

Engaging People to Deliver Results

Objective: Strategy is not being optimized because employees at various levels of the organization do not understand their role in executing it. Our attempts at engaging people in strategy execution are ineffective. We need a better way.

Something is not working. As leaders, we have refined our vision and mission, our strategic objectives and values until they mean something to each of us and they feel compelling and real. We have debated over our critical success factors and initiatives, our KPIs and balanced scorecards until we have reached a comfortable consensus. We have presented a unified front as we boldly announced our strategic plans and rallied the troops at our annual conferences. We have done all we should, but our best-laid plans are not delivering. Our elegant strategies are not being optimized, and we are left to ask why and what more can we possibly do?

Let's begin with what we know:

- Strategies are not being optimized.
- Strategy execution is the most important factor in delivering results.
- People are the key to successfully executing strategies.
- People are not engaged or equipped to execute strategies effectively.
- The way that we currently engage and equip our people is ineffective.

What is wrong with this picture?

- Strategies are *not* being optimized.

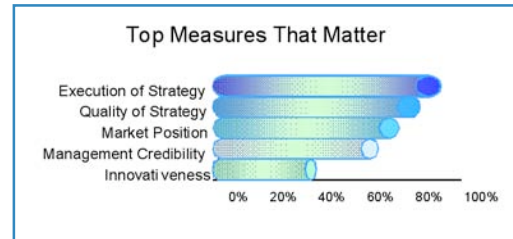
It comes as no surprise to any architect of a strategic plan that the best-framed plans rarely deliver optimal results. According to Robert Kaplan and David Norton, authors of *The Balanced Scorecard*, fewer than 10% of well-formulated strategies are successfully implemented.ⁱ Many remain grudgingly on the paper on which they were written; others find the half-hearted fortune of partial implementation. So, while many of our companies can boast survival from a rocky period, how many of us can say we are truly thriving and delivering the best possible results to our stakeholders?



- Strategy *execution* is the most important factor in delivering results.

We have heard about the importance of concise vision statements, focused strategies, core competence...but what really drives sustained business results?

Recent studies by Ernst & Young tell us that investors believe the “execution of strategy” is more essential than market position, innovation, or even the quality of strategy itself! We see this play out time and time again. At Root Learning, clients include strategy creators and sponsors from companies across a wide range of industries. Root often finds that its clients’ strategies are eerily similar, right down to the metrics, values, and catchphrases each selects after much debate. Larry Bossidy, former CEO of Honeywell, said in his book *Execution* (co-authored by Ram Charan) that strategy is “no longer an intellectual challenge. You can rent any strategy you want from a consulting firm.” While many consulting firms may disagree with this assessment, the meaning could not be more clear. Strategy on paper cannot be the prime differentiator. To truly deliver results, we must find a way to give strategy a life beyond the paper on which it was written.



Source: Ernst & Young¹

However, most leaders devote their energy to the intellectual aspects of the strategy and then delegate its execution to others. This sends a powerful and precarious message. By checking the box once their role in crafting the strategy is “complete,” leaders tacitly proclaim that the quality of the strategy trumps its execution. And so, it becomes clearer why 90% of our strategies are not delivering.



People are the key to executing strategies.

If strategic execution is the key, then what is the key to strategy execution? Bossidy and Charan state that the “heart of execution lies in three core processes: the people process, the strategy process, and the operations process.”ⁱⁱⁱ More and more, companies recognize people as the cornerstone of the three. In fact, when



Watson Wyatt’s Human Capital Index rated companies in managing their human capital performance, they found that “scoring high in 30 key areas of people management relates to about 30 percentage points of return to shareholders.”ⁱⁱⁱ On the flip side, 70% of all change initiatives fail due to people issues – inability to lead, lack of teamwork, unwillingness to take initiative, inability to deal with change, and other areas.^{iv} This makes sense when we think of how technological advancements now allow us to measure operational efficiencies down to the penny and how the combined mind-power of our brightest consultants now ensures that our strategies are first-rate. So, if our strategy and operations are critical arteries, then our people are at the heart of strategy execution.

