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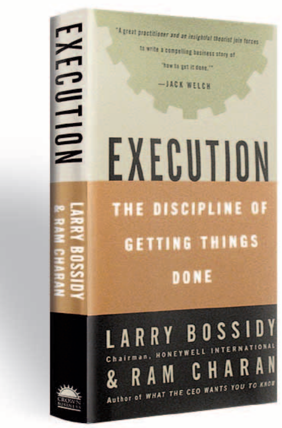

By Larry Bossidy and Ram Charan

The Discipline of Getting Things Done

EXECUTION

THE SUMMARY IN BRIEF

Organizations face many challenges in today's shaky economy — competitive battles, increased costs, decreased margins, and a host of other internal and external forces. In order to shore up their companies' responses to these factors, today's leaders must be able to take the goals they set for their organizations and turn them into results. Unfortunately, too many companies struggle to bridge the gap between goals and results — they create solid, logical, even bold plans, but are unable to execute properly.

Honeywell CEO Larry Bossidy and management advisor Ram Charan contend that the reason for this gap is that businesspeople do not think about execution as a discipline or a cornerstone of a business' culture — and they must. From middle management all the way up to CEO, a company's leaders must recognize execution as the most important collective set of activities in which they can engage. No more is there room for leaders who rely merely on their vision to get from goals to results; to survive, they must get more involved in the details of execution. There is much work to be done, and Execution *shows you how to do it.*

What You'll Learn In This Summary

✓ **Why Execution Is Necessary.** Leaders simply are not taught the discipline of execution; more time and scholarship are given to strategic thinking and management techniques. Neither mean much to a company, however, if its leader cannot take an idea and make it reality.

✓ **Seven Essential Behaviors.** From following through on commitments to rewarding those employees who produce results, if you are serious about execution and leadership, you must exhibit these key behaviors.

✓ **Creating the Framework for Cultural Change.** The culture of an organization is the sum of its shared values, beliefs and norms of behavior. Leaders who want to foster an execution-supporting culture must focus on changing the beliefs within their company that influence specific behaviors, since behaviors are what ultimately deliver results.

✓ **The Three Core Processes of Execution.** Many organizations treat their people, strategy and operations processes as separate, independent entities, when in fact they are interrelated — and must be treated as such in order to ingrain the discipline of execution into the corporation.

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Why Execution Is Necessary

While there exists an enormous amount of scholarship and research on *management techniques* and *strategic thinking*, hardly anyone speaks of execution in the same terms. To understand execution, you must keep three things in mind:

1. Execution Is a Discipline. No worthwhile business strategy can be planned without taking into account how to execute it. Execution is a systematic process of rigorously discussing hows and whats, questioning, tenaciously following through, and ensuring accountability.

2. Execution Is the Major Job of a Business Leader. Many business leaders like to think that the top dog is exempt from the details of actually running things, that setting strategy from the mountaintop is enough. In reality, only a leader can make execution happen, through deep personal involvement.

3. Execution Must Be a Core Element of a Business Culture. Execution must be embedded in the reward systems and in the norms of behavior that everyone practices.

The Forgotten Skill

Every truly great leader has an instinct for execution, but that instinct is not typically cultivated in the selection, training and development of leaders. A high proportion of those who actually rise to the top of an organization make their mark as high-level thinkers, uninterested and (as a result) uninvolved in the "how" of getting things done. Many do not realize what needs to be done to convert a vision into specific tasks.

The crucial component of dialogue between leaders and those subordinates who help them execute a strategy is typically lacking. Leaders don't know to involve people from all affected areas of a strategic plan's outcome in the initial shaping of the plan. They don't think to ask those people about the hows of the plan's execution. As a result, leaders never set milestones for the progress of the plan, nor do they put contingency plans into place to deal with unexpected issues.

In other words, when leaders are allowed to remain detached and rendered incapable of developing skills and experience related to execution, efforts at creating and running an execution strategy will fail, from the top down. ■

Compaq Vs. Dell — Execution Made the Difference

Former Compaq CEO Eckhard Pfeiffer had an ambitious strategy — before any of his competitors, he saw that the so-called Wintel architecture (the combination of the Windows operating system and Intel's constant innovation) would serve for everything from handheld computers to linked networks of servers. Pfeiffer broadened Compaq's base through numerous acquisitions in an attempt to serve all the computing needs of enterprise customers. He moved at breakneck speed on his bold strategic vision and, by 1998, was poised to dominate the industry.

