

Maximizing Strategic Value

Ideas matter, but an organization aligned for execution is what delivers the value.

Wayne Smith

Five Critical Challenges

The promise of the plethora of various strategy, technology, reengineering, and other “breakthrough” ideas has not, in general, resulted in breakthrough results. Particularly troublesome has been the inability of many companies to extract the maximum impact from their information technology investment. Not surprisingly, this situation is frustrating many business leaders.

The lesson here is an old one: The path to maximizing the strategic value of any enterprise requires not just great thinking, but an operating model that can quickly identify the right ideas, translate them into action, and then convert action into results.

Companies face five critical challenges along this path to maximizing their strategic value:

- Decision making in the face of massive uncertainties
- Balancing strategic clarity with strategic freedom
- Strategic alignment
- Project management
- Value-driven performance ethic

Decision Making In The Face Of Massive Uncertainties

Uncertainty is an inevitable condition of life. This is the real world we all live in. In fact, change, especially transformational change, can be an important requirement for growth. And, with all this uncertainty comes the potential for chaos and turbulence—the twin pillars of under-performance. Successful high-performance companies, rather than being frozen by uncertainty, exploit this climate of flux in order to quickly make the choices that maximize their future value.

One key to this lies in their ability to recognize the different risks embodied in their decisions:

- **Big bets.** These types of decisions offer the highest reward, but typically at a very high level of risk. Sometimes referred to as “bet the company” style decisions, it is important in these situations for business leaders to ensure that they have neither over-estimated the benefits, nor under-estimated the risks facing them.
- **Option preserving.** Decisions of this type frequently involve situations where future paths can be narrowed, but not completely eliminated. This allows managers to move forward while deferring future difficult choices without substantially increasing their costs or risks. This decision must be accompanied by a process whereby an organization can continuously evaluate the option price (see the scenario planning discussion below). Also, these types of decisions typically involve a fair number of degrees of freedom, which further complicates the evaluation. Moreover, companies must be careful because it is natural to dramatically undervalue the cost of waiting—an important component of the option price.
- **Good either way.** These types of decisions typically offer the least risk with the least reward. However, they can be important because often managers are faced with several choices, and by quickly identifying those that fall into this class, they can greatly simplify their decision-making.

The important point is not the classifications themselves, but rather to understand the nature of the decision-making apparatus that is needed to promote this thinking and to facilitate the proper analysis.

Value-Driven Performance Ethic
Strategic Thinking Energizes Entire Enterprise
Strategy and vision owned by business units
Assumptions always challenged
Deep understanding of industry
Strong sense of what customers really need
Objective view of competition
Cold, analytical assessment of internal capabilities
Laser-like focus on strategic choices

Scenario planning can be that kind of tool. Scenario planning combines game theory, quantitative modeling, and sensitivity analysis into an organized method for helping managers sort through the various issues and trade-

offs—especially where there is a great deal of uncertainty and impact—so they can make the right choices.

This approach relies on heavy collaboration and interaction among the relevant management groups. Further, the scenarios that are used to define the

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parameters of the decision are developed, supported, and validated at each step by rigorous logic and quantitative evidence. This permits the proper balance to be achieved between innovative thinking and sound analytical reasoning.

- Scope it out.** The first step of the scenario planning process establishes its *primary focus*. The primary focus can be anything that is important to the business, such as a particular way of operating, a set of rules, or even a specific environment. Businesses typically have several of these, so it is important to review and prioritize this list in order to target the area that is felt to be the most relevant and fruitful for decision-making. For example, in a financial services business like insurance, an important primary focus area might be distribution (via agents, brokers, or other intermediaries, whether captive or independent). Other potential focus areas in financial services might include the role of technology in dramatically altering the way business is transacted, the regulatory structure, etc. Finally, this step identifies the groups, departments, or functions of the business that are the most impacted by the selected primary focus area. This last point is important because it helps narrow the decision-making analysis around real-world issues that are relevant now, and that have a meaningful constituency for subsequent action.

- Find the trends.** This step identifies the forces that are shaping the industry, market, and economy. It is important to only include trends that are fairly clear and where there is little or no disagreement. Each trend is captured in a simple straightforward way together with its outcomes, consequences, and implications. Also, this step examines how each trend affects the relevant aspects of the business identified earlier. For example, trends related to insurance distribution might include such things as the idea that commissions will continue to drop, banks will enter the market, transactions will be executed on the internet, carriers want multiple channels, etc.

