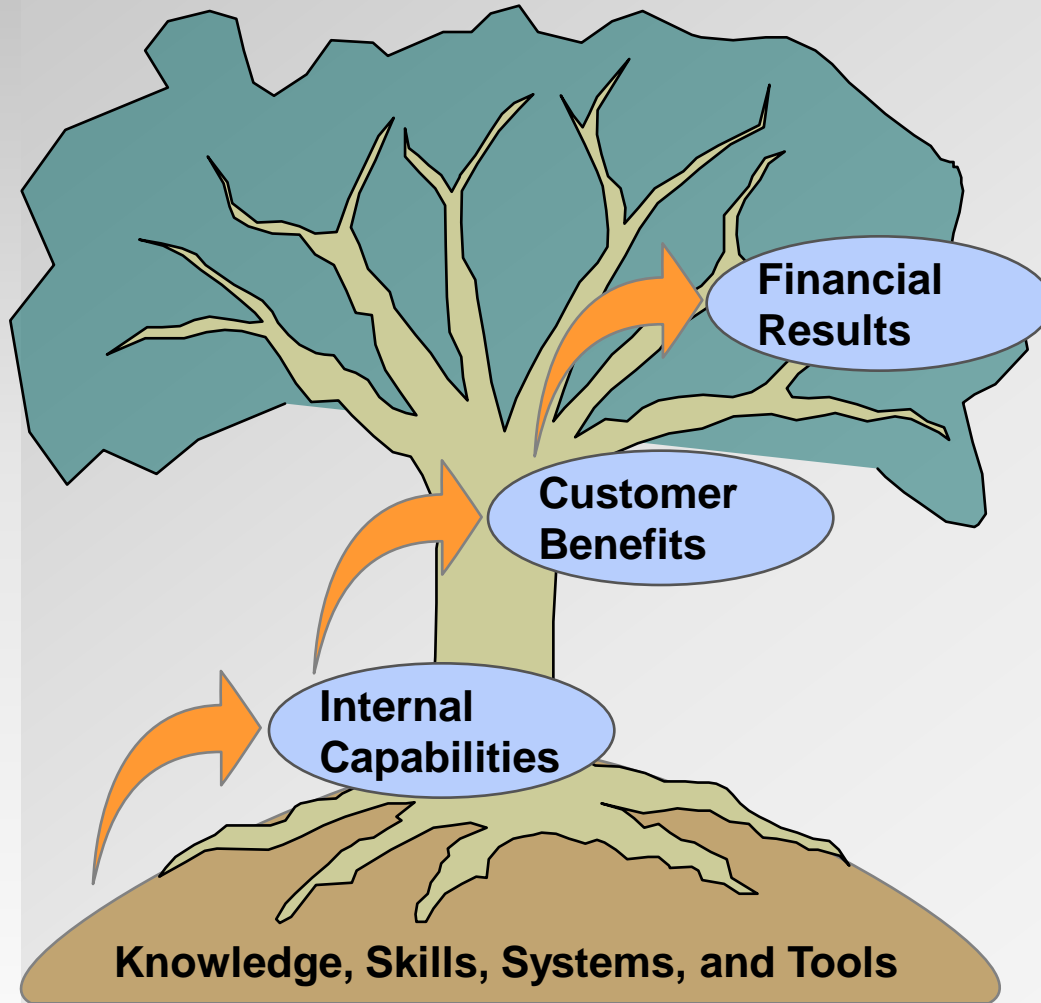
BSC Strategy Map



The Balanced Scorecard Provides a Framework to Translate the Vision and Strategy into Operational Terms Across Four Business Perspectives . . .



...Reflecting a “Natural Cause and Effect Logic” of Business Performance



And Realize the Vision



To Drive Financial Success...



Needed to Deliver Unique Sets of Benefits to Customers...