In the end, though, the strategy failed to achieve such stellar results. Integrating the acquisitions and delivery on promises required better execution than Compaq was able to achieve. In addition, neither Pfeiffer nor his successor pursued the kind of execution necessary to make money as PCs became an increasingly commodity business.

Michael Dell, on the other hand, understood that kind of execution. His direct-sales and build-to-order approach formed the core of his business strategy, and stands as the chief reason Dell passed Compaq, both in market value and as the biggest maker of PCs.

For a comparison of execution to Six Sigma, go to: http://my.summary.com

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THE BUILDING BLOCKS OF EXECUTION

Execution doesn't just happen. Essential building blocks must be in place in your organization. This section of the summary looks at three of the most important of those building blocks. ■

Building Block 1: The Leader's Seven Essential Behaviors

What exactly should you as a leader who is in charge of execution do? How can you keep from being a micromanager, caught up in the details of running the business? The answer is to exhibit the seven essential behaviors of successful execution management:

● **Know your people and your business.** Leaders have to live their businesses. In companies that don't execute, the leaders are usually out of touch with day-to-day realities. The bulk of information that reaches them is filtered — presented by direct reports with their own perceptions and agendas.

● **Insist on realism.** Many organizations are full of people who try to avoid or shake reality, because it is uncomfortable, or too revealing of mistakes made. Yet, realism is the heart of execution, and must be made a priority in every organization.

● **Set clear goals and priorities.** Leaders who execute focus on a very few clear priorities, for a number of reasons: 1) focusing on fewer (three to four) priorities will produce the best results from the resources at hand; and 2) people in contemporary organizations need a small number of clear priorities to execute well.

● **Follow through.** Clear, simple goals mean little if nobody takes them seriously. The failure to follow through is widespread in business and a major cause of poor execution. Leaders must surface conflicts that stand in the way of achieving results, and create follow-through mechanisms, such as follow-up meetings, to ensure everyone will do what they're supposed to.

● **Reward the doers.** If you want people to produce specific results, you must reward them accordingly. Many corporations do such a poor job of linking rewards to performance that there's no correlation at all. When companies don't execute, chances are they don't measure, don't reward, and don't promote people who know how to get things done.

● **Expand people's capabilities.** One of the most important parts of a leader's job is passing on his or her experience and wisdom to the next generation of leaders, thereby expanding the capabilities of the entire organization.

● **Know yourself.** Everyone pays lip service to the idea that leading an organization requires strength of character; in execution, however, it is absolutely critical. Without such emotional fortitude, you can't be honest with yourself, deal honestly with business and organizational realities, or give people forthright assessments. This emotional fortitude is comprised of four core qualities: authenticity, self-awareness, self-mastery, and humility. ■

For Larry Bossidy's comments on confronting issues realistically, go to: http://my.summary.com

Jack Welch's Hands-On Management

In the mid-1990s, a friend told Jack Welch, General Electric's CEO, about a new methodology for making a quantum increase in inventory turns in manufacturing operations. It was thought that GE could generate cash if it could increase its inventory turns across the company. The leading practitioner of the methodology was American Standard, whose plants had achieved as high as 40 inventory turns per plant, compared to the average of four at most companies.

Welch wasn't content to just get the concept, or to send some of his manufacturing people out to investigate it. Instead, he paid American Standard CEO Emmanuel Kampouris a visit, in order to understand the workings personally. He also accepted an invitation to speak at the company, and spent the better part of one evening's dinner querying two successful American Standard plant managers about the details of their respective operations — the tools, the social architecture, and how they overcame resistance to the new methodology.

By involving himself deeply and personally with the subject, Welch learned what it would take to execute such an initiative at GE, and was able to get the necessary changes rolling quickly throughout his huge company. By the time of his retirement in 2001, Welch saw GE's inventory turns double.