This means we must connect people in meaningful and integrated ways around our strategies and operations. It means we must translate our strategic ideals to tangible individual accountability, responsibility, and action at all levels of our companies. It means we must reach people beyond pep rallies or intellectual exercises. To deliver sustained results, we must engage employees in ways that are real, meaningful, and compelling to them.



People are *not engaged or equipped* to execute strategy effectively.

We know what we must do. Are we doing it?

Put simply, no. In fact, about 71% of employees today do not consider themselves actively engaged in their work.^v Why does it matter? Disengaged employees are less focused, less effective, and less able to engage

customers. In total, this translates to disengaged employees costing the U.S. economy \$300 billion per year in lost productivity.^{vi} And, this number only figures in the direct cost of *lost productivity*; imagine how it would grow if we could factor in the *opportunity cost* of sub-optimizing the most important driver of strategy execution, our people!

The Cost of Disengagement

Feeling unconnected and uninspired, half of employees indicate they put in “as little effort as possible at work.”

Source: Patterson et al., 2000²

Of course, we all have employees who are engaged in their work, who have all the best intentions to contribute and to deliver. However, many of these employees simply do not know how to deliver according to the expectations placed on them. In fact, only 43% of employees feel they are given the skills needed to fulfill their job responsibilities and achieve their company’s goals.^{vii}

To make this worrisome news even more alarming, the complexity of engaging and preparing employees is certain to increase. In the days when companies operated domestically with fairly homogenous staffs, basic employee preparation was well within grasp. Today, globalization, changing workforce demographics, and diversity are making the task of engaging workers more and more complicated. And, the shift to an increasingly services-oriented economy means that we must rely on our employees to make decisions more autonomously than ever before.

So, what are we doing to engage and prepare our employees? Many leading companies are organizing sophisticated learning programs, creating “universities of excellence,” and

delivering an abundance of talent management programs. This investment in human capital is commendable. But the real bellwether is in evaluating how our efforts translate to business results. So far, the results are murky at best.



The way that we currently engage and equip our people is *ineffective*.

Leading companies are investing significantly in sophisticated training and learning programs. But employees seem to attribute little value to the courses that are so

carefully designed. In fact, the majority of workers attribute only 10% of their own job proficiency to formal training – courses and books. ^{viii}

Yet, we typically see 90% or more of our training resources earmarked for the formal programs, which only deliver 10% of learning. The return on that investment is certainly worth exploring!

If people are the key, what is the key to the people?

- 10% of learning is from formal training.
- 20% of learning is affected through coaches and mentors.
- 70% of learning happens informally through on-the-job and off-the-job interactions.

Source: Lombardo and Eichinger, 2000³

Most formal training programs often start and end in the classroom, without any structured opportunity to practice “on the job” where real learning occurs. Is the answer to remove the classroom? Of course not! But, there are two opportunities. The first is to take advantage of the “70%” and simply recognize that informal does not have to mean “random.” We have the power to proactively plan and manage the “informal.” The second is to redefine the “10%” to make it more effective. This means applying the core concepts of informal learning to the formal setting by engaging employees in strategic context, relevant information, and interactive application.

Further, most formal training courses are geared toward developing hard and soft skills, which are seldom connected and customized to strategic execution plans. Root Learning studies show that this approach is inadequate for two reasons:



- First is the great divide between learning and business where learning specialists are fairly disconnected from business strategists. We see the consequences of this when companies who design comprehensive multi-year strategies do not regularly invest in integrated multi-year learning plans to support those strategies. This divide results in strategies that are not understood and learning that is not strategic. As a result, neither strategy nor learning is as effective as it could and needs to be.
- Next, training courses are traditionally designed as stand-alone, content-based events rather than behavior-based, end-to-end systems. Individual courses are disconnected not only from each other, but also from the bigger strategic picture. Employees are left wondering how the skills they are taught directly contribute to business results or career growth.

