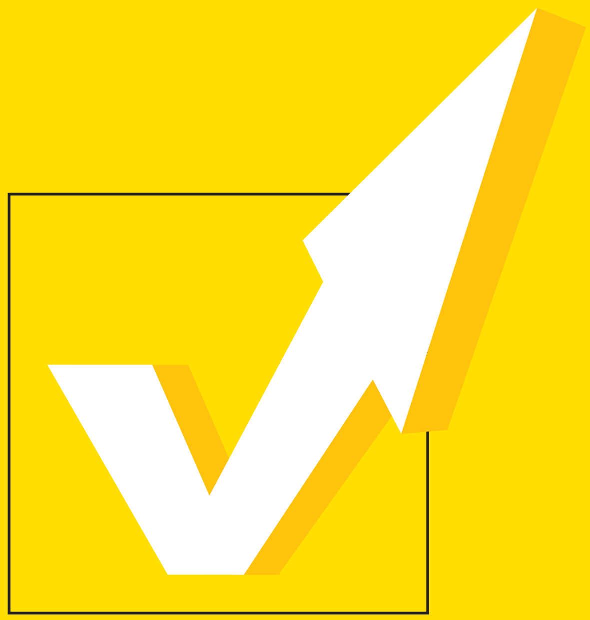


RIGHT PEOPLE RIGHT EXECUTION

WHY STRATEGY IS OVERRATED

Mike Goldman


LET'S FACE IT:
STRATEGY IS SEXY.

Strategy is fun. Strategy gives us a chance to be creative. In fact, when CEOs are frustrated that they're not growing fast enough, consistently enough or profitably enough, they tend to focus on their efforts on debating which new strategy will take them where they want to go.

- SHOULD WE MODIFY OUR BUSINESS MODEL?
- ARE WE PLAYING IN THE WRONG SANDBOX?
- SHOULD WE FOCUS ON NEW PRODUCTS? NEW MARKETS? NEW GEOGRAPHIES?
- IS OUR VALUE PROPOSITION STRONG ENOUGH?

These are all great questions. I work with my clients to answer all of these strategic questions and more.

The problem is that traditional strategic planning happens once a year or once every few years. A smart, dedicated team spends a few months analyzing their business, discussing key strategies and setting goals for the organization. Then, the beautiful document they've created sits on a shelf and gathers dust. Why is that?

Because 3-5 months after the plan is created, the world has changed and the plan is out of date. Leaders stop holding each other accountable for the plan - as they should.

So does that mean strategic planning is a waste of time?

No. In fact, having a set of strategies and plans that provide focus, clarity and alignment within the organization is more important than ever.

But here's the truth about growing your business…

A GREAT STRATEGY WITH THE WRONG PEOPLE AND/OR UNDISCIPLINED EXECUTION WILL FAIL EVERY TIME.

A MEDIOCRE STRATEGY WITH THE RIGHT PEOPLE, EXECUTING WITH DISCIPLINE WILL BLOW AWAY YOUR COMPETITION.

WHY?

Because without effective execution, nothing happens.

Strategic thinking and long term planning are important processes in any organization, but things aren't accomplished in five years or three years or even a year. Things get accomplished in 90-day sprints. Things get accomplished when a sense of urgency and a high level of accountability are combined with a strong, passionate team.

My intention in this eBook is NOT to drone on about every philosophy, best practice and case study. It's to give you a short, concentrated dose of "people and execution medicine". It's to give you the best, proven techniques that will allow you to move forward quickly and start scaling your business.

We'll do this by answering two key questions:

1. WHAT ARE THE MOST IMPORTANT TECHNIQUES FOR FINDING, RETAINING AND GETTING THE MOST OUT OF A-PLAYERS?

2. WHAT ARE THE KEY DISCIPLINES REQUIRED FOR EFFECTIVE, PROFITABLE AND DRAMA-FREE EXECUTION?

PART ONE

A-PLAYERS: FIND THEM, KEEP THEM, LEVERAGE THEM

What's an A-player?

Let's start with a key question...

WOULD YOU ENTHUSIASTICALLY REHIRE EVERYONE ON YOUR TEAM?

Take a moment and think about that one. I'm serious…don't just continue reading. Think about it.

The answer to this question can mean revolutionary change within your business. You can't have an extraordinary business without extraordinary people.

Kip Tindell, founder and CEO of The Container Store, believes that **one great person's productivity equals that of three average people's productivity**. Even if you believe that's a slight exaggeration (I don't), it's a critical philosophy.