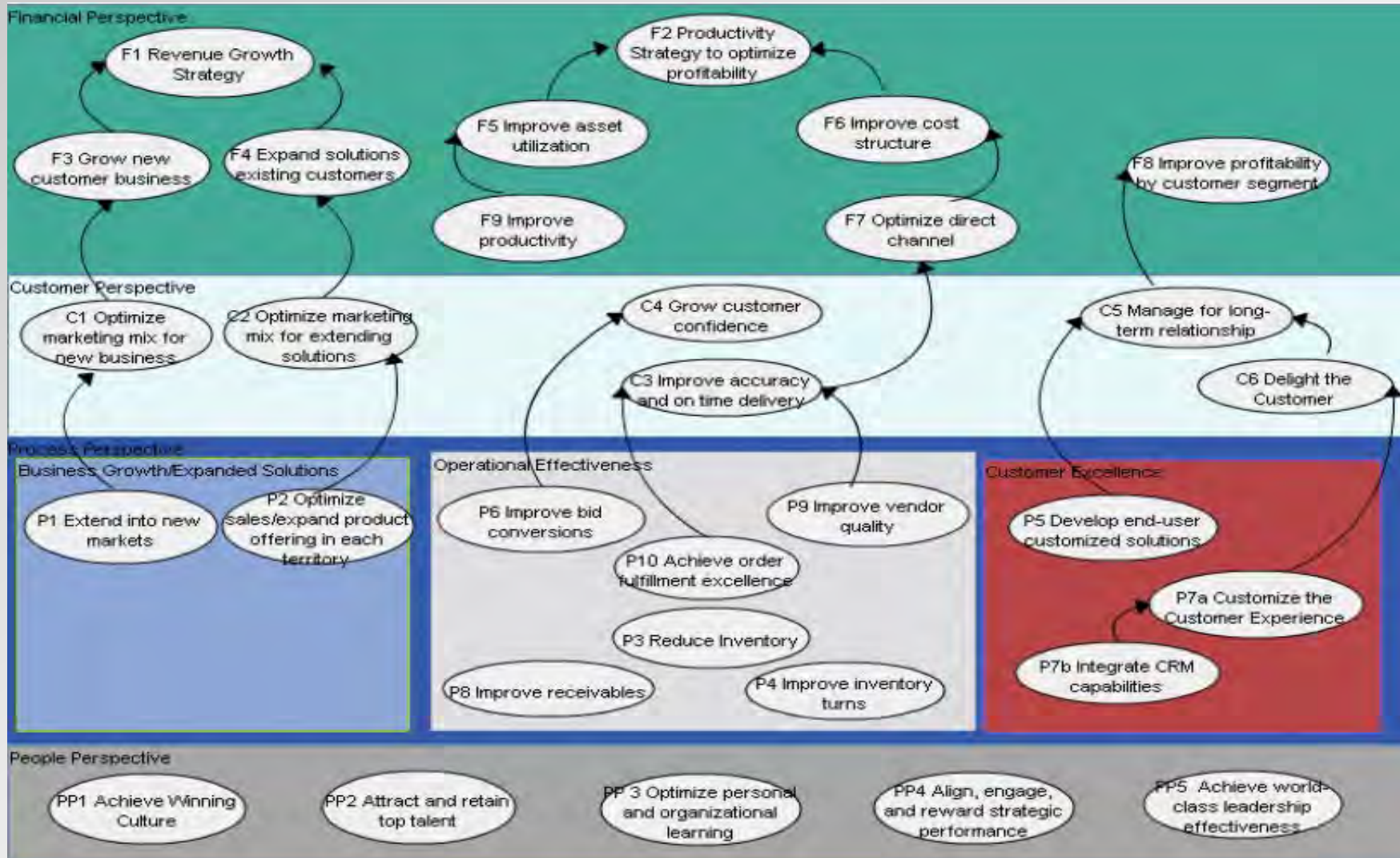


To Build the Strategic Capabilities...