Value-Driven Performance Ethic
Talent and Intellectual Capital Drives Competitive Advantage
Information is a company asset to be shared and leveraged
Learning and experimentation is embraced
Best people in most demanding roles
Ideas emerge from all levels of the organization
Connectivity, dialogue, and inclusion is the norm

- Lock in key uncertainties.** This step helps identify the key uncertainties surrounding the

primary focus area. Typically, each uncertainty is described in context with its possible outcomes. In other words, what are the likely ways the uncertainty might resolve itself. In addition, it is often useful to identify relationships and correlations among the uncertainties (some combinations are implausible, while others are co-dependent, etc.). Finally, this step requires that the impact of each outcome be quantified as objectively as possible. In our insurance distribution example, some uncertainties might include willingness of customers to deal with new technologies, industry breakups and reconsolidation, federal anti-trust and insurance-banking regulatory actions, role of state insurance commissions, working relationships between agents and carriers, foreign competition, etc.

- Construct initial scenario set.** This is where the creative thinking emerges most strongly. The scenario is the primary analysis tool around which the quantitative research and modeling is performed. The scenario is a story (a one to two page narrative) of a possible future based on the trends, a particular clustering of uncertainty outcomes, and the rules of the game. Effective scenarios typically tell a simple compelling story, and tend to be stable, logically consistent, and plausible. Further, these scenarios should quantitatively describe the nature of their impact on the various constituencies and stakeholders. Some techniques for exploring useful scenarios include choosing, for example, all positive outcomes then all negative outcomes, or considering scenarios that assume a high degree of continuity of the status quo versus more entropy-driven outcomes, or finally, simply taking the top two uncertainties and then using plausible combinations of their outcomes to drive the stories. In any event, this step can often benefit from employing game theory methods. This adds the dynamic analysis (measure-counter measure) and irrational behavior elements to the scenario construction process which serve to make the exercise much more real world oriented, and therefore more reliable as a decision-making tool. Generally speaking, the approach can be considered working well if scenarios continue to evolve as they are tested, stretched, and examined through dialogue and supporting analytics. Using the distribution example, three relevant scenario themes might include the idea that the future has no agents or brokers since all business is conducted via the internet, or everybody becomes a distributor, or finally

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perhaps, the idea that the world is composed of only a handful of large mega-distributors.

- **Model them.** This step constructs the analytical fact base that supports the scenarios and provides meaningful baselines for comparisons. These models help decision-makers validate the trends, illuminate any blind spots, as well as provide factual back-up for the outcomes of each of the uncertainties. Moreover, they can be used to help business managers quantify the consequences of the various scenarios for each business (volume, share, profit, operating ratios, etc.), and to better understand their sensitivities, inflection points, conditional probabilities, and risks.
- **Let them evolve.** This part of the process captures the scenarios that have been found to be helpful so that they can become a more permanent part of an organization's ongoing decision-making apparatus. Typically, a useful set of decision-making scenarios tends to be one that includes stories that are relevant, logical, stable, and distinct (i.e., not just simple variations).
- **Use them.** This final step extracts the important conclusions and incorporates these decisions into the relevant business strategies and operations. It is vital to keep the scenarios and supporting analytics current in order to better baseline progress and to monitor the ongoing validity of the assumptions that underlie the corresponding trends and uncertainty outcomes.

Balancing Strategic Clarity With Strategic Freedom

Business unit and functional managers, if they are to do the right job for their employees and shareholders, have an obligation to deeply understand an organization's overall corporate strategy, especially its key architectural elements. This clarity of strategic direction—where exactly is the organization going and how is it planning to get there—can, however, be elusive.

Often this clarity can be achieved through a set of specific, tangible objectives with measurable targets. Targets that not only span the key dimensions of performance (for example, customer, financial, marketplace, talent, etc.), but also targets that resonate with what people believe are important and to which they can readily aspire.

Yet, at the same time, these business managers must have the freedom to act within the context of

their business or functional area without feeling constrained or that they need to get approval before they can proceed. This is an important balancing process.

Value-Driven Performance Ethic
Shared Significance Maintains Eye On Ball
Merciless alignment on highest impact ideas
Sincere commitment to each others' success at all levels
Frequent question: How does this advance our strategic objectives?
Pervasive understanding of strategy and how processes and projects impact them
Relentless search and destroy of obstacles and hindrances

It requires that strategic thinking occur naturally throughout the enterprise, but especially at the business unit or functional level, so that managers can directly interpret and translate their understanding of the overall corporate

vision into the appropriate unit-level strategies.

