

# THE QUESTIONS THAT NEED TO BE ANSWERED

*“The bravest are surely those who have the clearest vision of what is before them, glory and danger alike, and yet notwithstanding go out to meet it.”*

—Winston Churchill

**B**efore performance at any level can be managed, the expectations for that performance need to be clearly established and communicated. This need is particularly strong at the Organization Level. If we have not clearly defined the business we are in, we certainly cannot effectively design and manage the Organization Level of Performance or establish goals, structure, and management practices at the Process and Job/Performer Levels. Without the

guiding hand of a clear strategy, we cannot be sure that we are allocating our resources appropriately, managing our critical business processes, and rewarding the right job performance. To slightly alter the old Chinese proverb, “If we don’t know where we are going, any processes and jobs will get us there.”

We will not add to the vast number of models, theories, and methodologies for strategic planning. Our objective is to identify those questions that need to be answered if an organization’s strategy is going to effectively guide performance. A clear strategy leads to a set of superordinate Organization Goals, which should drive the Nine Performance Variables depicted in Table 1.

**Table 1: Strategy's Position in the Nine Performance Variables**

		Performance Needs				
		GOALS	DESIGN	MANAGEMENT		
Performance Levels	ORGANIZATION GOALS	<ul style="list-style-type: none"> <li>Has the organization's strategy/direction been articulated and communicated?</li> <li>Does this strategy make sense, in terms of the external threats and opportunities and the internal strengths and weaknesses?</li> <li>Given this strategy, have the required outputs of the organization and the level of performance expected from each output been determined and communicated?</li> </ul>	ORGANIZATION DESIGN	<ul style="list-style-type: none"> <li>Are all relevant functions in place?</li> <li>Are all functions necessary?</li> <li>Is the current flow of inputs and outputs between functions appropriate?</li> <li>Does the formal organization structure support the strategy and enhance the efficiency of the system?</li> </ul>	ORGANIZATION MANAGEMENT	<ul style="list-style-type: none"> <li>Have appropriate function goals been set?</li> <li>Is relevant performance measured?</li> <li>Are resources appropriately allocated?</li> <li>Are the interfaces between functions being managed?</li> </ul>
	PROCESS GOALS	<ul style="list-style-type: none"> <li>Are goals for key processes linked to customer/organization requirements?</li> </ul>	PROCESS DESIGN	<ul style="list-style-type: none"> <li>Is this the most efficient/effective process for accomplishing the Process Goals?</li> </ul>	PROCESS MANAGEMENT	<ul style="list-style-type: none"> <li>Have appropriate process subgoals been set?</li> <li>Is process performance managed?</li> <li>Are sufficient resources allocated to each process?</li> <li>Are the interfaces between process steps being managed?</li> </ul>
	JOB GOALS	<ul style="list-style-type: none"> <li>Are job outputs and standards linked to process requirements (which are in turn linked to customer and organization requirements)?</li> </ul>	JOB DESIGN	<ul style="list-style-type: none"> <li>Are process requirements reflected in the appropriate jobs?</li> <li>Are job steps in a logical sequence?</li> <li>Have supportive policies and procedures been developed?</li> <li>Is the job environment ergonomically sound?</li> </ul>	JOB MANAGEMENT	<ul style="list-style-type: none"> <li>Do the performers understand the Job Goals (outputs they are expected to produce and standards they are expected to meet)?</li> <li>Do the performers have sufficient resources, clear signals and priorities, and a logical Job Design?</li> <li>Are the performers rewarded for achieving the Job Goals?</li> <li>Do the performers know if they are meeting the Job Goals?</li> <li>Do the performers have the necessary knowledge/skill to achieve the Job Goals?</li> <li>If the performers were in an environment in which the five questions listed above were answered "yes," would they have the physical, mental, and emotional capacity to achieve the Job Goals?</li> </ul>

## What is Strategy?

Organization strategy is made up of two parts: strategy development and strategy implementation. At the core of strategy development are five elements:

1. Products and services we will offer (what we are going to do)
2. Customers and markets we will serve (whom we will do it for)
3. Competitive advantages (why the customers will buy from us)
4. Product and market priorities (where we will place our emphasis)

At the core of strategy implementation is a fifth, multifaceted element:

5. Systems and structures (how we are going to bring about the what, who, why, and where)

We are not implying that these five elements are all there is to strategy. However, we believe that all other strategic analysis, decisions, and actions are either:

- Inputs to the first four elements (market research, industry analysis, competitive analysis, environmental monitoring, portfolio planning)
- Ways of measuring the effectiveness of the first four elements (financial results, market share, nonfinancial critical success factors)
- Philosophical guides to all five elements (values, culture)
- Subparts of the fifth element (budgets, marketing plans, human resource plans, technology plans)
- Problem solving and action planning to remove barriers to the fifth element

What are the questions that top managers (of an entire organization or of any component within an organization) need to answer before they can design and manage organization performance?

