



Strategy & leadership

Business leaders must develop a people strategy and leadership style to maximize business performance and achieve their company's vision, says Jon Minerich, principal, Oliver Wight Americas, Inc.

In today's business environment, events happen quickly. To meet this challenge, many leaders focus on technology and process improvement strategies in an attempt to make their companies more responsive to changing market conditions. Often, however, the results are negligible because CEOs fail to realize how context, culture, and leadership impact the way employees make decisions. And how employees make decisions directly impacts the execution of strategy.

This first article in this new series on managing and leading people focuses on the three key areas of the strategy process: vision, strategies, and values, and on the impact of leadership on the successful execution of strategy.

Strategy process components

The strategy process has three components, which are aptly described by our clients like this. "The vision is true north. Strategies are the roadmap of the journey to the vision, and values are the guideposts for decision making along the way." These metaphors will be used to show how components of the strategy process are dependent on people and must be integrated to successfully achieve the company's vision.

Following the six-step guide, you will be able to analyze your strategy process and leadership and quickly identify opportunities for improvement within your own firms.

Step 1: Communicate a clear picture of the future (true north)

It all starts with a vision (where we want to be). This picture should be simple and easily understood by everyone in the organization and by the company's external partners as well.

The first question a CEO should consider is, "do we have a clear vision of the future—a clear picture of our true north?" The vision provides the context for decision making by

answering the question, "will the decision I am about to make take the company closer to our vision (will it take us closer to true north)?"

The next question should be, "can my leadership team easily describe the vision in terms of what it means to our customers, employees, shareholders, supply chain (or service chain), and our community or environment?"

The first epiphany to realize is that the vision is not a document for the exclusive use of the CEO and his/her direct reports. It must be used to communicate the company's desired future to all parties that have an impact on the business, both internal and external.

Step 2: Develop strategies to achieve the vision (roadmap)

Numerous books have been written on developing strategies. Kaplan and Norton, for example, in their book *The Strategy-Focused Organization*, describe a good model companies can use. It is simple and focuses on four key areas: customers, operations, learning and growth, and finance. The authors have also expanded and rephrased the "balanced scorecard" to focus on customers, employees, shareholders, supply chain (or service chain), and community or environment. Note how the strategies are directly linked to the key components of the vision.

The CEO should look for this linkage. In fact, second only to articulating a clear vision of the future, the role of the CEO in the strategy process is to ensure alignment of strategies (the company's roadmap) to the vision (true north).

Step 3: Describe organizational values (guideposts for decision making)

An often overlooked but critical component of the strategy process is the development of a clear set of values for the organization. Values describe how an organization and all its members will behave. Therefore, values provide

guidelines for decision making.

The company's vision and strategies should reflect these values. These values also should guide the strategy process and the tactical day-to-day decision making that takes place within the company.

When leaders understand the company's values, they select strategies that align with them. When people understand the company's values, they know what decisions are acceptable (know how to behave) and fast, accurate decision making occurs. They don't have to ask, "what is the right decision under these circumstances?" They know it.

The issue of trust is also critical to the internal operations of companies. When employees trust the information the company has given them and trust that their leaders will support their decisions, they will make rapid decisions. A strong case about trust and company performance is reflected in a Watson Wyatt study of 12,750 workers across a variety of industries. The study found that high-trust organizations had a total return to shareholders that was 286 percent higher than low-trust organizations. This, in part, confirms our experience that a clearly-defined set of values (guideposts for decision making) is the foundation for successful strategy execution and rapid decision making in any business.

Step 4: Develop a people strategy

Defining a "workforce of the future" as part of a company's vision may seem like a daunting task, but it is critical for any CEO who expects to achieve the vision. Developing a people strategy is a team effort where senior leaders, coached by the top human resources executive, define the characteristics of the types of people they need and the organizational skills required to implement their strategies.

Another critical area that does not

get enough consideration is the amount of resources necessary to implement strategies. Today, everyone from the CEO down to the administrative worker is required to work harder and smarter than ever before. Often this means that strategy implementation is set aside as managers and workers are overwhelmed with day-to-day activities. Therefore, as the top leader in the company, the CEO is responsible to ensure, when his/her team embarks on their journey to “true north”, the company has adequate resources to get there.

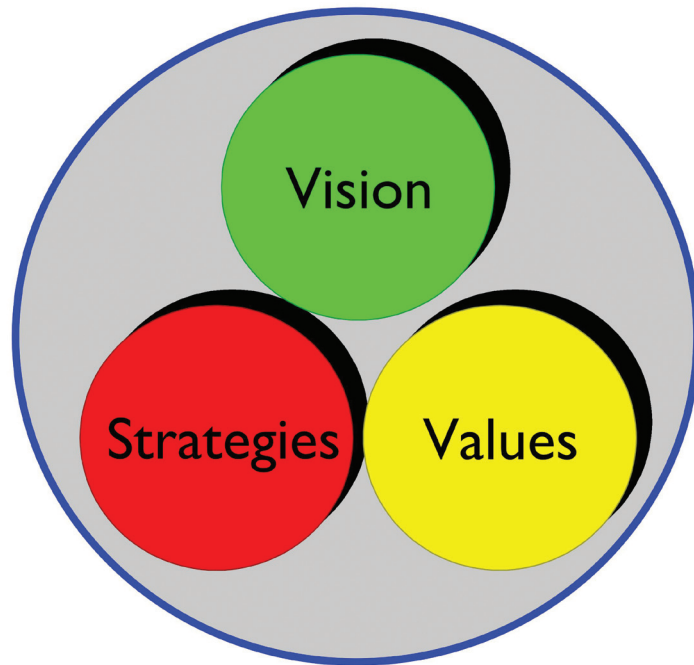
Another consideration is that people must be educated and trained to operate in the future state. From initial hiring, through on-boarding or orientation, throughout an employee’s development, and finally, during annual performance appraisals, the company’s vision, strategies, and values should be reviewed and discussed. Corporate and self-development programs to acquire new skills must also be created and updated at least annually if a company expects to achieve its vision.