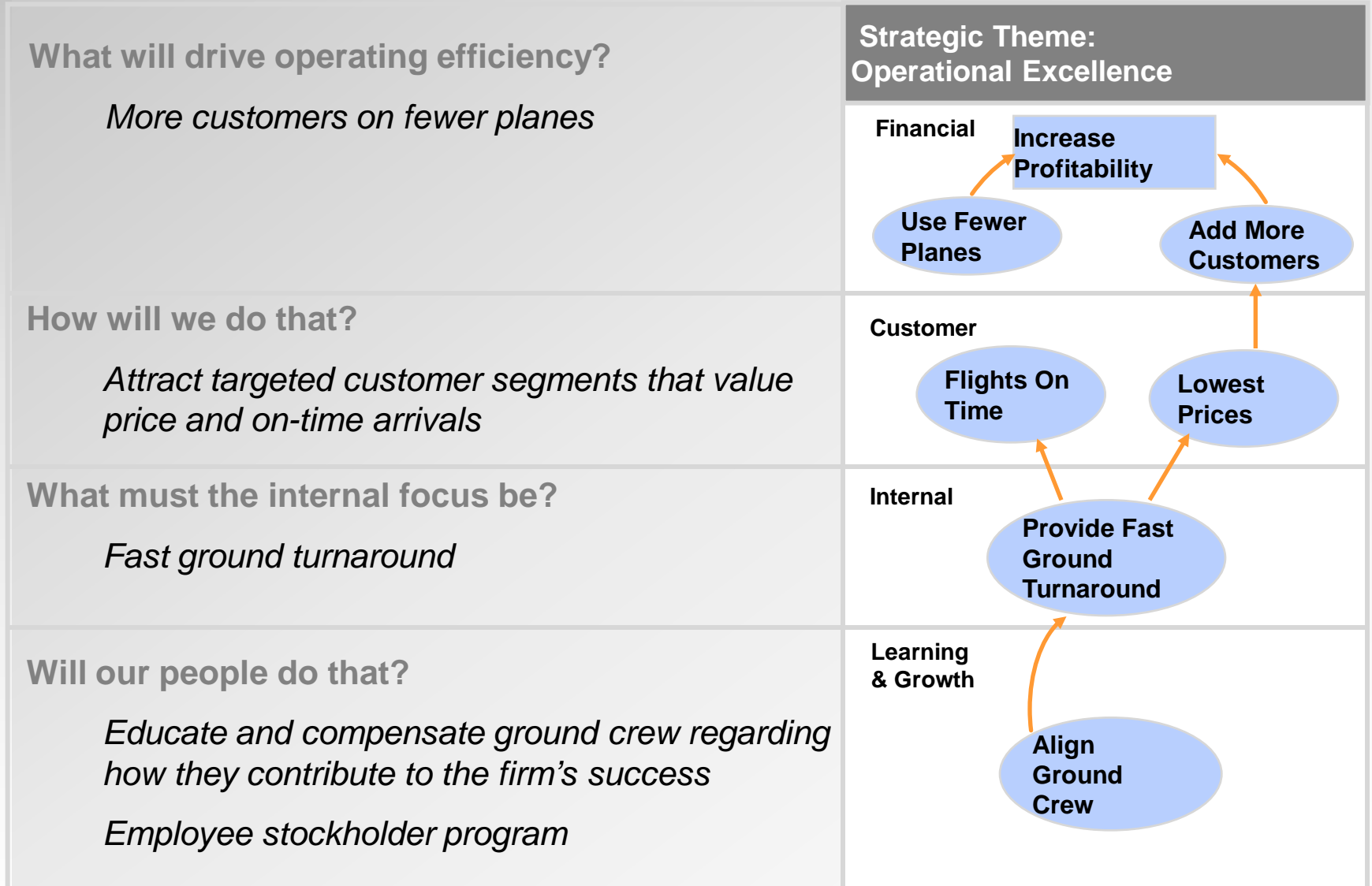
Equip Our People...

BSC and Themes...