A frequent obstacle to this can be a lack of understanding regarding what it means to think strategically, or, even what is meant by a strategy. Too often strategy is equated with physical plans or documents, rather than recognizing that the power of strategic thinking lies in the process itself.

Further, the business managers, rather than a corporate staff function, must own this process. It is an inherent part of effective leadership. Strategy, after all, is about embracing change so that change becomes an ally, rather than an enemy. For example, as was pointed out earlier, successful business managers tend to exploit the turmoil created by changes in their markets and industries in order to add value and further separate themselves from their competition. This agility is a key benefit of strategic freedom.

Successful strategic thinking is an iterative combination of the following three activities:

- **Analyzing**, development of perceptive, proprietary intelligence on the industry and competition to help the organization understand the facts about their business and their markets; there are very few things more important when plotting a new strategic course than having precise, objective facts about exactly who you are, who you are serving, and with whom you compete
- **Positioning**, smart, experienced thinking on where, when, and how to compete to help the business make the right choices in order to create meaningful and sustainable differences with its competitors

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- **Configuring**, deep, practical transformational planning to help business managers align and focus the organization for execution

Strategic Alignment

Most companies have realized by now that technology alone, even great technology, is not the whole answer. Furthermore, even the most compelling vision, or the most effective business process, by itself, still falls short of expectations.

History has shown that strategic alignment is the key to ensuring that an enterprise is fully exploiting its competencies, technologies, and competitive advantages for maximum impact in its target markets.

Value-Driven Performance Ethic
Value Delivered By Simple, Focused Business Processes
Process owners feel empowered
Relentless pursuit of customer-defined quality
Fueled by world-class competencies
Relationship to vision-mission is straightforward
Minimal corporate review, staff helps

Let's examine this in a bit more detail. Any business can be thought of as consisting of four important operating areas or domains (Figure 1).

The external domain places the business in its market and industry context, while the internal domain defines the operating model of the company. On the other hand, the business domain focuses on where the enterprise is going and how it will deliver value to its customers. Finally, the technology domain defines the technology vision, direction, applications, and infrastructure of the company.

Strategic alignment exists when all four of these domains are mutually supportive, i.e., when all aspects of the business are executing toward a common and shared set of objectives.

In other words, as the strategies change, the underlying processes must keep pace. And, as the processes themselves evolve and improve, the strategies need to incorporate and exploit these changes.

In the same way, as the business changes, the related technology areas must remain synchronized. And, as technology advances create new opportunities, the business domains must find new ways to assess, capture, and leverage them.

The dilemma for business and technology managers, and the reason why strategic alignment has been so difficult to achieve is largely due to the complexities associated with trying to address all four of these

areas simultaneously, or in a random and uncoordinated sequence. In addition, and equally complex, is the challenge of ensuring that changes in one domain (implementation of a new technology or application software, for example) are properly integrated into the other relevant areas of the organization (an existing out-bound call center, for example) so that the business maximizes its return on that investment.

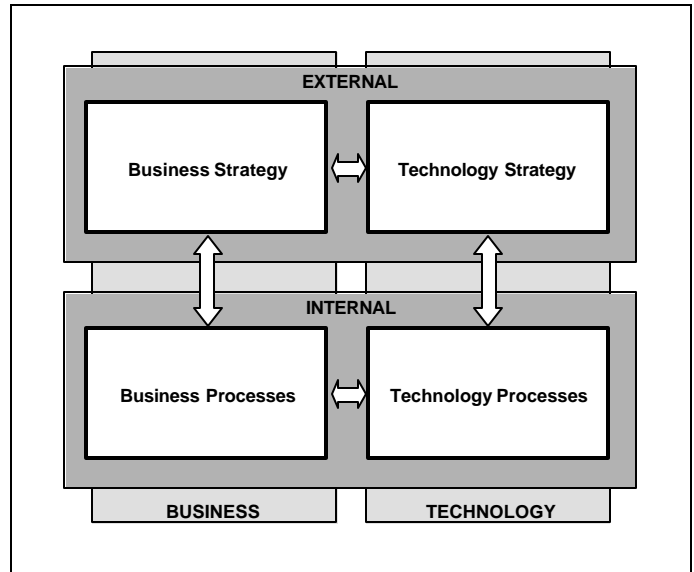


Figure 1. The Strategic Alignment Model.

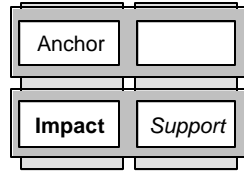
The value of the strategic alignment model lies in its ability to allow business managers to effectively address all four of these domains in an organized and deterministic manner.