What % of your organization is made up of "A" players?

Most say somewhere between 15% and 25%.

What's your plan to get to 75%? What are you doing to find and retain more "A" players?

The first step in this process is to define what it means to be an "A" player in your organization. Is it just about productivity? What about core values?

If someone on your team is highly productive, but not living the core values, ***they are a cancer in your organization***.

That's right. That salesperson that beats his or her quota every month but tramples on your organization and angers customers by over-promising and under-delivering is hurting, not helping, your organization.

Have you defined a set of non-negotiable core values that drive behavior within your organization? Does everyone know them and live them? Here are three quick tests to help you decide whether something is truly a core value:

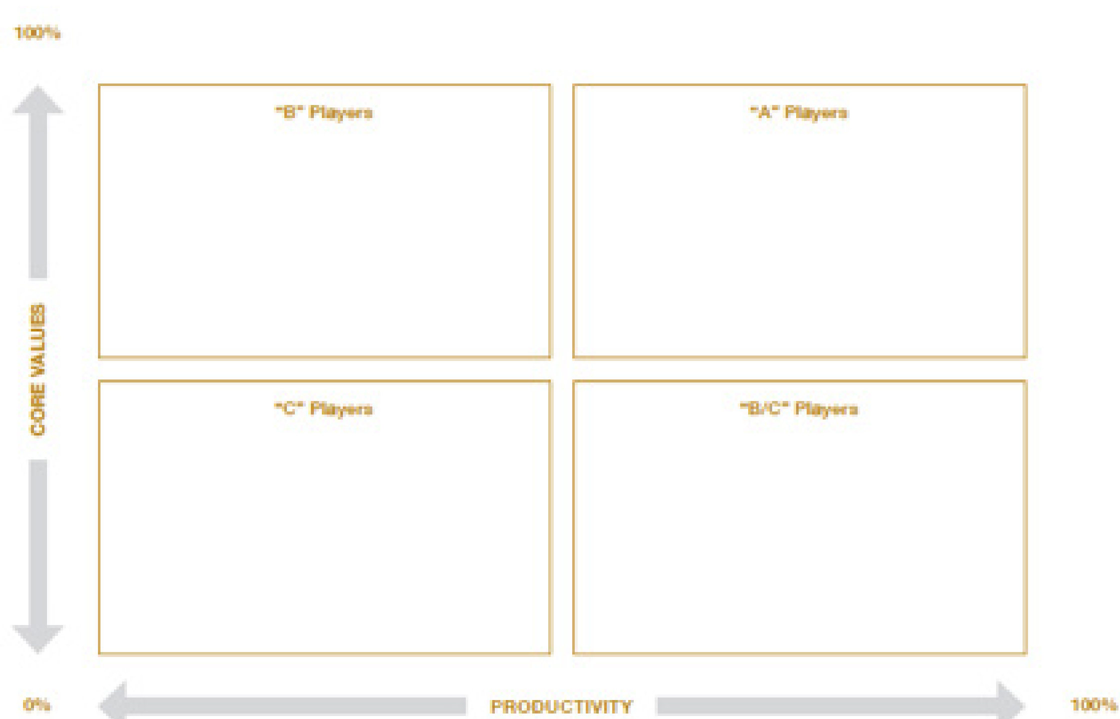
1. Are you committed to firing someone who blatantly, and continually, violates the core value?

2. Are you willing to take a financial hit to uphold the core value?

3. Is the core value alive within your organization today? Can you tell recent stories describing how an individual lived the core value?

Remember, a great strategy with “B” and “C” players won’t take you where you want to go, but a good strategy with “A” players will take you further than you can imagine.

I help my clients look at their team using a simple 4-quadrant chart (courtesy of Gazelles International).



The first axis focuses on productivity, from low to high, and the second axis focuses on core values.

Your A-players are those folks who are, at least 95% productive and living the core values over 95% of the time. Your C-players are those folks not living the core values consistently, even if they’re highly productive.

Why would I say that someone highly productive is a C-player? Because if someone is not living the core values of the company, they are not typically coachable. It's very rare that you can coach someone to change who they are and I wouldn't recommend trying very often. Those folks are cancers in your organization. If you allow them to stick around, you're breaking your own core values and causing irreparable harm to your culture.

After you've evaluated your team, you need to take two steps in parallel.