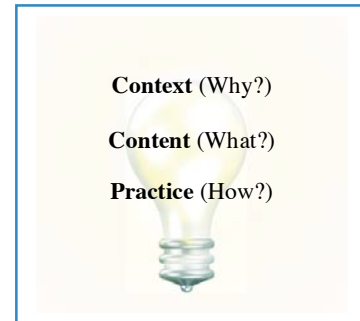
An Alternative

Most organizations have a three-to five-year strategic plan and an operating plan to go with it. When it comes to engaging people in these plans, the effort tends to be event-driven rather than process-driven. The key is to develop an engagement strategy that runs

parallel to and in support of the company strategy and the operating plan. An alternative is to develop a long-term, strategic engagement process that enables employees at all levels to share a common mental model around the strategy. Strategic learning begins to create an integrated process where people are at the heart of strategy execution. It translates strategic plans to strategic understanding to strategic action in ways that lead to desired results.

In strategic learning, we provide employees with opportunities to internalize learning in ways that allow them to apply their understanding in complex situations. We can provide employees with:

- Contextual understanding
- Content knowledge
- Opportunities to practice and apply what they learn



Traditionally, companies leapfrog the “Why” and the “What” in order to expedite the skill-building required for the “How.” However, without a direct line of sight into how their individual skills and behaviors contribute to the bigger picture, people’s actions will not necessarily be connected to the strategy and cannot be effective in executing it. Let’s explore this.

First, by providing contextual understanding of the factors influencing the strategic direction, we can translate what is on paper to clear and consistent understanding at all levels of an organization. Simply said, when it is put into **context**, strategy can and will make sense.

Once we understand the overarching strategy, it is amazing how it becomes easier to grasp supporting pieces. A well-executed strategy requires many different elements to come together and connect. Typically, employees are asked to put the strategy puzzle pieces together and without ever having seen the entire picture. A cohesive, systemic view makes what once seemed overwhelming and random



appear cohesive and sensible. Employees can effectively build their **content** knowledge of each strategic initiative, skill, or activity once they can place it within the bigger picture. They can begin to translate their understanding to action.

In order to translate strategic understanding to strategic action, employees must be given the opportunity to **practice**. Complex decision-making requires sound judgment. Judgment comes through experience. By planning opportunities for trial, error, reflection, and refinement, we accelerate the learning process in a way that is personal, applicable, and sustainable.

Finally, in order to contribute to tangible strategy execution, people need tools and capabilities to **apply** concepts in real work settings. This happens “on the job” rather than “in the classroom.”

Each person in an organization has a role to play in executing strategy and engaging and preparing others to join. It is not only critical that that person excels in their individual role, but also that their efforts are connected to others’ and to the whole. However, in most organizations there is often little connectivity or alignment.

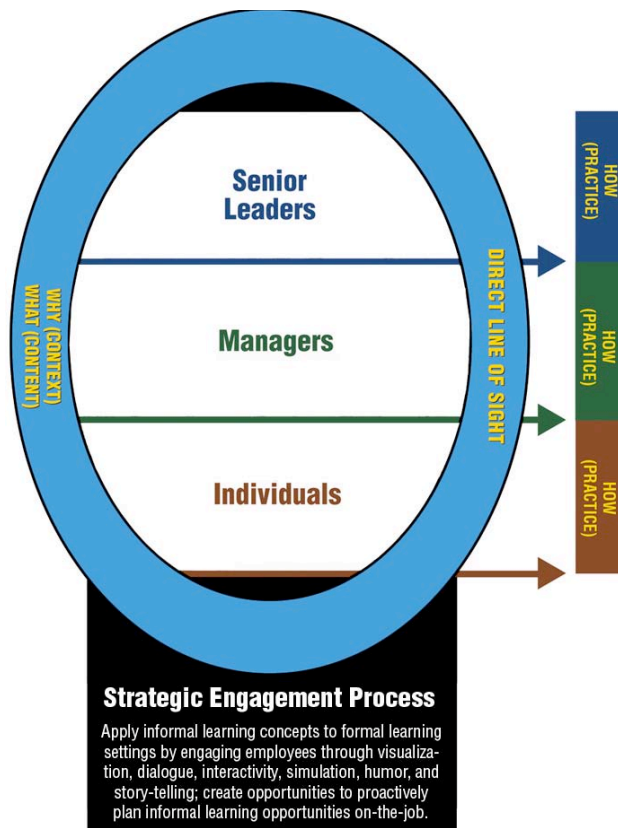
Strategy Engagement Process – A closer look

Companies that successfully execute strategy take employee engagement to the next level, by fundamentally grounding it in the strategy. These companies not only focus on creating the culture of employee satisfaction or even engagement, but also connect those feelings to real strategic priorities. In fact, there are three core areas to true “Strategic Engagement”:

- Creating Line of Sight, or common understanding of strategic plans
- Connecting Goals, so that each team or person is able to make a meaningful, consistent, and personal connection to the bigger strategic picture
- Developing Capabilities, in a way that is clearly and inherently connected to the strategic direction and goals.