The strategic alignment approach accomplishes this result by cycling the organization through four distinct alignment *perspectives*, where each perspective focuses on only three of the four key operating areas we discussed above. Furthermore, in each cycle one of the three domains is viewed as the anchor domain and is held constant, while the second domain in the selected perspective is treated as the primary impact area. This impact area receives the bulk of the changes during this cycle. And, since the anchor domain drives these changes, this ensures alignment is reached. Finally, the third domain is adjusted to ensure that it is in harmony with the other two.

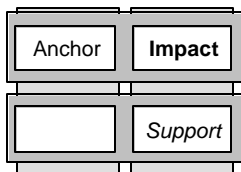
Business strategy execution perspective. This is the traditional, and most common, perspective that organizations employ when thinking strategically about their business.

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This perspective focuses on the changes to the underlying business processes that are required to bring to life the existing business strategy. In addition, any gaps in the associated technology processes that need to be closed to support the required business changes are also addressed and corrected. This perspective is most helpful in situations where the business strategy is well conceived, but where the operating elements of the business itself are not fully in place to support it.



Technology potential perspective. Keeping the business strategy as the anchor domain, but this time proceeding clockwise around the model, this perspective examines the changes needed in the associated technology strategy.

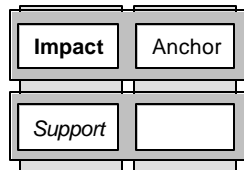


In a similar fashion as above, any gaps in the technology processes that need to be closed to support this revised technology direction are also isolated. This perspective helps flush out new technology ideas that might

more effectively advance or extend the desired business strategy. This can be a powerful point of view for ensuring that an enterprise is maximizing its full technology potential. This perspective can also be useful in situations where it is clear that significant and sweeping technology changes will be required to support the business, but the organization lacks a coherent technology strategy to ensure that these technology changes are focused, integrated, and low risk.

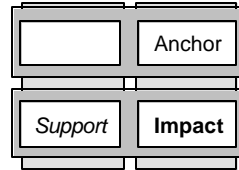
Competitive potential perspective. This perspective shifts the anchor domain to the technology strategy and proceeds counterclockwise to focus on changes that are required in the business strategy to fully exploit the technology capabilities of the company.

At the same time any modifications to the underlying business processes that are needed to enable these changes are highlighted. This perspective forces an organization to closely examine its technology assets and competencies in order to unlock and release their competitive potential in the marketplace. This can be a particularly useful perspective for companies that



see information and competing on information as an important part of their growth objectives.

Service level perspective. Keeping the technology strategy as the driver, this perspective reverses direction and proceeds clockwise to examine the changes needed in the underlying technology processes.



In addition, any gaps in the business processes that need to be closed to enable and exploit the improved technology infrastructure are identified. This perspective focuses the enterprise on the key technologies, platforms,

and applications that make up the primary operational engine of the business so that its maximum performance can be extracted.

This continuous shift in perspective is one of the central tenets of the strategic alignment model. It gives an organization the ability to quickly converge on a set of business and technology strategies together with the corresponding operating model implementation that will deliver the desired value to their customers.

The management approach used to attain this alignment is called strategic governance.

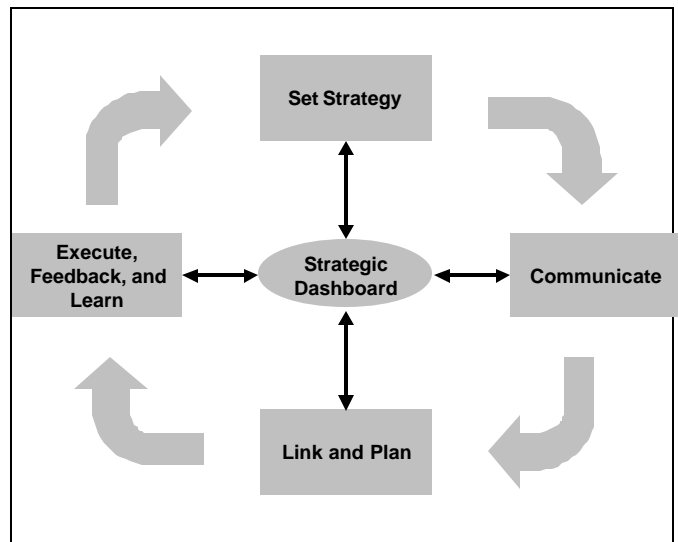


Figure 2. Annual Strategic Governance Cycle.