Building Block 2: Create the Framework For Cultural Change

When a business isn't doing well, its leaders often think about how to change the corporate culture. While they are correct in their assertion that the beliefs and behaviors of their people are at least as important as the strategies they execute (or, in some cases, fail to exe-

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Building Block 2: Create the Framework For Cultural Change

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cute), most efforts at cultural change fail, in part because they are not linked to improving the company's outcomes. Cultural change gets real only when your aim is execution.

A New Way of Thinking

There's an adage that holds true in this discussion — we don't think ourselves into a new way of acting; we act ourselves into a new way of thinking.

This begins with demystifying the word culture. Stripped to its essence, the culture of an organization is the sum of its shared values, beliefs, and norms of behavior.

Some who endeavor to change an organization's culture often start with the intention of changing its values — its fundamental principles and standards, such as integrity or respect for the culture. What they should instead focus on changing are the beliefs within a company that influence specific behaviors, things that are conditioned by training and experience. Behaviors are beliefs turned to action, the things that deliver results. To deliver better results, start with examining whether your organization's ingrained beliefs are helping the business perfect its execution.

To deliver better results, start with examining whether your organization's ingrained beliefs are helping the business perfect its execution.

Change Behavior by Changing Rewards

A business' culture defines what gets appreciated, respected, and, ultimately, rewarded; those rewards and their linkage to performance are the foundation of changing behavior. If a company rewards and promotes people for execution, its culture will change. However your organization determines rewards, the goal should be the same — your compensation and reward system must have the right yields. You must reward not simply on strong achievements on numbers, but also on the desirable behaviors that people adopt. Over time, your people will get stronger, as will your financial results.

The Importance of Dialogue

Another cultural factor to recognize is the importance of robust dialogue. You cannot have an execution culture without such a dialogue — one that brings reality to the surface through openness, candor, and informality. Your people must enter into such a dialogue with open minds, uncluttered by misconceptions or propaganda. Everyone must be open to speaking candidly, and to receiving the real opinions of others as well. ■

Building Block Three: Have the Right People In the Right Place

An organization's workers are its most reliable resource for generating excellent results year after year; their judgments, experiences and capabilities make the difference between success and failure.

Yet, the same leaders who exclaim that "people are our most important asset" usually do not think very hard about choosing the right people for the right jobs. Typically this is because they're thinking too much about how to make their companies bigger or better positioned globally. Over time, however, it's choosing the right people that creates competitive advantage.

Why, then, are the right people not in the right jobs? Here are some of the reasons — and what you can do about them:

- **Lack of knowledge.** Leaders often rely on sometimes fuzzy or prejudiced staff appraisals when placing people into positions. They should, instead, define the job in terms of its three or four nonnegotiable criteria — things the person must be able to do to succeed.
- **Lack of courage.** There are innumerable cases of the wrong person being kept in the wrong job, simply because the person's leader doesn't have the emotional fortitude to take decisive action, confront the person, and make a change. Such failures do considerable damage to a business; indeed, if the non-performer is high enough in the organization, he or she can be particularly destructive.
- **The psychological comfort factor.** Many jobs are filled with the wrong people because the leaders who promote them are comfortable with them, and the employees are loyal to those leaders. However, if that loyalty is based on the wrong factors (social reasons, rather than professional, etc.), it could be damaging. Often, breaking free of this comfort factor is exactly what a leader must do to bring about change.

When Reginald Jones — a cerebral, well-spoken person — selected Jack Welch — a blunt, irreverent, from-the-gut leader — to replace him as CEO of General Electric, many questioned the move. Jones, however, knew GE had to change, and that Welch possessed the right kind of personality and professional approach to get the job done. Jones broke free of the comfort factor, to the benefit of the company and its shareholders. ■

For Ram Charan's comments on fuzzy staff appraisal, go to: http://my.summary.com

THE CORE PROCESSES OF EXECUTION

The heart of execution lies in three core processes: the people process, the strategy process, and the operations process. Every business and company uses these processes in one form or another; more often than not, however, they stand apart from one another like silos, and are performed by rote and as quickly as possible. What many leaders miss is the fact that these processes are where the things that matter about execution need to be decided, and as such, they should be prosecuted with rigor, intensity and depth.