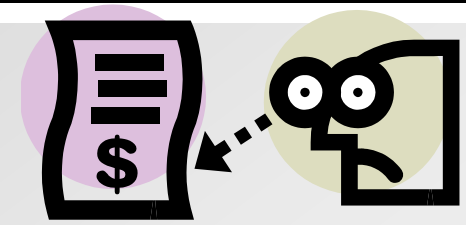


The Balanced Scorecard Should Tell the Story of the Strategy

Illustrative Example: Southwest Airlines



Bottom Line...



How does the BSC help increase the bottom line?

- Develop the organizational architecture through the BSC to **generate growth** while building the **internal capabilities and infrastructure** to handle growth
 - Develop people on service excellence and process management
 - Develop customer-focused, lean, efficient, effective processes across the value chain to
 - Provide exemplary service every time to satisfy patients/customers and win loyalty and further increase growth

Research Conclusions

Conceptual Lens for the Study

- Baldrige CPE framework
- Balanced Scorecard
- Four key factors of alignment (Kaplan & Norton, 2006)
 - ▣ Governance
 - ▣ Translation and Change
 - ▣ Alignment
 - ▣ Knowledge Transfer and Learning

Study Conclusions

- The study contained 12 core best practices:
 - ▣ The Master Key: the Leadership System Model (LSM) (95%)
 - Key integrator across governance, translation of strategy, alignment, and knowledge transfer and learning
 - Core Components of LSM
 - Strategy (89%)
 - Key stakeholders (53%)
 - Mission, vision, values (74%)
 - People (79%)
 - Process (84%)

PRO-TEC (2007) LSM



Conclusions cont.

- ▣ Internal Baldrige approach (79%)
 - Baldrige as source for LSM development (42%)
 - Baldrige category teams (53%)
 - Baldrige assessments (79%)
 - Internal Baldrige examiners (42%)

Conclusions cont.

- ▣ The SPP model (95%)
 - Core Components of SPP
 - Included in LSM (74%)
 - Strategic resource allocation in budget (95%)
 - Strategy-operations linkages (79%)
 - Recalibrating strategy (63%)

- ▣ Office of Strategy Management (11%)

Conclusions cont.

- The BSC (100%)
 - Integrating performance management platform
 - Variation of Kaplan and Norton BSC perspectives (89%)
 - Other variations
 - Key company goals (11%)
 - Critical success factors (11%)
 - Full deployment cascade (84%)

Conclusions cont.

- Formal communications mechanisms included in LSM and/or SPP (74%)
 - ▣ Formal communications model or process (63%)
 - ▣ All-staff meetings (47%)
 - ▣ Dedicated intranet site (89%)

Conclusions cont.

- Strategic education and training mechanisms (74%)
 - ▣ Learning development model or process (74%)
 - ▣ Learning committees (32%)
 - ▣ Mechanisms to address strategic skill needs (95%)
 - ▣ Mechanisms to balance strategic and personal learning needs (89%)

Conclusions cont.

- Partner/Supplier Management program (74%)
 - ▣ Stakeholders addressed in LSM (74%)
 - ▣ Partner/supplier scorecards (21%)
 - ▣ Quarterly partner/supplier performance reviews (16%)
 - ▣ Partner/supplier representation on improvement teams (26%)
 - ▣ Partner/supplier conference days (16%)

Conclusions cont.

- Empowerment
 - Individual development plans (89%)
 - Empowered work teams (100%)
 - Baldrige teams (53%)
 - Strategic initiative teams (100%)
 - Process teams (100%)
 - Linked recognition and reward programs (84%)

Conclusions cont.

- CTB:RTB dialectic (16%; strategic & operational measures 100%)
- Formal process management methodology (100%)
 - PDCA (79%)
 - Six Sigma (42%)
 - ISO (37%)
 - Lean (37%)

Conclusions cont.