Strategic governance (Figure 2) is a continuous process comprising four stages each interacting with a common strategic dashboard that at its most fundamental level helps the organization answer the following questions:

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- What businesses should we be in?
- What markets are important in those businesses, and where is value migrating in those markets?
- What risk-return profile maximizes long-term shareholder value?
- When do we need to fundamentally change the strategy of the business?
- What are our critical resources, assets, capabilities, and competencies and how do we maximize their deployment to achieve our objectives?

Moreover, strategic governance ensures that the enterprise remains aligned so that it continues to take advantage of opportunities as they evolve in its industry and markets.

The **strategic dashboard** (Figure 3) provides a simple, unifying analytical framework for strategic governance by identifying and tightly linking goals, strategies, processes, and projects into a simple interactive web-based mechanism that helps the organization stay focused on the priorities that matter while helping answer those crucial questions.

Underlying the strategic dashboard are four analytical tools that ensure the dashboard always reflects current reality.

The *goal-strategy matrix* illustrates the degree to which a given strategy is actually advancing each enterprise goal, thus ensuring that the strategies are tightly coupled to the goals of the company.

The *strategy-process matrix* indicates which business and technology processes are supporting and enabling each strategy. This tool not only identifies the impact each business process has on the various strategies, but also describes the functional and technical adequacy (quality, cost, cycle time, reliability, etc.) of those business processes. This degree of strategic impact together with the adequacy assessment helps prioritize those business processes with the greatest return potential. These high-return areas are typically the source of a company's strategic projects.

The *process-project matrix* illustrates the degree to which a given strategic project is extending or improving each business or technology process. This tool ensures that the project portfolio (containing both existing and new projects) is always focused on improving and supporting those particular business processes with the greatest benefit, impact, and return.

Finally, the *strategic action plan* serves as an aid in identifying, prioritizing, and monitoring the key strategic action items. These action items typically include the major investments, initiatives, and projects that have been designed to close its performance gaps and help transform the enterprise into one that can more effectively compete in its target markets.

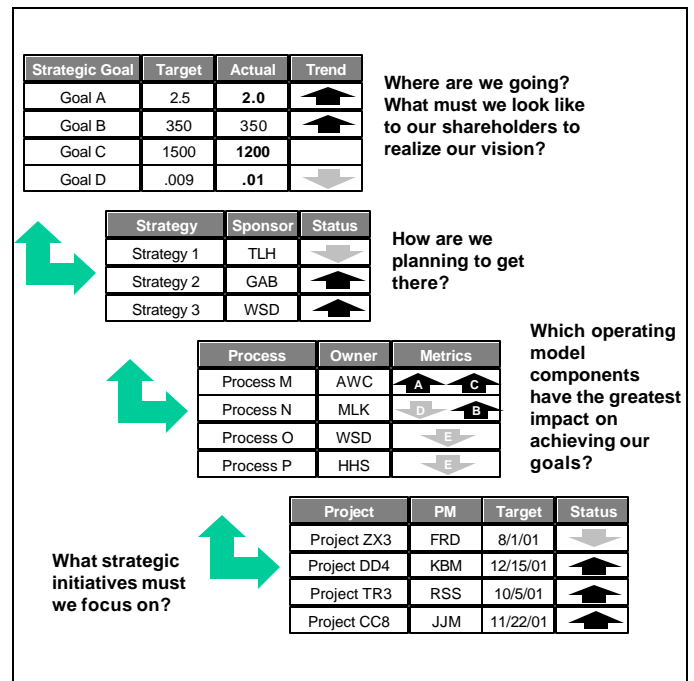


Figure 3. The Strategic Dashboard.

This entire strategic governance mechanism is grounded on the notion that future successful senior managers will rely less on detailed tactical control, and more on their deep knowledge of the dynamics of what generates value in their business and the forces that are reshaping that value over time.

As a result, the key issue is not so much the ability to manage an inherently static organizational structure to achieve their objectives, but rather the ability to rapidly configure (and re-configure) the business model in a turbulent world, measure the results, refine, re-implement, and execute. This agility becomes an enormous competitive advantage, especially if it can be institutionalized in the organization's operating approach. Once this advantage becomes inherent in the business model itself, it is much more expensive for competitors to emulate.

For this to happen it is necessary to be able to quickly assess the strategic opportunities in any

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given market. And, then to objectively understand the existing gaps in one's own capabilities so that exactly the right set of projects can be launched that closes those gaps.