## Questions that precede strategic decision making:

1. What values are going to guide our business?
2. How far down the road are we going to look?
3. What assumptions about the external environment (regulation, the economy, resource availability, technology, competition, the market) underpin our strategy?

## Questions that address products and services (Element 1):

4. What existing and new products and services will we be offering (and not offering)?
5. What criteria will we use to evaluate a new product or service opportunity?

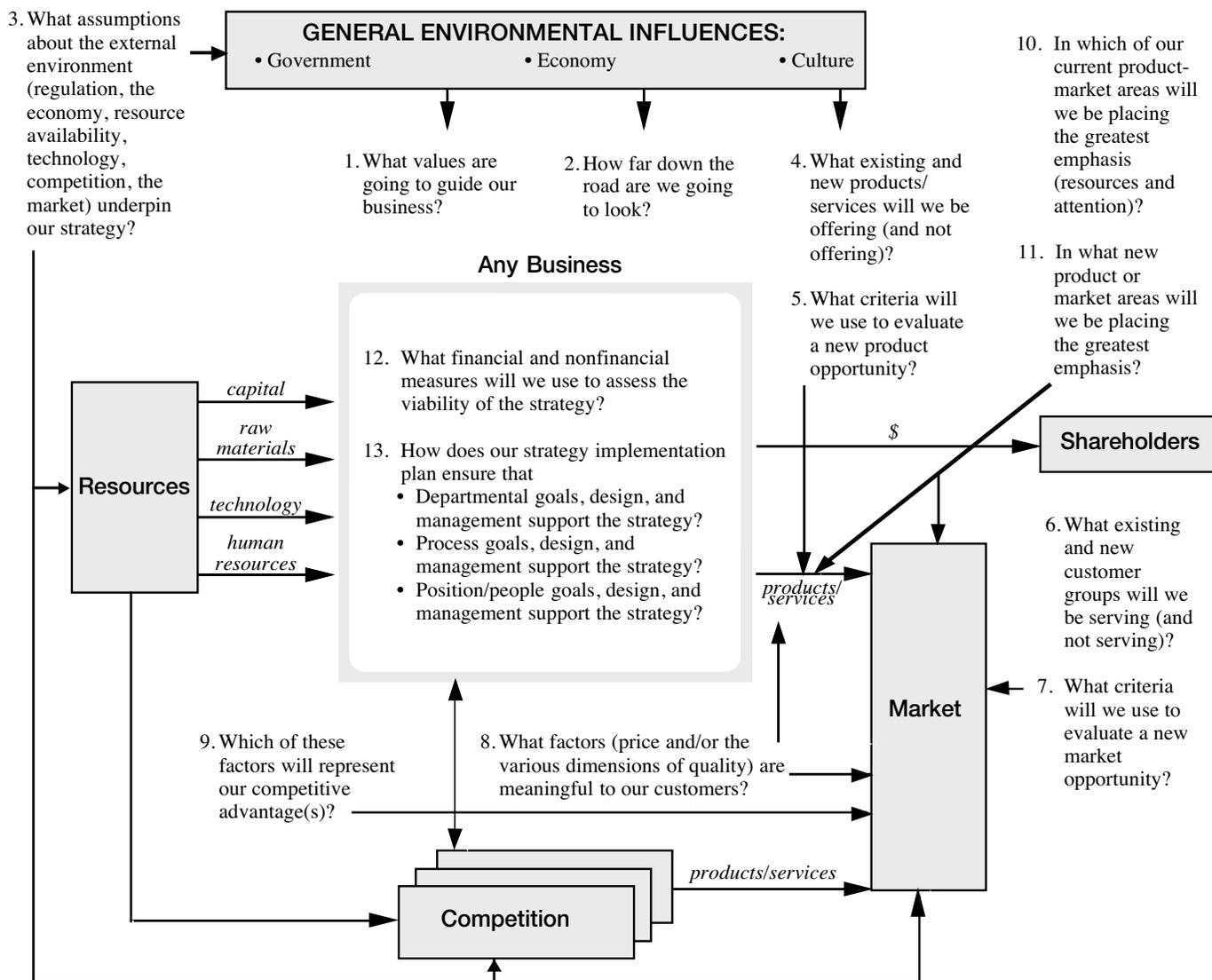
## Questions that address customers and markets (Element 2):

6. What existing and new customer groups will we be serving (and not serving)?
7. What criteria will we use to evaluate a new market opportunity?