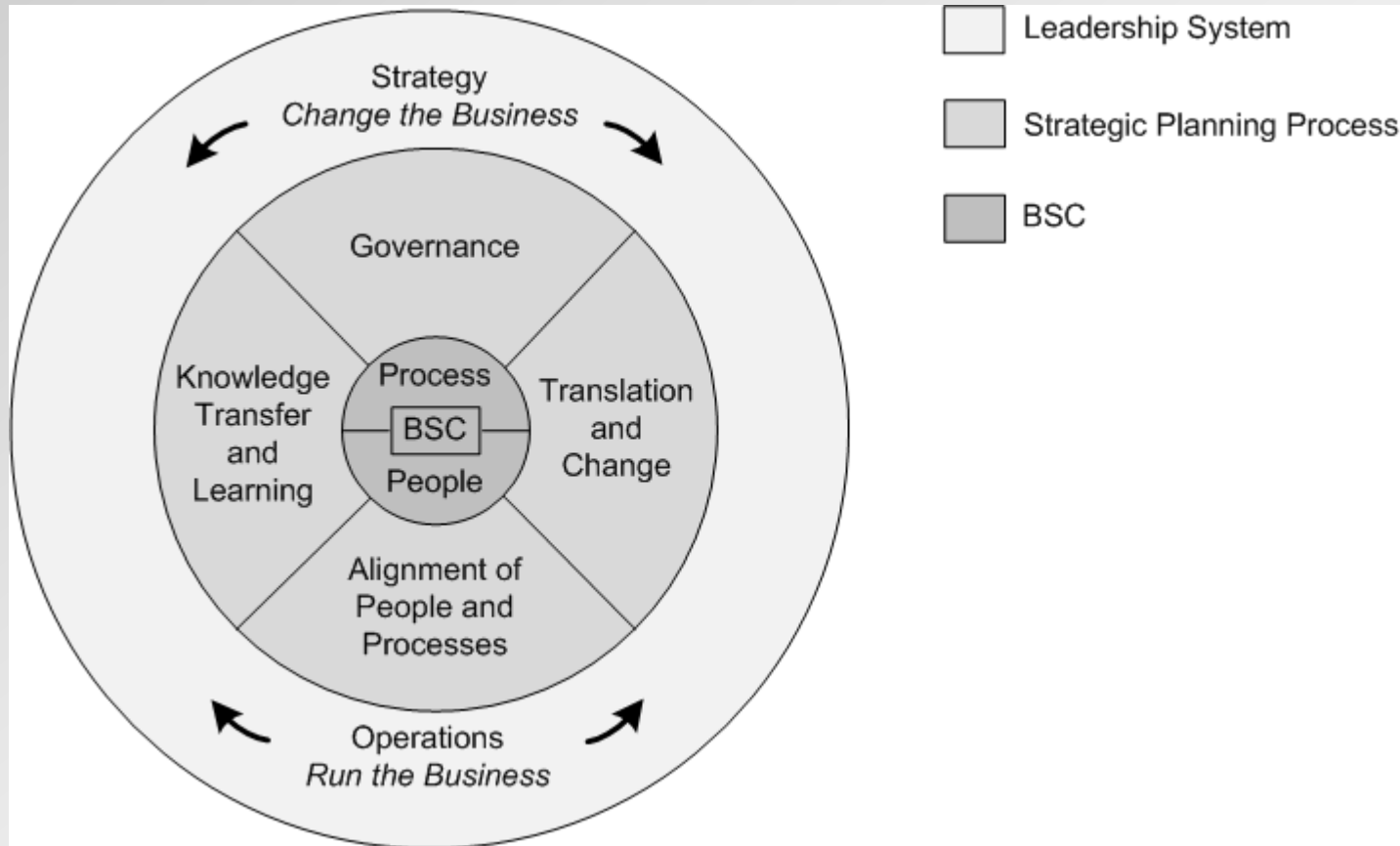
- System of reviews (95%)
 - ▣ Interim change procedures (79%)
 - Process owners (63%)
 - ▣ Formal prioritization of performance results (100%)
 - Prioritization criteria
 - Defined criteria (37%)
 - Weighted BSC (16%)
 - Company strategic objectives (16%)
 - Mission (5%)

Conclusions cont.