An effective people strategy includes: 1) a clear definition of the types of people or skills needed to successfully execute a company’s strategies; 2) staffing targets that allow sufficient resources to be allocated in support of strategic initiatives; and 3) long-term development plans to ensure that all employees have the necessary skills to achieve the vision.

Step 5: Integrate the people strategy into the business (the role of culture)

The second epiphany is that the vast majority of decisions that impact strategy execution are not made at the “top” of organizations. Middle managers and employees make them on a daily basis. Together, the vision, strategies, and values define a company’s culture which, in turn, determines how these decisions are made.

$$\text{Vision} + \text{Strategies} + \text{Values} = \text{Culture}$$



The CEO must continually check that everyone in the company is aligned to the vision, focused on executing the strategies, and that everyone’s behavior reflects the company’s values. Therefore, it is incumbent on the CEO to regularly review the following questions:

1. Does everyone understand our vision?
2. Are they focused on executing our strategy?
3. Does everyone understand our values, and do these values guide our day-to-day decision making?

Most importantly, the CEO should ask, “as a company, do we live our values?” A quick test is to watch the leadership team in action. Do the leaders model the values and resulting behaviors that

are expected of everyone in the organization? If not, why not? When the culture of a company changes, the way people within a company make decisions also changes, which places the successful execution of strategies at risk.

The integration of people strategies into day-to-day business operations must be done via the company’s management processes. The management process most impacted by a company’s people strategy is performance measurement. The organization’s performance measures, appraisal system, and goal-setting process must reflect the company’s culture. Specifically, are they mutually supporting and aligned to the vision, people strategy, and values?

Step 6: Leading the journey to the vision

The third and final epiphany is that a company's strategies will not be successfully executed if the culture does not change. And an organization's culture will not change until its leaders change. This may sound trite, but the most difficult change to make in a company is a change in the style (behavior) of its leaders. Organizations and their leaders mature over time.

A typical map of this evolution of maturity might look something like the five levels of maturity shown below.

property, or equity of shareholders.

An organization's maturity and leadership style take time to develop. Because of this, a CEO must work diligently to develop future leaders, meaning people must be educated and trained to operate in the company's future state.

The same holds true for its leaders. Most companies have succession plans and leadership development programs. Questions CEOs should ask themselves as they think about their vision of the future include:

- Have we defined what the capabilities of our future leaders

the moral courage to change styles as our business situations demand?

Conclusion

Today's dynamic markets demand rapid responses. As we have seen, context, culture, and leadership style comprise the foundation for fast, accurate decision making in any business, which in turn is developed through a people-focused strategy process.

CEOs of leading organizations are deeply involved in the evolution of their people strategy as the critical path to their "true north". The question to ask yourself is now, "are you?" ■

Leadership Maturity

1. Reactive

Behavior: firefighting, unpredictable, inaccessible, take credit for success

Focus: current problems, immersed in detail, hands on

Cultural Impact: uncertainty, little accountability, finger pointing

2. Command & Control

Behavior: directive, autocratic, consistent, accessible, take credit for success

Focus: short-term, mostly execution, hands on

Cultural Impact: formal, compliance, functional emphasis

3. Empowering

Behavior: delegation, empowerment, accessible, shared decisions, share success

Focus: medium-term, planning (people know how to execute), management of change

Cultural Impact: teamwork, accountability, cross-functional thinking

4. Directional

Behavior: role model, live the company values, open-door, give credit for success

Focus: long-term, opportunities, continuous improvement

Cultural Impact: end-to-end process thinking, failure is acceptable

5. Inspirational

Behavior: dynamic, move ideas to action, takes little credit for success,

Focus: changing rules of the game, vision & strategy

Cultural Impact: self-managed teams, change is a way of life

The evolution of leadership style from reactive to inspirational also can be defined as one where executives evolve from managing to leading a business. The strongest leaders have the ability to adapt their style to the changing needs of an organization. For example, there may be circumstances when a crisis requires fast decisions to be made autocratically to save lives,

should be?

- Do our leaders model the style (behaviors) that support our future vision?
- Do they all model the style (behaviors) consistently?
- Do I (the CEO) visibly recognize and reward the type of leadership behavior the vision requires?
- Does our leadership, both individually and collectively, have

The six-part series of articles on *managing and leading* people in today's business environment will include the following topics:

1. Strategy and leadership

2. Designing and developing your organization

3. Change management and learning

4. Developing people

5. People in teams

6. Measuring performance

These articles will be developed to provide readers a summary of key points to understand while managing and leading their own companies in the 21st century. They are not designed to be a comprehensive checklist for transforming a company. Other tools, such as the *Oliver Wight Class A Checklist for Business Excellence*, are available for this purpose. For more information, please contact the author. jminerich@oliverwight.com