This is portfolio (of projects) management. The important idea here is to provide a set of tools, like the strategic dashboard, that allows a continuous balancing, trimming, and improving of the portfolio of project initiatives to ensure that it exhibits the following characteristics:

- It is the minimal set of projects that advance the strategy
- It is the best set of projects that advance the strategy

Recognize, too, that this idea applies at two levels: The corporate level, where there will be a portfolio of projects that advance the corporate direction, and at the individual business unit level, where the same skills and tools apply to ensuring that each unit's project portfolio is fully addressing their specific business unit strategy.

Continuing with our discussion on strategic governance (Figure 2), let's move from the central dashboard to the four stages of the governance process itself.

First, the **Set Strategy** stage ensures that the organization's strategy is relevant and focused on achieving the company's long-range goals. This stage comprises the following types of activities:

- Assess current strategic performance against pre-defined goals and targets
- Analyze gaps and carry out the appropriate root-cause analysis
- Revise strategy based on these results as well as incorporate any new visions and directions, as needed
- Determine priorities and strategic imperatives that define the focus for the current governance cycle (typically annual)
- Calibrate stretch goals and targets based on prior performance and current aspirations

The **Communicate** stage focuses on broad dissemination and internalization of the strategy and generally consists of the following activities:

- Publish the strategy so that it is physically available to employees

- Dialogue with individuals at varying levels in the organization on direction and rationale to ensure that direct feedback, especially regarding the macro vision and overall objectives, can be captured
- Conduct alignment workshops to understand what will be required for the key stakeholders to embrace and commit to the strategy
- Monitor listening posts on an ongoing basis to ensure that the organization is receiving unfiltered feedback on how people are internalizing the strategy and its implications

An important objective of this step is to achieve a sense of shared significance among the staff regarding the key ideas and consequences of the strategy.

Value-Driven Performance Ethic Stretched By Aspirational, Fact-Based Goals

*Targets pegged to best-in-class levels regardless of industry
Simple, clear, balanced-scorecard style objectives
Tightly connected to operating realities, and compensation and recognition plans
Goals, strategies, processes, and projects all clearly linked
Strong, localized accountabilities for factbased performance and results*

The **Link and Plan** stage connects the strategy with the operating plans, budgets, and project portfolio. This stage consists of the following activities:

- Set business unit and functional strategies
- Translate unit strategy into specific operating targets and budgets to ensure that these more tactical and lower level plans are strongly connected to the overall strategy; in particular it is important to ensure that these operating plans provide sufficient resources and priority to substantially advance the business towards its strategic goals
- Set bonus objectives to properly link the compensation and recognition systems with the corporate direction
- Define and plan strategic projects
- Prioritize project portfolio to ensure alignment between the strategy and the actual investments and initiatives that have been designed to enable and realize that strategy

Typically, multi-business enterprises use this stage to launch separate strategic governance cycles at the business unit and functional level. These are all coordinated via their linkage to the corporate strategy and goals as highlighted by the strategic dashboard.

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Finally, the **Execute, Feedback, and Learn** stage deploys these plans for operating the business and comprises the following basic activities:

- Run the business
- Execute strategic projects
- Update performance metrics
- Rationalize operating variances
- Capture learning
- Continuously improve operating processes

This strategic governance cycle repeats annually—refining the goals, strategies, processes, and projects to ensure alignment and maximum impact.

The idea here is to bring together the state of the art in the various key disciplines of finance, accounting, technology, decision science, marketing, and strategy into a unified governance system that does for the senior leadership of the company what, for example, the traditional manufacturing and distribution systems have been successfully doing for years for operational management.

In many ways, one can view this as the next frontier—harnessing information technology so that it actually becomes a practical tool for business management at the CEO level.

Project Management

Good project managers have always been scarce. But, over the last several years this skill has been allowed to dramatically erode in many organizations. In many ways, this erosion is at the heart of those same organizations' inability to execute. Unfortunately, project management expertise will continue to degrade until companies realize that this very specialized skill is vital to actually delivering on the promise of their strategy: *Project management bridges the gap between strategy and tactics, i.e., between having a good idea, and actually being able to execute on that idea.*

While portfolio management (as mentioned above) is needed to ensure we have the right set of projects, project management ensures these projects get done right.

Project management, simply speaking, is the ability to transform concept into reality in a no-surprise environment. It is the skill required to take an idea, concept, or opportunity that is expressed in some typically written fashion (business case, proposal, problem statement, requirements specification) and then to organize and manage a team of relevant talent to reliably deliver a focused, targeted solution that meets all quality, time, cost, and customer satisfaction objectives.

This solution can be anything from a piece of software, or an improved business process, to an entirely new manufacturing facility. In its most basic form, project management is concerned with the definition, representation, construction, validation, and incremental delivery of a set of work products that meets the project's goals.