- Formal knowledge management mechanisms
 - ▣ Best practice sharing (100%)
 - Best practice model (68%)
 - Networked associates (100%)
 - Team-based awards (32%)
 - Performance reviews (95%)
 - Ideas management program (63%)
 - Best practice database (68%)
 - ▣ Testing strategy (73%)
 - Correlation (63%)

PRO-TEC and Six Disciplines Example

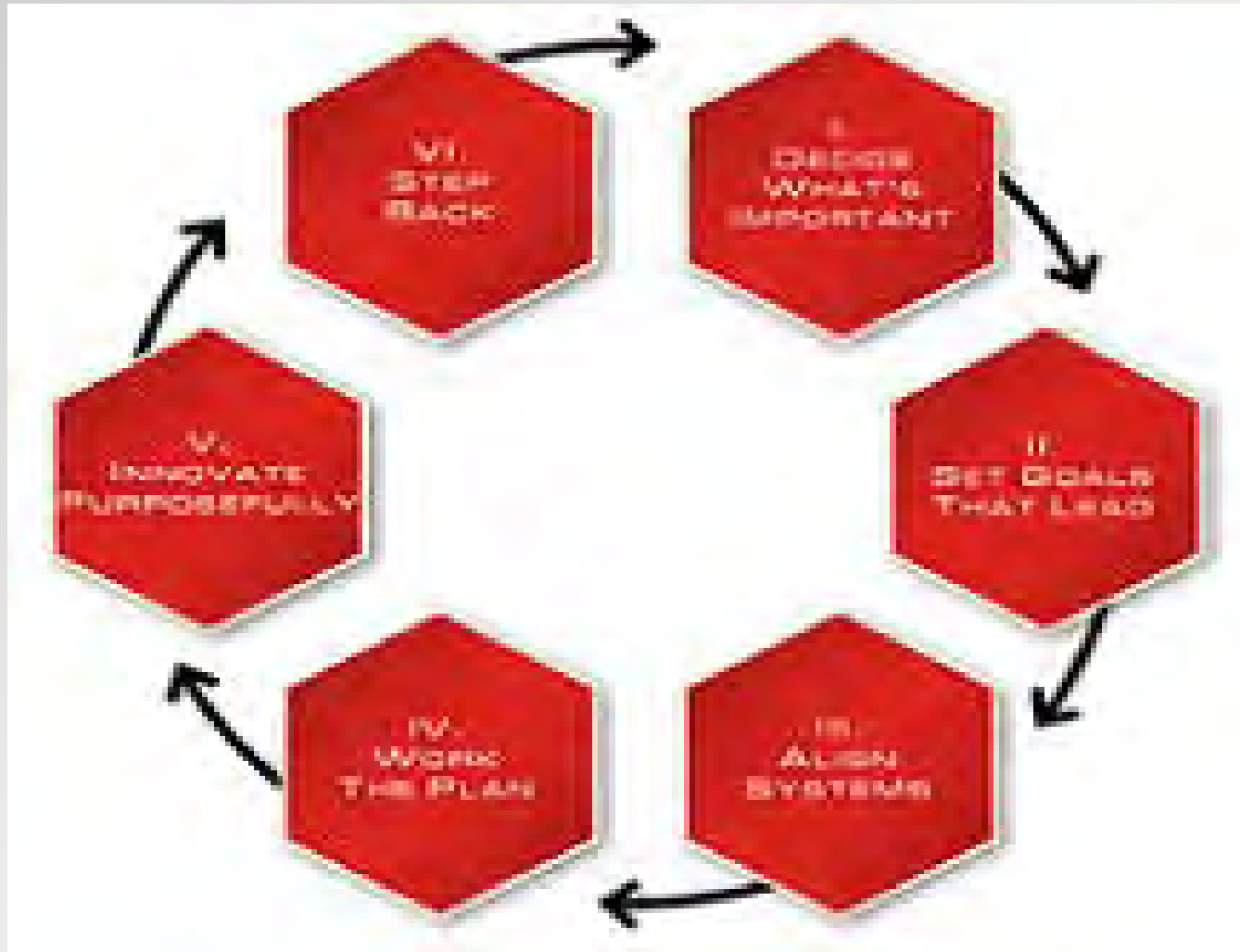
The Leadership System Transformation Model