Together, these three elements drive a level of Strategic Engagement that can result in meaningful, measurable change.

Of course, alignment and consistency do not automatically translate to uniformity. Not everyone in an organization has the same learning needs. While it is valuable to have everyone in the organization share a common mental model around the “why” and the “what” of the strategy, “how” it is brought to life will vary according to a person’s role. How we expect a CEO to execute her role in the strategy is typically quite different from how we expect a front line worker to contribute. So, in order to bring a strategy engagement process to life, the responsibilities vary based on where one sits in the organization. Let’s explore the particular responsibilities unique to each level more closely.

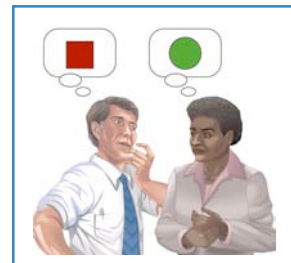


❖ Senior Leaders

Clarity and alignment at the most senior level sets the foundation for how a strategy will be executed. Although tough to acknowledge, it is not unusual to have a wide variance between what is said and what is meant at the senior leadership level. McKinsey Quarterly points to a well-known energy company where five top executives were asked to list the company's 10 highest priorities. Alarming, they listed a total of 23 priorities; only two appeared on every executive's list and only seven were on the lists of more than three members. In fact, 13 of the 23 priorities appeared on only one list.^{ix} Root Learning's experience is similar. Root's CEO, Jim Haudan, often speaks of the *three great lies* he hears from senior leaders: "We have a strategy; we are aligned on our strategy; and we have data to support our strategy." If this is true at the most senior level, how then are expectations translated to the broader organization? The messages must be mixed at best.

Create an Aligned Mental Model

Sometimes, leaders are not aligned because our perspectives are simply different. Picture your hometown. What do you see? If six leaders are gathered in a room, we will have six different pictures in our minds. Now, picture "world-class customer service" or "value chain." When we read our strategic documents, we all agree on those priorities. But, what is the picture in each of our minds? Just like our home town, we interpret these words through our individual lenses. While our unaligned interpretation may be completely unintentional, without a common picture, we cannot translate the strategy from paper to action. This is why strategy execution trumps all else. Words say only so much; the translation of the words to meaning and action is difficult. Those who can do it, win.

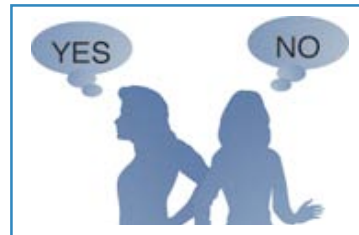


Promote Individual Ownership of the Whole

In most organizations, individuals on senior leadership teams hold direct responsibility and ownership over particular functions, geographies, business units, or "silos." Performance in these individual areas is expected and typically delivered with the understanding that the parts will contribute to the success of the whole. Whether it is because of human nature, organizational culture, or leadership team dynamics – our focus on our individual area of accountability often "trumps" our focus on the whole. This occurs with even the most well-intentioned leaders. When our hearts, minds and actions are geared toward our individual area, we lose the opportunity to connect our personal strengths, functional expertise, and business resources in a way that the whole exceeds the sum of its parts. Building the case for ownership of the whole and enabling individual leaders to keep one eye on the bigger picture brings powerful results.

Cultivate Aligned Behaviors

Sometimes our lack of alignment happens tacitly, but quite intentionally. This happens when our leaders' behaviors do not support the overall strategy through to its full execution, often because team-based rewards compete with corporate results. When this happens, the functional becomes more important than the overall. Leaders' intentions and behaviors then become the core for how strategy is interpreted, prioritized, and executed throughout the functional organizations. The cascade effect can be devastating.



