

WINNING AXIOM #1



SUPERIOR MOBILIZATION OF PEOPLE IS THE KEY TO CLOSING THE GAP BETWEEN STRATEGIC INTENT AND RESULTS.

THE GROWTH IMPERATIVE

In today's competitive market, executives are under increasing pressure to deliver significant year-on-year profitable growth. Faced with this daunting task, leaders are constantly seeking ways to close the gap between their organization's strategic intent and the results they actually deliver. Strategic intent represents what an organization sets out to accomplish. In most organizations, strategic intent is comprised of some combination of the following: desired financial results, target market positioning and share, product or service innovation, and operational excellence. Some companies look to technology to improve execution effectiveness and increase competitiveness. Others look to improved customer relationship management, better R&D, or reduced cycle times to bring products to market, all of which are worthy pursuits.

At Axiom Consulting Partners, we believe that focusing on people and how they are mobilized to execute an organization's strategy represents the single greatest opportunity to close the gap between strategic intentions and results. Mobilizing employees involves deploying them on appropriate work, and developing and engaging them. In 1980, accounting book value represented more than 80 percent of the market value of the S&P 500; the remainder was unexplained.¹ By August 2002, after the stock market crash, accounting book value had dropped below 25 percent of market value. Intellectual and human capital is currently considered a key asset class, albeit one that doesn't lend itself to traditional measurement.

Almost all companies now recognize people as critical assets and a source of competitive advantage. In turn, CFO's are quick to point out that this particular source of competitive advantage or asset class doesn't come cheaply. Yet, many organizations struggle to organize and deploy the *right* people in the *right* roles doing the *right* work to execute their strategy effectively.

WHY IS IT THAT SO MANY ORGANIZATIONS UNDERUTILIZE THEIR PEOPLE AND RISK NOT DELIVERING ON THEIR STRATEGIC OBJECTIVES AND GOALS?

Underutilizing people is usually unintentional; nonetheless, it's a chronic condition affecting most organizations. The reasons that organizations fail to deploy their people in their highest value capacity are typically due to a combination of the following factors:

1. TRAPPED IN A REACTIONARY MODE

Many organizations have become so adept at reacting to changes in their markets, however small those changes might be, that they have adopted a continual reactionary mode. Companies in this mode fail to stick to a compelling course of action and end up too frequently changing their strategy and structure. When mixed messages replace important ones, people become disconnected from the business strategy and objectives, and become confused about what really matters.

2. SERIAL PROGRAM ADOPTERS

It is common for organizations to seek a “silver bullet” solution to their most complex execution-related challenges. Often, the first remedy sought for a business and people strategy disconnect will be a new system or process improvement. Sometimes it’s technology that offers promise. In another instance, it might be a new product development or marketing approach, or a compensation program. Branded reengineering processes, while valuable in the context of improving specific operations or processes, may also fall into this category. Employees can, and do, experience program fatigue, and may become reluctant to adopt new initiatives, even when they represent real opportunity.

3. SILOED BUREAUCRACIES

Some organizations emphasize functional capability over customer outcomes and results. In these cases, they often deploy their people on activities that seem important from a functional standpoint but may have little value when measured in terms of the broader goals of the organization. Existing reporting structures combined with internal politics can prevent organizations from stepping back and asking the critical question: Are we deploying our people on the work processes and activities that exert the greatest influence on our ability to execute our strategy?

4. INSTITUTIONALIZED INERTIA

A combination of the factors outlined above can also lead to institutionalized inertia. Changes made over the years in response to different stimuli typically remain in place long after the stimuli are gone. The thought of unravelling the layers of organization structure, work processes, and programs adopted over time seems too much to tackle. In this case, the disconnect between business strategy, execution priorities, and how people are deployed and engaged can persist.

IMPROVING EXECUTION EFFECTIVENESS: A SYSTEMATIC APPROACH TO CLOSING THE GAP

Most organizations have an ultimate measure of the value they seek to influence (e.g., EBITDA, Total Return to Shareholders or Economic Value Added). Few take the time, however, to map the critical business processes and elements of work that exert the greatest influence on intended results. Mapping the value drivers that influence intended results helps clarify strategic priorities, inform resource allocation decisions, and create a blueprint for how people should be mobilized to execute the strategy. Axiom has developed a three-step process to help organizations close the gap between strategic intent and results.