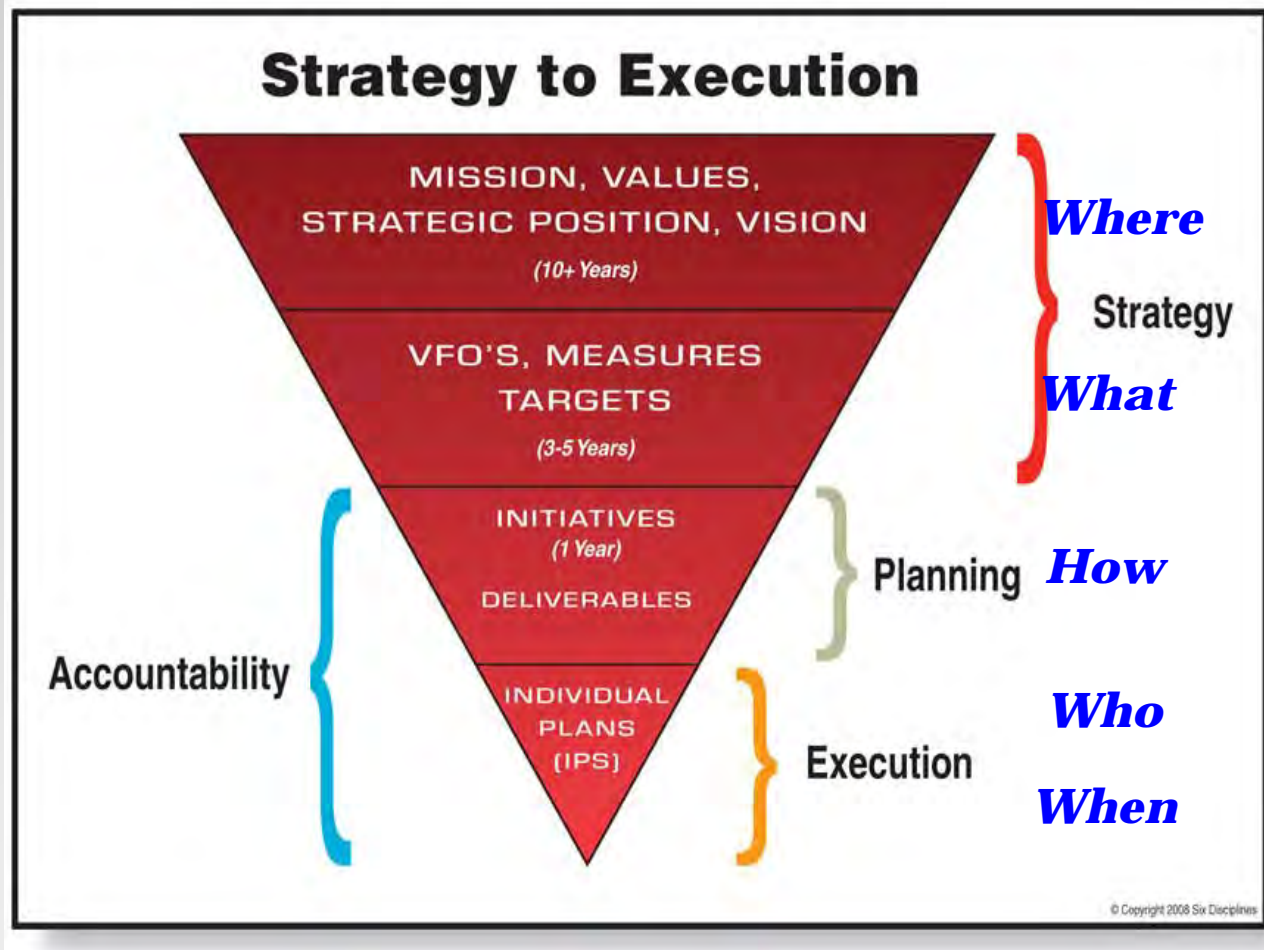
PRO-TEC (2007) LSM



Six Disciplines Methodology



Defining the Process





- Customer Satisfaction Rating of 80%
- Sales of \$40M & Operating Income of 11%
- Single Sales Location

10 Year Vision

First Three Years



- Grow Sales Revenue
- Increased Profitability
- Expand - New Locations



- Customer Satisfaction Rating of 90%+
- Sales of \$100M & Operating Income of 22%
- 10 Key Office Locations

Where

What

(Linking to Actions to Individual)

Who

Susan's Individual Plan

Changing the Business:

- Add new Sales Office – San Francisco

Running the Business:

- Meet Sales Call Goal
- Achieve Quarterly Sales \$ Goal
- Achieve Client Sat Goal

When

How



Where do We Stand

...Business Excellence Model



Proven Return

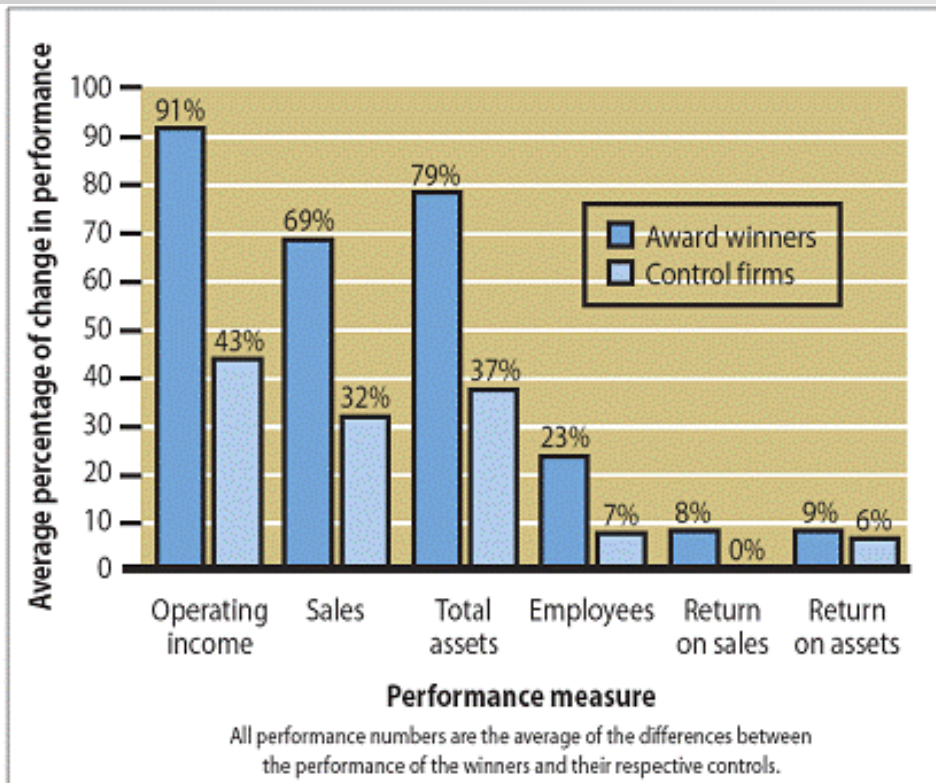


Figure 6. Comparison of award-winning firms and control firms for post implementation period

SOURCE: Hendricks, K.B. and Singhal, V.R. (1999).

- Outperforms 5 Years After US Research
- 600 WW Baldrige Based, 5 years



Questions?

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