When leaders focus on the creation of strategy and delegate the execution of strategy to others, it becomes challenging to deliver results.

- Instead of entrusting the detail work to others whose time is less “valuable,” leaders must adapt their behaviors to truly support strategy execution on par with strategy creation.
- Instead of delegating the “people process” to the once disconnected Human Resources staff, we must bring our most capable HR partners to the strategy table and ensure that people plans are fully integrated with the strategy and operations processes. This requires us to act in an inclusive, people-focused manner, which may demand behavioral shifts or cultural transformation.

When leaders prioritize *people* as critical drivers of organizational success, we send a powerfully positive message. When we delegate *people* to the next level, we send a conflicting message to our high-potential managers about what they should focus on to advance their careers to the executive level. This all demands a new degree of clarity, alignment, and accountability among our most senior leaders.

❖ **Managers**

Perhaps the most untapped source to unleashing momentum and driving change lies in the hands of management. Managers are closest to the people who are working on the front lines every day and have a tremendous ability to directly influence the translation of strategy to action. Perhaps, they are labeled “middle” management not because they are in the mid-stage of their career, but because they are centrally positioned to bridge the gap between senior leaders' strategic plans and individual contributors' daily work. Yet, many managers lack the confidence, experience, and tools necessary to manage effectively.

Interpret Strategy Consistently

This often starts with an inconsistent interpretation of the strategy itself. This may happen because the executive leading a manager's functional area has intentionally or unintentionally shared unaligned perspective and priorities. Or it may happen because the manager simply has not been given opportunity to develop contextual understanding of the strategy. In either case, this inconsistent interpretation leads to unpredictability in executing the strategy.

Connect Team Efforts to Corporate Goals

Creating critical connections so that efforts are aligned to deliver results at all levels is difficult. Often, managers do not have the capability or the supporting tools to help them prioritize activities and make decisions that directly contribute to the overall performance. Too often, decisions that managers make for their teams not only sub-optimize the corporate goals, but actually conflict with other teams' priorities and goals. This leads to disconnected siloed efforts that do not foster optimized corporate results.

Engage People and Teams

Too often, however, this group is unprepared to understand the bigger picture and ill-equipped to engage their employees to perform. Managers have a hard time *getting it* and have a harder time transferring it to others and translating it to results. This is often the natural consequence of the head violinist being promoted to conductor as a reward for his stellar performance. Individual performance does not automatically translate to group leadership.

Should we expect managers to automatically be prepared to lead upon their promotion? It turns out that the experience they have as individual contributors may not prepare them, and the preparation they receive in the classroom is ineffective. In fact, 73% of graduates surveyed in a recent study report that their MBA skills were used “only marginally or not at all” in their first managerial assignment. The study showed that “one learns to be a leader by serving as a leader.”^x Of course, there must be a more efficient way to prepare leaders than waiting for 20+ years of experience to sink in. To suggest that only the most tenured managers are capable of leading is to miss a critical developmental opportunity. We must find ways to make classroom activities more relevant and to make informal, on-the-job learning more directed. Better yet, we must help managers to be more effective in engaging their people.



❖ **Individual Employees**

Front line workers are the closest to the customer, to the line, and to the opportunities for tangible change and results. It is through them that the strategy will ultimately live or die. However, about 71% of employees are not engaged in their work and many do not feel they are prepared to do their job.

Understand Organizational and Team Strategies

Like (and often because of) their managers, individual employees' interpretation of strategy is typically incomplete. Often, front line employees have limited information about the organizational direction and priorities. As a result, they may view strategic initiatives as “flavor of the month” because they have not made the critical connections to the bigger picture. We have not presented the strategies in a way that is meaningful and relevant to the individual contributor.

Connect Individual Efforts to Strategic Goals

For many reasons, front line employees don't connect their actions to the whole and don't understand their role in executing strategy. They patiently or impatiently wait for someone to tell them what to do or they vehemently follow what has been outlined for them in their job description. In fact, the percentage of employees who say they have a clear "line of sight" between their jobs and company objectives dropped 13 points between 2000 and 2002 to 52 percent.^{xi} In today's fast-paced world, we must ask employees to make decisions at the front line and with customers – and have these decisions align with organizational objectives. We rely on their judgment, but employees are often unclear how to act. Providing these individuals with clarity on how to connect their actions to the bigger picture, along with opportunities to prioritize their personal objectives through performance management systems, will ensure that their actions are executed in the best interest of the organization.