STEP 1: IDENTIFY KEY VALUE DRIVERS AND EXECUTION PRIORITIES

Axiom works with leaders to:

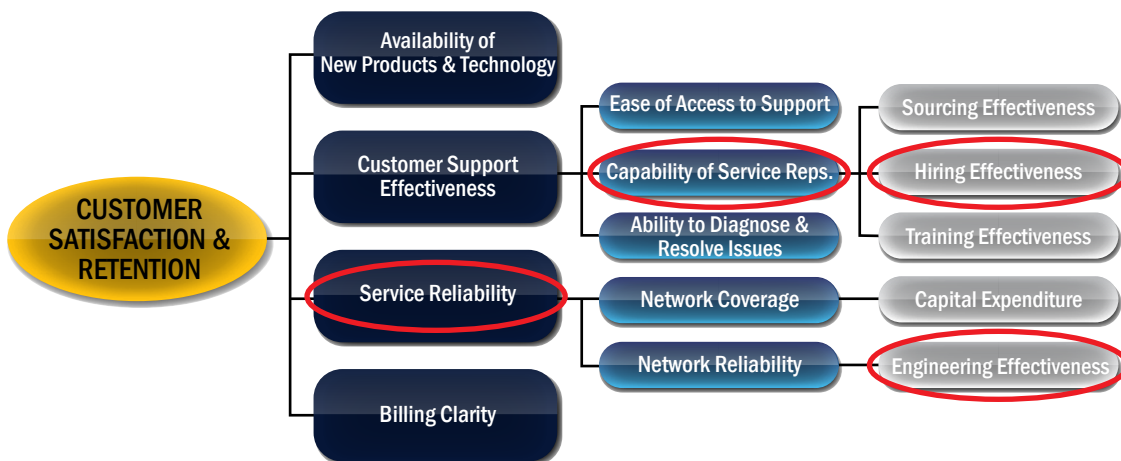
- A. Map the key drivers of intended results, including those relating to revenue growth, customer satisfaction, operational excellence, and employee engagement and performance.
- B. Identify the most critical business processes and highest value work across the organization (i.e., work and processes that directly influence key result areas).
- C. Identify processes with lower value and work that has a less direct influence on key result areas.
- D. Prioritize initiatives that support strategy execution (e.g., service reliability in Figure 1).
- E. Identify the performance metrics that must be in place to measure progress and drive accountability.

A manufacturer of logistic controls and systems takes a step back to understand the barriers to effective execution...

Using the Value Tree Mapping process, leaders identified and addressed the following barriers to effective execution:

- > Differing opinions on the appropriate strategic priorities for the business.
- > Lack of direct accountability and suboptimal performance on several critical drivers of financial results (e.g., bid management process and speed to market).
- > Standardizing work to improve efficiencies was identified as a key driver of financial success throughout the company, yet only 13% of the top 120 leaders believed they could directly influence this value driver.

Figure 1: Customer Satisfaction and Retention Value Tree - Mobile Phone Company



In this example, leaders mapped the key drivers of customer satisfaction and retention, and agreed on the highest priority areas to focus on—those highlighted in red.

STEP 2: MOBILIZE PEOPLE ON THE TOP PRIORITY VALUE DRIVERS

Once the highest priority business processes and work have been identified, the next step involves deploying people at their highest value use on critical work processes. Axiom works with leaders to conduct in-depth analyses focused on the following deployment-related questions:

- A. Are we allocating enough resources to our most critical value drivers, processes, and work?
- B. Are we over-investing in less critical areas of our business?
- C. How do we align the efforts of people across the entire organization with our business strategy and objectives?
- D. What type of organization structure and roles do we need to execute our strategy effectively?
- E. What skill profiles do we need across the organization, especially in the most critical roles?
- F. How many people should we deploy on our most critical processes and what should our cost structure look like?
- G. Which elements of lower value, but necessary work, should be outsourced or executed using a different resource model?
- H. What performance metrics will we use to align people's effort with the business strategy and hold them accountable for delivering results?

STEP 3: BUILD DISCIPLINED EXECUTION CAPABILITY

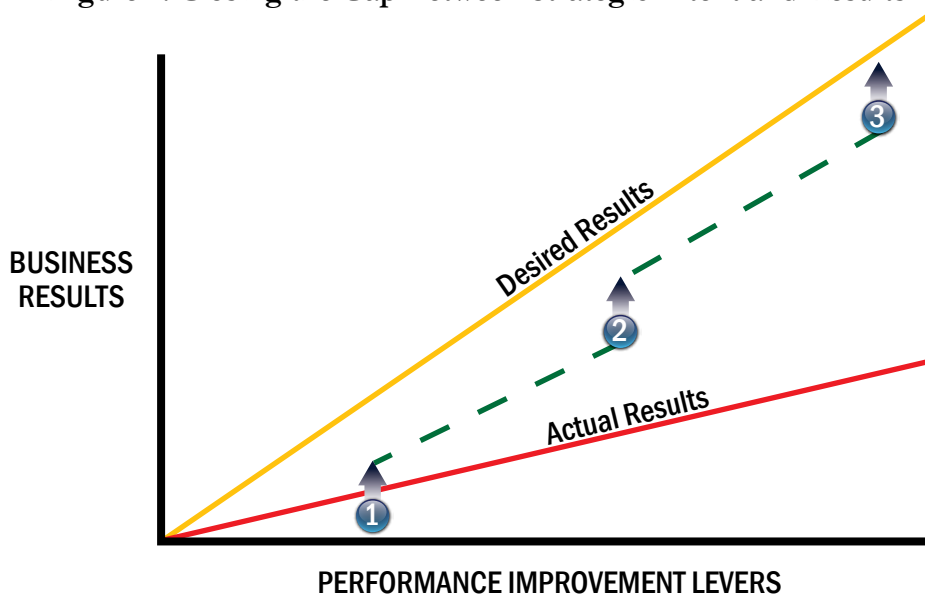
Disciplined execution occurs when strategic priorities are accurately identified, and when people are deployed effectively and stay focused on doing the important things well. This doesn't happen overnight. We work with leaders to answer the following questions:

- A. How do we stick to our strategy and avoid wavering or adopting "flavor of the month" initiatives?
- B. How will we prioritize the number of initiatives that the organization is pursuing at one time to avoid overload, poor execution or diluted focus?
- C. What systems and processes do we need in place to measure and monitor performance?
- D. How do we align our people management practices to support effective execution (recruitment, selection, performance management, succession planning and compensation)?

A consumer packaged goods company improves alignment and execution across the entire business...

The leaders of a poorly performing spin-off from a large conglomerate mapped the key drivers of value across their business, and implemented incentive plans that were tied directly to improving return on capital employed (ROCE). The value mapping process educated the leaders, middle managers and front-line employees on how they could contribute to value creation. In a 14-month period following the mapping process, the stock price saw significant appreciation, from \$10 to \$32 per share, along with a 250% improvement in ROCE, and 15% revenue growth.

Figure 2: Closing the Gap Between Strategic Intent and Results



- Step 1:** Identify Key Value Drivers and Execution Priorities
- Step 2:** Mobilize People On the Top Priority Value Drivers
- Step 3:** Build Disciplined Execution Capability

CLOSING THE GAP BETWEEN STRATEGIC INTENT AND RESULTS

Organizations that identify their execution priorities, mobilize their people effectively, and build a disciplined execution culture can realize significant benefits. Our experience indicates that closing the gap between strategic intent and results requires a systematic, business-based approach.

ONLINE DIAGNOSTIC SURVEY - CLOSING THE GAP

Assess how well-positioned your organization is to close the gap between strategic intent and results by completing a short, online diagnostic at www.axiomsurveys.com/closingthegap

ARE YOU TAKING THE RIGHT ACTIONS TO CLOSE THE GAP BETWEEN STRATEGIC INTENT AND RESULTS?

		Strongly Disagree	Strongly Agree
<div style="background-color: #0056b3; color: white; padding: 5px; border-radius: 10px; margin-bottom: 5px;">Identify Key Value Drivers & Execution Priorities</div>	We have identified the highest priority value drivers, work processes, and performance metrics.	<input style="width: 100%; height: 15px; background-color: #ccc; border: 1px solid #ccc;" type="text"/>	
<div style="background-color: #0056b3; color: white; padding: 5px; border-radius: 10px; margin-bottom: 5px;">Mobilize People On Top Priority Value Drivers</div>	We optimize the allocation of time and resources on the most important value drivers across our organization.	<input style="width: 100%; height: 15px; background-color: #ccc; border: 1px solid #ccc;" type="text"/>	
<div style="background-color: #0056b3; color: white; padding: 5px; border-radius: 10px;">Build Disciplined Execution Capability</div>	All of our critical processes, practices and programs are designed and utilized to support superior execution.	<input style="width: 100%; height: 15px; background-color: #ccc; border: 1px solid #ccc;" type="text"/>	

Complete the Diagnostic Assessment of Your Organization at
www.axiomsurveys.com/closingthegap

Our clients agree...

“At Pergo, the leadership team routinely prioritizes our strategic initiatives and investments against our overall strategy and objectives. This ensures that we stay focused on what matters most to our customers, employees and the business. The value tree mapping process gets leaders from across many different functions looking at the business in the same way, to assess how we serve customers, manage profitable growth and attract and retain talented employees.”

- Lori Bassett, Vice President Human Resources, Pergo Inc.

When it comes to the ROI of aligning people and the business...

- > Well-developed high performers in management roles generate 49 percent higher profits than low performers.²
- > Median gross profit in manufacturing sites adopting talent-leveraging best practices was 52 percent versus 30 percent in those that did not.³
- > In manufacturing, integrated high performance practices that focus on people result in productivity and defect/yield measures ranging from 43 percent to 57 percent better than those with un-integrated practices.⁴
- > Nearly 20 percent more companies “survived” an initial public offering after five years if their competitive focus explicitly included leveraging talent, than companies that did not emphasize it.⁵

REFERENCES

¹ Accenture Ltd.

² McKinsey & Company

³ Society for Human Resource Management

⁴ [The Human Equation](#)

⁵ Academy of Management Journal



WIN FROM WITHIN

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