## Questions that address competitive advantages (Element 3):

8. What factors (price and/or the various dimensions of quality) are meaningful to our customers?
9. Which of these factors will represent our competitive advantages?

**Figure 1: The Impact of Strategy on the Components of an Organization System**



**Questions that address product and market emphasis (Element 4):**

- 10. In which of our current product or market areas will we be placing the greatest emphasis (resources and attention)?
- 11. In what new product or market areas will we be placing the greatest emphasis?

Figure 1 shows how the answers to these questions help us effectively define each part of the systems view of performance.

Without answers to questions 1 through 11, the organizational ship has no rudder. Without strategic definition and goals, which position an organization in its environment, performance management is at best a guessing game. We subscribe to the old saw that says an organization needs not only to do things right but also to do the right things. The right things are those activities that are in concert with a viable, comprehensive, and clearly articulated strategy.

## Why Do Strategies Fail?

A solid strategy is only half the battle. In our experience, the majority of the strategies that have never come to successful fruition have failed not because they lack a clear, viable vision; rather, they are gathering dust because they have been poorly implemented. Unfortunately, even the best strategies do not spontaneously guide performance. Comprehensive actions to implement a strategy must be planned, carried out, and monitored. Moreover, no matter how talented and hardworking they may be, top managers cannot implement a strategy by themselves. A key implementation contribution must be made by middle managers and by those others who manage the systems and people who will make or break the strategy.

An early implementation step should be widespread communication of the strategy. The downside of communication (a possible leak to competitors of information that they probably know anyway, just by observation in the marketplace) is far less serious than the downside of noncommunication (failure to implement the strategy).

Once people understand the strategy, management should establish an infrastructure that supports strategy implementation. That infrastructure needs to be established at the Organization, Process, and Job/Performer Levels. To our eleven questions, therefore, let us add two more:

### Questions that address strategy implementation (Element 5):

12. What financial and nonfinancial measures will we use to assess the viability of the strategy?

13. How does our strategy implementation plan ensure that:

- Departmental goals, design, and management support the strategy?
- Process goals, design, and management support the strategy?
- Position/people goals, design, and management support the strategy?

The “\$ to shareholders” component of the system is a measure of how well the organization has addressed these thirteen questions.

## The 3 Levels of Strategy Implementation

In our previous articles, we discussed the need to develop Organization Goals that are driven by strategy. Among our examples was the strategic goal of introducing three new software products and two new system integration services within two years. That goal is unlikely to be achieved if it is not also reflected in the goals of marketing, operations, product development, and (Organization Level), supported by an efficient, effective product development and introduction process (Process Level), and reinforced by the incentive systems for the sales organization and the research engineers (Job/Performer Level).

The most powerful strategy implementation tools we have found are those that help us effectively design and manage performance at the Organization, Process, and Job/Performer Levels. Once we have formulated a strategy by answering the first eleven questions listed in Figure 1, we can focus our implementation planning by answering the questions on the following page that lie behind question 13.

## Organization Level

- Goals: What specific customer and financial goals will we set and track against?
- Design: What internal customer-supplier links do we need to achieve our competitive advantage?
- Management: How many and what kinds of resources need to be allocated to the various functions?

## Process Level

- Goals: What are the goals for the processes that are critical to our competitive advantage?
- Design: What are we doing to make sure that our strategically critical processes are working efficiently and effectively?
- Management: How are we making sure that our critical processes are being managed on an ongoing basis?

## Job/Performer Level

- Goals: What are the goals for the jobs that are most critical to process (and, in turn, strategic) success?
- Design: What are we doing to design each of these key jobs so that it best contributes to strategic success?
- Management: What are we doing (feedback, training, incentives) to create an environment that supports each job's strategic contribution?

The responses to these questions represent the core of a strategy implementation plan. On our web site and in our books and articles, we present organization mapping, process management, human performance management, and measurement tools designed to help develop these responses.

## Summary

The Three Levels framework makes two contributions to organization strategy. To strategy formulation, it offers the systems framework (see Table 1), which ensures that an organization's direction is based on the analysis of all the strategic variables. The systems components suggest eleven questions that an effective strategy should answer.

To strategy implementation, the Three Levels framework offers the Nine Performance Variables, which must be addressed to ensure that the strategic vision becomes organizational reality. A management team that cascades its strategy through the Organization, Process, and Job/Performer Levels dramatically increases the odds of that strategy taking root. At each level, the strategy is implemented through Goals, Design, and Management.

Concepts in this paper are from the *Rummler-Brache Process Improvement Certification Workshop*.