First, you need come up with a plan for your A-players. How can you better leverage their talents? How can you give them more responsibility? How can you re-recruit them to make sure they stay? And, how are you getting them to introduce you to their A-player friends? After all A-players know other A-players.

At the same time, you need a plan for your C-players. Usually this plan consists of giving them a short period of time to make specific improvements, for example, 3 months. If they don't make it happen, they need to go work for your competition.

REMEMBER THESE WORDS: FIRE FAST AND HIRE SLOW.

Finding A-Players

If you believe, as Kip Tindell does, that one great person equals three good people, it seems obvious that sourcing, recruiting and hiring A-players needs to be your organization's most important process.

While many organizations understand the logic of this philosophy, most are totally ineffective at executing it. Using their actions as an example, you would think their philosophy is the opposite. This is because we typically keep underperforming team members much too long since, by firing them, we fear we'll be understaffed (fire slow). This is called the "C-Player Trap". Once we finally decide we've had enough, we need to scramble to find a replacement (hire fast).

To solve this problem, we need to implement a top-notch hiring process. The most effective hiring process I know of is called Topgrading. For details, read the book of the same name by Brad Smart or another great book covering the topic called Who: The A Method for Hiring by his son, Geoffrey Smart.

Here are a few best practices to get you started:

1. Create a virtual bench – As the saying goes, "dig your well before you're thirsty". Don't start recruiting when you have an open position. Always Be Recruiting. Build a virtual bench of potential A-players you can call on when you have a need. A simple way to start your virtual bench is to hold everyone on your leadership team responsible for calling ten people they know and trust to ask them a simple question, "We're growing and always looking for A-players for all areas of our company. Who do you know that I should talk to?" The idea is not to hire them right away; you might not need them now and they might not be looking for a job. The objective is to initiate a relationship so that when a need arises, you've got a virtual bench of potential A-players to call.

2. Upgrade your employee referral program – Most companies have a program whereby they pay a bonus to an employee who refers someone who eventually gets hired. The bonuses are typically somewhere between $500 and $2,500. These programs typically don't work well because those dollar amounts are not enough to change someone's behavior. I recommend dramatically increasing the amount you're willing to pay as a bonus and splitting the payment in two parts. For example, pay a $10,000 bonus - $5,000 when the new employee is hired and another $5,000 in 12 months if both the new employee and the referrer are still at the company. This may seem like a significant amount of money to pay as a bonus, and it is. However, when you think about what you would typically pay a good recruiter (15% - 25% of annual compensation), it's a bargain.

3. Create A-Player Ambassadors – A-players tend to know other A-players. How often are you leveraging this fact by talking to them about the potential superstars they know? Not only do they tend to know more A-players, but they also tend to be your best "ambassadors", communicating what's best and exciting about working for your company.

Leveraging and Motivating A-Players

A GALLUP ORGANIZATION SURVEY SHOWS THAT ONLY 29% OF EMPLOYEES ARE TRULY ENGAGED IN THEIR WORK. THAT MEANS 71% ARE JUST SLEEPWALKING THROUGH THE DAY. That's like an engine running at less than one third of its power. How can a team reach its potential, or even come anywhere close, with that level of engagement?

What are you doing to increase the passion and engagement of your team? What would this mean to your team's productivity, morale, retention, and ability to recruit top talent?

In my new book, ***Performance Breakthrough: The Four Secrets of Passionate Organizations***, I uncover four strategies to dramatically increase passion, productivity and profit.

The First Secret – Acceptance

When we lead and manage others, we typically think about the golden rule:
"Treat others the way we want to be treated"

That sounds like good advice, but it doesn't work.

When we treat others the way WE want to be treated, we assume they have the same motivations we do, the same learning styles, the same cultural background. And then we're frustrated and wonder why it's not working.

We need to accept that we're all different. Your primary motivation may be money or more responsibility, but that potential A-player you're trying to influence may be more motivated by time with their family or service to the community.

We need to use the platinum rule – treat others the way THEY want to be treated.

The Second Secret – Leverage

As leaders and managers, most of us spend 80% of our time beating people up for their weaknesses and, if we remember, 20% of our time patting them on the back for their strengths.

It sounds counter-intuitive, but people have the most potential for growth in their areas of strength. People are great at focusing on areas where they have the most passion and natural talent.

When we just focus on fixing weaknesses, we wind up with well-rounded, but mediocre, people. As leaders, we need to do a better job making people more of who they are, not try to make them someone they're not. If they're weak in an area that's critical to their job, you hired the wrong person.