The processes should be tightly linked with one another, and the leader of the business and his or her leadership team must be deeply engaged in all three. They are the owners of the processes, not the strategic planners or the human resources or finance staffs. ■

The People Process: Linking Strategy and Operations

The people process is more important than either the strategy or operations processes; if you don't get the people process right, you will never fulfill the potential of your business. A robust people process does three essential things:

● **Evaluates individuals accurately and in depth.**

● **Provides a framework for identifying and developing the leadership talent the organization will need to execute its strategies in the future.**

● **Fills the leadership pipeline that is the basis of a strong succession plan.**

A robust people process provides a powerful framework for determining the organization's talent needs over time, and for planning actions that will meet those needs. It is based on four building blocks: 1) linkage of people to strategy and operations; 2) development of the leadership pipeline; 3) dealing with nonperformers; and 4) linking human resources to business results.

Linkage of People to Strategy and Operations

The first building block of the people process is its linkage to the strategic milestones (see example at right) over the near (0-2 years), medium (2-5 years) and long terms, as well as the operating plan targets. Business leaders create this linkage by making sure they have the right kinds and numbers of people to execute the strategy.

Be prepared to make tough decisions. The strategic milestones you set might necessitate a reevaluation of your leadership team, should you determine that the skill sets required to meet your near-, medium- and long-term goals will be beyond the reach of your current staff. This is a difficult social process — no one wants to tell good people they aren't capable of moving to the next level — but it must be done.

Development of the Leadership Pipeline

Meeting medium- and long-term milestones depends largely on having a pipeline of promising and promotable leaders. To determine the ability of current staff to take on larger responsibilities, you must conduct an assessment of their skills. This will reveal the adequacy of your leadership pipeline in terms of quantity and quality.

Analyzing succession depth and retention risk analysis is the essence of talent planning and building a leadership pipeline of high-potential people. The retention risk analysis looks at a person's potential marketability, as well as the risk a business faces if he or she leaves. Succession depth analysis determines whether the company has enough high-potential people to fill key positions. It also looks at whether there are high-potential people in the wrong jobs and whether key people will be lost if a job is not unblocked for them.

Such analysis helps an organization avoid two dan-

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Strategy Milestones

NEAR TERM (0-2 YEARS)	MEDIUM TERM (2-5 YEARS)	LONG TERM (5+ YEARS)
• Expand beyond existing product line toward selling solutions	• Further expand penetration in existing customer segments	• Become pioneers of leapfrog technology
• Launch new initiative to expand services to installed base	• Develop intermediate approaches to selling solutions to new customer segments	• Build more useful alliances
• Secure new expertise in technology	• Evaluate and engage alliance partners	• Develop low-cost sourcing ideas

GE's Talent Domino Effect

In the mid-1990s, when it had become clear that GE was the world's best producer of leadership talent, its division presidents were all retention risks, targeted by top headhunters to take their experience and expertise to other companies. GE's people process provided a forum for how to retain these valuable people by both garnering data and providing financial rewards, such as stock grants that could not be cashed until retirement.

When a key person does leave, however, the process almost always provides a needed replacement within 24 hours. For example, when Larry Johnson, the president of GE's appliance division, announced in spring 2001 that he was leaving to become CEO of another company, GE named his successor on the same day. The organization was also able to announce — on that same day — who would fill all the positions created by the domino effect of related promotions.

The People Process: Linking Strategy And Operations

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gers: organizational inertia (keeping people in the same job too long) and moving people up too quickly.

Dealing with Nonperformers

Even the best people process doesn't get the right people in the right jobs 100 percent of the time; likewise, it can't make everybody into a good performer. The final test of a people process is how well it distinguishes between those who have been promoted beyond their capabilities and need to be moved to other positions, and those who simply must be moved out.

Linking Human Resources to Business Results

Human Resources has to be integrated into the business process. It must be linked to strategy and operations, and to the employee assessments, across the enterprise. This is a different approach than many companies have taken in the past. At one time, managers might assign HR personnel to recruit or execute specific elements of a strategic plan, such as negotiating with a union if a plant would need to be shut down.