It is this ability to rapidly grasp the doable from the infinite possibilities, and then the ability to convert it into a tangible piece of value on time and within budget that makes this competency so scarce and, of course, so valuable.

Since being able to *deliver* is such a critical element of effective project management, its underlying delivery philosophy emerges as an important area of attention. That is, the philosophy that governs how work is organized, planned, and carried out in order to reliably (i.e., at low risk) produce the tangible value that the project goals require.

An effective delivery philosophy is based on two principles:

- The use of *deliverables* to precisely define the value content of the project
- The use of a *build plan* to optimally package and incrementally deliver that value to the customer

These two ideas, though simple in concept, are often overlooked, and yet lie at the heart of all successful projects. Let's discuss these points carefully.

First, all projects can be thought of as a collection of deliverables where each deliverable is a completely self-contained unit that contributes a subset of the project's total value. The key idea here is that a deliverable must contain value as defined by the customer, not by the project team, or by some internal process. This value focus is vital to ensure that the project concerns itself with only those

Value-Driven Performance Ethic

Architectures Drive Decision-Making To Optimize Focus - Leverage Trade-Offs

Business and technology architectures mutually supportive
Reusability is a religion
Bias towards assemble versus build
Tactical choices always influenced by architectural direction
Focus versus leverage balance continually scrutinized
Capabilities that are not strategic, competencies that are not distinctive, and processes that are not unique are outsourcing candidates

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activities and tasks that add tangible value to the customer.

Depending upon the project, a deliverable can be a document like an analytical report, a technology capability like the ability to enter orders online, or a physical facility like new office space. Further, these deliverables can have their own internal structure as well so long as in each case any constituent deliverables also meet the customer value criterion.

In addition, each deliverable is assigned a deliverable manager who is fully responsible for its definition, construction, validation, and customer satisfaction. The deliverable manager is, in effect, the individual on the project team who is responsible for ensuring that the conceptual integrity of the deliverable is maintained throughout the project's duration.

Accordingly, the deliverable manager prepares the work plan (tasks, effort and cost estimates, schedule, assumptions, constraints, and risks) associated with the assigned deliverable, and then manages the actual effort against that plan. As an example, Figure 4 illustrates a project with two primary deliverables, labeled A and M, together with their constituents (a total of twenty-one deliverables).

This view of a project as a collection of well-defined, tangible deliverables greatly simplifies project planning, sizing, risk assessment, change control, and progress reporting. In particular, it means that the total plan for a project, or its status, at any point in time is simply the aggregate plan and status of each of its constituent deliverables.

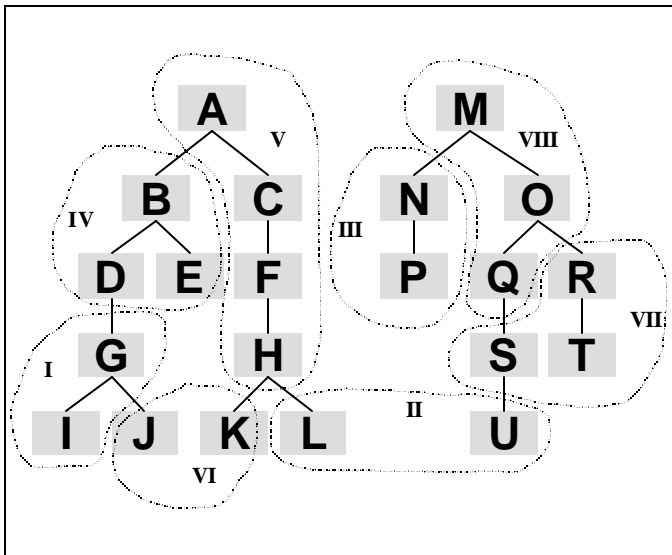


Figure 4. Deliverables and their packaging into Builds.

Secondly, the build plan is a tool for organizing these deliverables into chunks of customer-usable functionality. A build plan defines the contents of each build (i.e., its specific deliverables), the sequence in which builds are implemented, and the dependencies among builds. Figure 4 shows how the twenty-one project deliverables (A-U) have been packaged into eight builds (I-VIII). The corresponding build plan showing their sequence and dependencies is illustrated in Figure 5.