We need to do a better job identifying people's strengths. And then we need to do a better job leveraging those strengths.

The Third Secret – Impact

Conventional management wisdom advises that you'll get the most out of your employees by defining specific goals and detailed procedures for getting there. This is only half right. Creating challenging goals is critical. However, you should let your employees figure out how to get there.

Most of us know it's the people on the front lines that truly understand the best way to get things done. Defining every detail for them not only stifles their motivation and creativity, but also lowers the chance they'll create breakthrough performance.

If you hired the right people, then you need to give them the freedom to get the job done. This means trusting them enough to allow them to reach their true potential and have real impact.

The Fourth Secret – Celebration

Celebrating is not just about making people feel good and having fun. It's also about generating positive energy, which improves both top line and bottom line results.

It's important for leaders to change their mindset about celebrating their employees and having fun at work. They need to understand that when employees are engaged, they work harder, smarter and longer, are more creative, and refer other "A" players to the company.

Find ways to measure and reward positive outcomes. Compliment and celebrate your team's accomplishments, big and small. There's no such thing as too much praise, as long as it's genuine.

Find ways to have fun as a team. Fun breeds creativity, collaboration, trust and productivity.

PART TWO

THE 3 DISCIPLINES OF EXECUTION

A Culture of Accountability

ONE OF THE BIG CHALLENGES I HEAR FROM CEOS ALL THE TIME IS, "I CAN'T SEEM TO FIND A WAY TO HOLD MY TEAM ACCOUNTABLE".

The leadership team has seemingly productive meetings where they define priorities and assign responsibilities, and then nothing gets done. Lack of accountability has a devastating impact on an organization.

First, lack of accountability breeds frustration throughout the organization as team members learn they can't rely on each other. This has a dramatic impact on morale and trust within the organization, bringing productivity down and making it harder to recruit "A" players.

Second, and most importantly, lack of accountability leads to stagnation. As the frustration grows, people give up and stop making commitments. They say things like, "priorities are just changing too fast for me to make a commitment", or "why should I care if I miss a deadline if no one is going to follow up anyway?". This is a death knell for a growing organization.

There are many reasons for this challenge but the first is that most organizations don't really know the difference between accountability and responsibility. Here are some key distinctions.

Responsibility
If a person is responsible, it means they roll up their sleeves and get the job done. Responsibility can be one person or a group of people. It's perfectly accurate to say something like, "we're all responsible for customer service in this organization".

Accountability
Accountability is always and only one person. The person accountable owns the result but they're not necessarily the person doing the work. While they can't delegate their accountability away, they can absolutely delegate responsibility. The person accountable needs to ensure there's a plan, and they need to ensure, the right measures are in place to gauge success or failure.

Creating real accountability requires a combination of organization, process and culture.

Organizational Accountability

Defining accountability starts with the key functions of the organization, for example, head of the company, sales, marketing, talent development, customer advocacy, etc. When I start working with a client, there are often several functions that have no one accountable or have multiple people accountable. There should be one, and only one, person accountable for each function. That person is charged with meeting measurable goals, so there's no confusion as to what success looks like.

I use a tool from Gazelles Inc. called the Functional Accountability Chart (FACe) to help identify clear accountabilities.

People: Function Accountability Chart (FACe)

Gazelles
GROWING LEADERS - GROWING COMPANIES

1. Name the person accountable for each function.
2. Ask the four questions at the bottom of the page re: whose name(s) you listed for each function.
3. List Key Performance Indicators (KPIs) for each function.
4. Take your Profit and Loss (P&L), Balance Sheet, and Cash Flow accounting statements and assign a person to each line item, then derive appropriate Results/Outcomes for each function.

Functions	1 Person Accountable	3 Leading Indicators (Key Performance Indicators)	4 Results/Outcomes (P/L or B/S Items)
Head of Company			
Marketing			
R&D/Innovation			
Sales			
Operations			
Treasury			
Controller			
Information Technology			
Human Resources			
Talent Development/Learning			
Customer Advocacy			
Heads of Business Units			
• ________			
• ________			
• ________			
• ________			

2 **Identify: 1.** More than 1 person in a seat; **2.** Person in more than 1 seat; **3.** Empty seats; **4.** Enthusiastically rehire?

Process Accountability

Process accountability occurs through:

• **Alignment/Prioritization Planning** - Accountability is not just for major functions. Organizations should also assign accountability for your quarterly priorities and specific action items.