In today's execution-minded companies, HR is different. Personnel within the department are expected to have a point of view about how one achieves a business objective or strategic plan, just like any other participant in the management process. HR people must not only be well trained in how to develop and retain people — they must also possess the business acumen, critical thinking skills, and ability to link strategy and execution. In other words, they must have the same tactical skills as any business leader. ■

The Strategy Process: Making the Link with People and Operations

A good strategic planning process requires the utmost attention to the hows of executing a strategy. A robust strategy is not a compilation of numbers, nor is it a "crystal ball" forecast of extrapolated numbers for the next ten years. It must be an action plan that business leaders can rely on to reach their business objectives.

You need to identify and define the critical issues behind your strategy. You need to question the assumptions on which your strategy is based, and determine whether you have the organizational capability to execute the plan. You also need to link your strategy to your people process (to determine whether you have the right people in place to execute the strategy) and to your operating plan (to get your organization properly aligned to move forward).

Key Questions

A strong strategic plan must address several key questions:

1. What Is the Assessment of the External Environment? Every business operates within a shifting political, social and economic context. Your strategic plan must explicitly deal with those external forces and the assumptions they generate.

Examine everything from economic and demographic trends to new technologies and alliances between competitors, in order to anticipate changes that can affect your business.

2. How Well Do You Understand Existing Customers and Markets? People tend to look at their businesses from the inside out, choosing to focus so strongly on making and selling products and services that they lose awareness of the needs and buying behaviors of their customers.

Who makes purchasing decisions for your customers? It's likely different from customer to customer. In large companies, for example, purchasing agents might do the buying, while at smaller companies, your buyer might be the CFO. Each requires a different approach, which you can only take if you have that intimate customer knowledge in hand.

3. What Is the Best Way to Grow the Business

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The Strategy Process: Making the Link with People and Operations

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Profitably? What are the obstacles to growth? Does your business need to develop new products or does it need to take existing ones into new channels and to new customers? Does it need to acquire other businesses to meet key customer needs?

Finding your best growth opportunities is key to building on successes and staving off failure.

4. Who Is the Competition? Sometimes businesses miss the emergence of new competitors who have more attractive value propositions for their customers.

Most often, companies underestimate the responses of competitors, or are so consumed by dealing with one set of competitors, they fail to see new competition come on the scene. Sometimes, however, they have the opposite problem — they overestimate the competition because they haven't asked the right questions, and they miss valuable opportunities to gain advantage.

5. Can the Business Execute the Strategy? An astonishing number of strategies fail because leaders do not make a realistic assessment of whether their organization can execute the plan. That won't be a problem if you're intimately involved in your business' three core processes. You should also be listening to your customers and suppliers, and encouraging your leaders to do the same.

6. Are the Short Term and Long Term Balanced? Strategy planning needs to be conducted in real time, connected to shifts in the competitive environment and the business' own changing strengths and weaknesses, which means you must define your company's mission in the short to medium term, as well as the long term.

By breaking down the plan in this manner, you bring reality to the plan and give your business an anchor for continued growth.

Dell Addresses The Future of the PC

In 2001, Dell Computer was beginning to face its critical issue — the dim long-term outlook for PCs. No matter how much market share Dell stood to gain, the market itself had no foreseeable heady growth. Initially, the company formed an alliance with EMC to market EMC's storage equipment. An even stronger option was to expand into the adjacent segment — servers — where the growth potential dwarfs that of PCs.

But the question remains — can Dell's low-margin, high-velocity model, which works so well for PCs, be effective with more technologically sophisticated servers? The jury, at this time, is still out.

Cross Pens and Market Segmentation

One way to effectively find your best growth opportunities is by mapping your market segments. To illustrate, consider A.T. Cross' segmentation of the luxury pen market. A simple map of Cross' market segments identifies three different consumers:

- ✓ **The individual who wants to buy such a pen for him- or herself**
- ✓ **The person who buys a pen as a gift for another individual**
- ✓ **The corporation that buys thousands of pens, with its logo on them, for use as institutional gifts**

For each market segment, the product is essentially the same, but demand is different, as is the strategy. Each requires Cross to deal with different competitors, channels, economics and pricing.

7. What Are the Critical Issues Facing the Business? Every business has a half dozen or so critical issues — the ones that can hurt it badly or prevent it from capitalizing on new opportunities or reaching its objectives.