Develop Strategic Skills

Once they do understand the strategy and their role in it, it is critical that employees begin to apply that knowledge to their daily work. Employees must translate understanding to action in a way that builds judgment and confidence. Very often, however, skills-training is disconnected from strategic and operational planning. So, employees are not able to prioritize or connect the training on particular skills to the business results or career development opportunity.

Individuals at the front lines are often so entrenched in the demands of their daily work that they are unable to step back and prioritize their efforts or understand the value they contribute in the broader context. And, the training they are provided often exacerbates this situation when it provides formal instruction that is disconnected from strategic priorities. We must find new ways to engage front line employees so they align their efforts with business priorities, they improve their confidence and judgment to make sound decisions, and they commit to developing their careers within the organization.

Engaging People to Deliver Results

We need a better way to engage and equip our people to execute strategy and deliver results.

Deploying strategy is all about creating connections... from the strategic big picture to the tactical daily work, from process change to team performance, and from leaders and managers to front line employees. By building critical connections, people at all levels will understand the drivers of change and will own the strategic response. Teams and individuals can then focus their efforts appropriately. And, our businesses will move strategic plans to focused action and desired results through the broad engagement of our



people.

A systems-approach to strategy deployment demands a systems-approach to people engagement. As we focus on the three core processes at the “heart of execution,” we create systems for engaging our people that are directly linked to our overall strategy and operations processes. We must integrate learning into our organizations in a way that is strategic, natural, and purposeful. This means creating formal and informal learning opportunities in areas that drive individual performance and business results. It means equipping people with contextual understanding, providing them with relevant and applicable content, and giving the opportunity to apply and practice their new knowledge. And, equally important, it requires engaging an increasingly diverse, global, and sophisticated employee base with creative and engaging methodologies to keep the learning interactive and fun. By combining engaging learning activities with strategic relevance, personal and organizational effectiveness is sure to blossom.

Remember, focusing our smartest leaders on designing sound strategic plans will not set us apart anymore. Exceptional leadership is being redefined. It is about engaging the broader group to execute strategy and deliver results. It doesn't matter how smart we are in the boardrooms, execution is more important than strategy. It doesn't matter what the brightest few know – it only matters how engaged the many are to act and deliver.

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Root Learning is a strategic learning company that offers a blend of formal activities and informal tools designed to drive employee engagement and results. Root Learning is located in Maumee, Ohio, with offices in Chicago, London, England, and Zurich, Switzerland.

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- iii Watson Wyatt Worldwide Human Capital Index: “Linking Human Capital and Shareholder Value.”
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- v The Gallup Management Journal, June 10, 2004.
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- viii Michael Lombardo and Robert Eichinger, *The Leadership Machine* (Lominger Ltd Inc., Otabind edition, December 1, 2000), page 114.
- ix The McKinsey Quarterly, “Teamwork at the Top,” 2001 No. 2 by Erika Herb, Keith Leslie, and Colin Price.
- x B.M. Bass, *Stogdill’s Handbook of Leadership* (New York: Free Press 1981), pages 553-583.
- xi Watson Wyatt Worldwide. WorkUSA® 2002. “Weathering the Storm: A Study of Employee Attitudes and Opinions.”

Additional Information on Charts

Chart 1 - Top Measures That Matter (page 1)

Ernst & Young, “Measures That Matter™: An outside-in perspective on shareholder value recognition” (<http://www.ey.com/global/Content.nsf/UK/CF - Library - MTM>).

Chart 2 - Cost of Disengagement (Page 3)

Kerry Patterson, Joseph Grenny, Ron McMillan, and Al Switzler, *Better Than Duct Tape: Dialogue Tools for Getting Results and Getting Along* (Plano, Texas: Pritchett Rummler-Brache, 2000), page 6.

Chart 3 - If People are the Key (Page 3)

Michael Lombardo and Robert Eichinger, *The Leadership Machine* (Lominger Ltd Inc., Otabind edition, December 1, 2000), page 114.