• **Scorecards/Metrics** – When assigning accountability for a function or priority, it's important to know where the finish line is. What does success look like? How will we measure it? Without these measurements or key performance indicators, progress becomes anecdotal and holding team members accountable becomes impossible.

- **Meeting Rhythms** – The right meeting schedule (annual, quarterly, monthly, weekly and daily), agendas and facilitation allow the leadership team to hold each other, and their teams, accountable for priorities, tasks and key performance indicators. The right meetings provide great peer pressure for team members to honor their commitments.

Cultural Accountability

The CEO of one of my clients consistently complained to me that his team was not following through on their commitments. However, when I asked if he had followed through on a few things he had committed to, he gave me a list of excuses. It's not surprising that his leadership team followed his example.

Organizational or process accountability has no chance of succeeding without the right culture. This means the leadership team needs to set the tone. They need to be willing to hold themselves accountable by honoring commitments and owning up when they haven't. If they provide a poor example of accountability, the rest of the organization will follow their lead.

LASTLY, A CULTURE OF ACCOUNTABILITY IS ABOUT CLARITY. SAY WHAT YOU MEAN AND MEAN WHAT YOU SAY.

*Discipline 1 - **Alignment***

ALIGNMENT HAPPENS IN FOUR PHASES:

1.Define and Communicate Core Ideology - Leaders need to define a core ideology or framework to guide teams and employees so the right goals are set—core purpose, core values, and BHAGs (big hairy audacious goals). Core ideologies are the "almost never changing" foundation of your organization and are made up of your core purpose and core values.

Core Purpose: This is the "why" of the organization, and it's not just about making a profit. Your core purpose answers the question, "What difference are we making in the world?".

Core Values: This is the "how" of the organization. Core values are a non-negotiable handful of rules your organization lives by every day.
The right core purpose and core values act as a set of guiding principles for the organization. This allows leaders to stop micromanaging and give more freedom to their team.

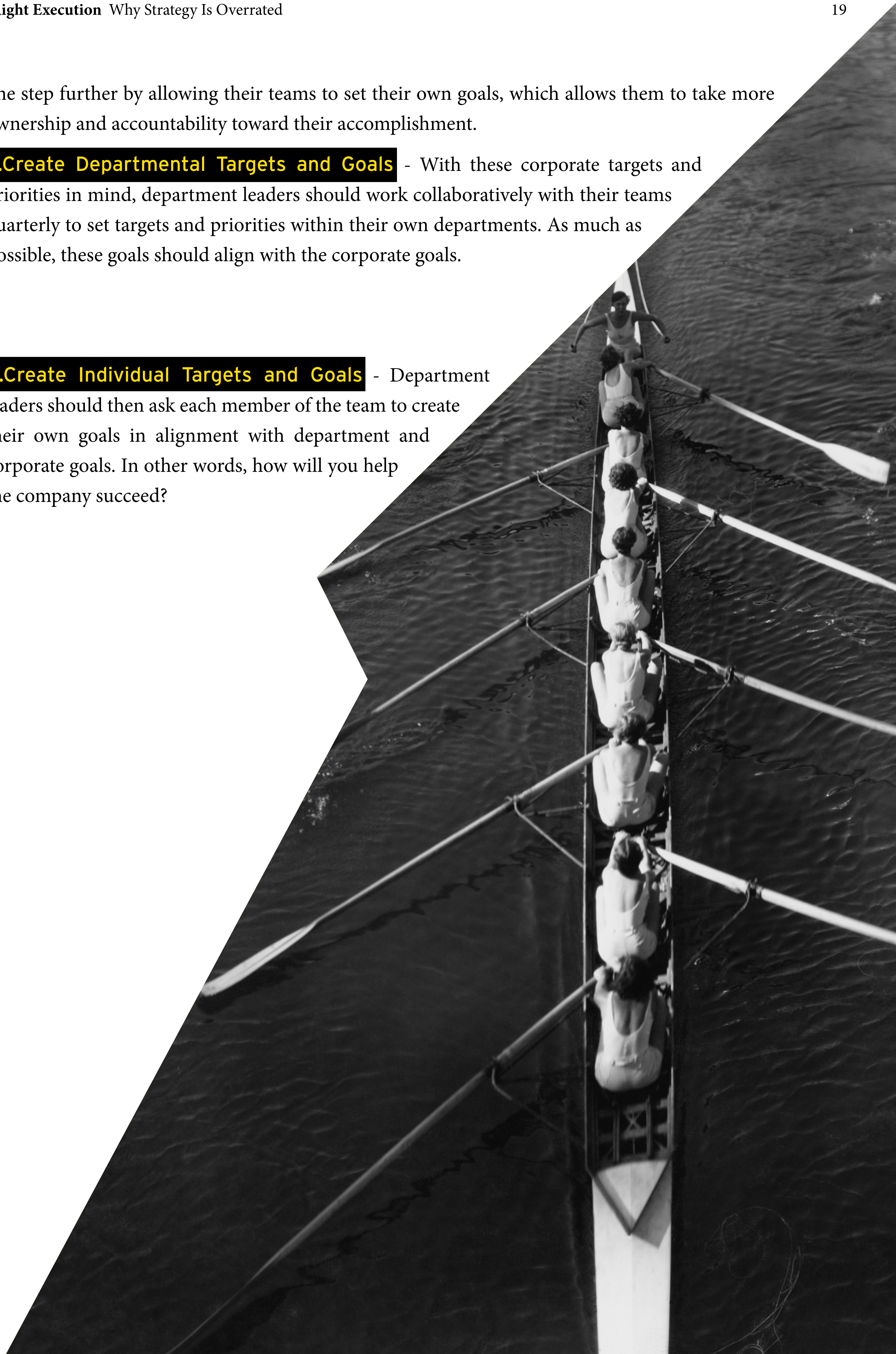
Jim Collins, co-author of Built to Last: Successful Habits of Visionary Companies, defines BHAGs as ambitious long-term goals that galvanize successful companies. He writes, "The power of the BHAG is that it gets you out of thinking too small. A great BHAG changes the time frame and simultaneously creates a sense of urgency … A BHAG helps you build a great company; because if you don't have a great company you can't achieve the BHAG."