8. How Will the Business Make Money on a Sustainable Basis? Every strategy must lay out clearly the specifics of the anatomy of a business — how it will make money now and in the future. This means understanding several key pieces of information — the drivers of cash, margin, velocity, revenue growth, market share, and competitive advantage. What pricing model will you follow, and are customers willing to pay a premium for your goods? How much cash do you require for working capital? What will your competitors' reactions be? ■

The Operations Process: Making the Link with Strategy and People

The strategy process defines where a business wants to go, and the people process defines who will get it there. The operating plan provides the path for those people, breaking long-term output into short-term targets.

An operating plan includes the programs (product launches, marketing plan, sales plan, etc.) that your business will complete within one year to reach the desired levels of such objectives as earnings, sales, mar-

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The Operations Process: Making the Link with Strategy and People

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gins, and cash flow. The assumptions on which the operating plan is based are linked to reality and are debated among the finance people and the line leaders who must execute. Indeed, while the leader must be intimately familiar with each of the processes involved in executing the strategy, he or she is not the only one who must be present and involved in operations planning; all of the people accountable for executing the plan must help construct it.

The starting point in creating an operating budget is a robust dialogue among all the relevant business leaders, who sit down together to understand the whole corporate picture, including all of the relationships among its parts. All leaders and their direct reports have been given the initial cut of the budget, as well as the assumptions for the external environment, competitor analyses, and targets for the year.

The plan is then built roughly as follows:

● Those present focus on the roughly 20 budget lines that typically account for 80 percent of the impact on business outcomes, such as product mix, operating margins, manufacturing costs, and so forth. Each function represented presents its action plans for meeting the proposed budget.

● With each presentation, the leader questions the assumptions to test their validity and asks how each action plan will affect the other businesses.

● After every function has its say, the group breaks up into subteams. Each subteam discusses alternatives and the effects other plans will have on their operation.

● The groups reconvene and load all their information into a common spreadsheet program. They can then see a picture of the budget, what makes sense, and what doesn't, as well as how each component synchronizes with all the others.

● The group repeats the process again, to reshape and refine information and alternatives, until the basic budget and operating plans are complete. Typically, it requires four such cycles to come up with a winner.

As you go through the process above, keep in mind two important issues:

● **Synchronization.** All the moving parts of the organization must have a common understanding of the external environment and other crucial factors — in other words, the left hand must know what the right hand is doing. Synchronizing includes matching the goals of the interdependent parts and linking their priorities with other parts of the organization. That way, when conditions change, synchronization realigns the multiple priorities and reallocates resources.

● **Assumptions.** An operating plan addresses the critical issues in execution by building the budget on realities. How well your business leaders understand these realities is a key factor in the success of your plan. Debate on underlying assumptions is one of the most critical parts of any operating review — you cannot set realistic goals until you have debated the assumptions behind them.

Once you've built an operating plan, you must then monitor its outcomes over the course of the year. One outcome of the operations process is identifying targets that clearly and specifically reflect not only what a business wants to achieve, but what it is likely to achieve — because they are based on the most realistic assumptions and on the hows of achieving them.

In addition to establishing clear targets, you can learn a lot from building an operating plan. When you participate in such a review, you debate the very guts of your business. All involved parties get to see the company, both as a whole and as a collection of independently moving parts. They also learn how to allocate and reassign resources when the environment changes. ■

GM's Synchronized Response To September 11

The events of September 11, 2001, created real concern in Detroit that demand for vehicles would significantly decrease. In response, Ron Zarella, General Motors' vice president for North America, conceived of zero percent financing, and implementing it put demand into high gear. His timing was perfect — in November, the Federal Reserve reduced interest rates to a 40-year low of 1.75 percent. Consumers were able to refinance and gain cash for down payments, which sent demand skyrocketing.

The move required an operating plan to reprogram and reallocate resources to synchronize GM's various moving parts, helping the company determine what kinds of vehicles to build, in which plants, and where to send them, how much advertising money the company should spend, where they should spend it, and on which products. Synchronizing production and advertising was crucial — with margins cut by the zero percent financing, an imbalance between production and advertising would both lose sales and raise costs.

As it turned out, the program opened up a big opportunity for GM. Though other automakers joined the financing bandwagon, GM's swift execution and pinpoint synchronization gave the company an immediate boost in market share.