Using this principle, each build is designed so that it exhibits the following characteristics:

- Comprises an integral number of deliverables
- Provides a relatively small, but functionally complete subset of the total solution
- Consists of all the analysis, construction, validation, and customer acceptance activities for all the deliverables in that build
- Engineered so that it can be continuously integrated with all prior builds into the evolving total solution

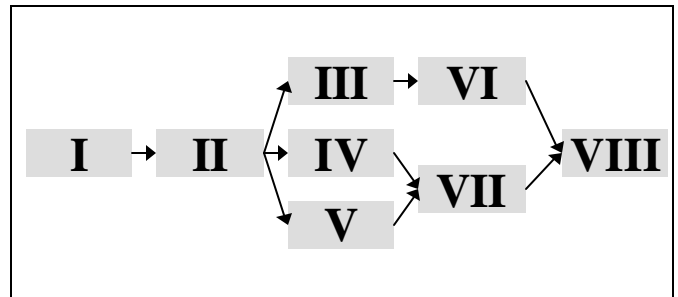


Figure 5. The Build Plan.

This approach has the following benefits:

- Allows progress to be defined in terms of actual customer capabilities that can be visualized and experienced, rather than by technical or project oriented events or phases, and thus serves as a practical expectation and progress management tool
- Ensures an operational subset of the solution is always available, i.e., that subset consisting of all those builds that have been integrated so far
- Allows the proposed benefit stream to be realized as early as is feasible
- Creates a momentum of success and true progress since new tangible value is available (typically) every three to six weeks

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- Identifies defects (especially gaps in customer expectations) very early in the project life cycle which substantially reduces project costs while improving customer satisfaction
- Increases scheduling flexibility by permitting the build sequence to be altered as conditions warrant
- Isolates any problems to the current build, thus dramatically reducing correction and reintegration costs and schedule delays
- Promotes a high degree of parallelism in scheduling that dramatically reduces overall project calendar time

Organizations require world-class project managers. Moreover, since project managers forge that essential link between strategy and execution, they are, almost by definition, a strategic asset. Consequently, this talent must be a corporate resource, or at least highly mobile, and should not be outsourced.

Value-Driven Performance Ethic

Finally, the last critical challenge concerns the importance of establishing the right performance ethic for an organization. This refers to the collection of habits, customs, understandings, and relationships with which people work every day to operate and support the business and its customers and suppliers.

A value-driven performance ethic doesn't imply an oppressive sweatshop where workers live in fear of management and where employees are second-class citizens, but rather a workplace where performance matters. That is, where there is truly a shared understanding, commitment, and alignment on the overall direction of the company, and strong leadership focused on the steps needed to achieve the required results.

The right performance ethic cannot be found in words, or slogans, or posters—it is the essence of who you are as a corporation. It defines what you stand for, and what is important to you.

An effective value-driven performance ethic is typically characterized by a sense of urgency, stretch, commitment, and delivery in all areas of the business, both internally (among various operating units and functions) and externally (among customers, partners, and suppliers). In particular, three ideas emerge:

- **Accountability.** Knife-edged clarity of roles and responsibilities, and a recognition that in a high-performance organization it is every employee's obligation to be both trustworthy while at the same time striving to constructively hold each other accountable to the values that underlie the business.
- **Discipline.** A rigor and a sense of commitment to each other, to the process, and to the importance of the right results, on time and within budget.
- **Quality.** In its broadest sense, where all of the field-proven analytical and problem solving techniques are exploited to ensure that customers' expectations are exceeded, not just met, and where continuous improvement is a way of life.

A Performance Manifesto

The five critical challenges outlined in this paper can be thought of as a manifesto for high-performance organizations seeking to maximize their strategic value. The foregoing discussion has attempted to place these challenges in their appropriate context and to offer several thoughts on how they might be overcome.

But, finally, it cannot be overestimated how important it is for leaders to recognize that the real power of any organization often lies trapped inside their companies.

Value-Driven Performance Ethic

Enabled By Reliable, High-Performance Project Delivery

*Absolute reverence for all commitments (target dates, costs)
Expectation management is rigorous and customer-focused
Frequent, incremental delivery of small, tangible, and useful work products
Project management skills are nurtured and esteemed
No surprises; risks preemptively managed*

This is the power of the individual who, when properly challenged and given the tools to succeed, and provided an environment where they can be heard and where they have the safety to stretch and grow, is then free to fully express

their capabilities and aspirations.

Mr. Smith has been assisting businesses and technology organizations for over thirty years and is currently CEO of iTest Quality Partners, a consultancy, headquartered in Chicago, IL., specializing in helping firms maximize their strategic value. He can be reached at wsmith@itestqp.com.

For more information, please contact us at (630) 365-1606, or visit www.itestqp.com.