Collins further states that the BHAG is not a modern management idea. It has been utilized throughout history and cites many examples, one of which is IBM. "In 1925 there was a tiny little company called the Computing, Tabulating and Recording Company. Tom Watson changed the name to The International Business Machines Corporation. Tom Watson Jr. writes about looking at his father and thinking, you mean that little company? But Watson was setting a BHAG that it would become THE International Business Machines Corporation."

2.Create Corporate Targets and Goals - The leadership team should work together, annually and quarterly, to define financial targets, key performance indicators and, most importantly, the top two to four priorities for the organization—what does the organization need to accomplish or improve upon over the next ninety days? Good leaders and managers set goals for their teams and create an accountability structure to manage and measure results. Exceptional leaders take that idea one step further by allowing their teams to set their own goals, which allows them to take more ownership and accountability toward their accomplishment.

3.Create Departmental Targets and Goals - With these corporate targets and priorities in mind, department leaders should work collaboratively with their teams quarterly to set targets and priorities within their own departments. As much as possible, these goals should align with the corporate goals.

4.Create Individual Targets and Goals - Department leaders should then ask each member of the team to create their own goals in alignment with department and corporate goals. In other words, how will you help the company succeed?



*Discipline 2 - **Scorecards/Metrics***

PEOPLE NEED TO KNOW THE SCORE. PEOPLE NEED TO KNOW IF THEY (AND THE COMPANY) ARE "WINNING THE GAME".

Imagine watching a sporting event and no one was keeping score. Things would get boring very quickly. It would seem more like a practice than a game.

Two critical types of key performance indicators (KPIs) that help us to keep score are lagging and leading indicators.

- **Lagging Indicators** – Most KPIs that organizations focus on are lagging indicators. Revenue, gross margin, net profit, and aged accounts receivable are all examples. These KPIs tell us what happened yesterday but don't help much in predicting and impacting tomorrow's results. Don't get me wrong: they're critically important when keeping score, but if they're all you're looking at, you'll have a difficult time driving improved results. Using only lagging indicators is a bit like driving by only looking in the rear view mirror.

- **Leading Indicators** – These KPIs are both predictive of future results and, to at least some degree, are within your control. While a lagging indicator will tell you if you've reached a goal, a leading indicator will tell you if you're on track and dictate the actions that need to be taken to increase the velocity towards your target performance. For example, your goal is to increase revenue by 20% (lagging indicator), some leading indicators might be the number of sales meetings you've conducted, hits on your website, number of times you've asked current clients for referrals or your customer net promoter score.

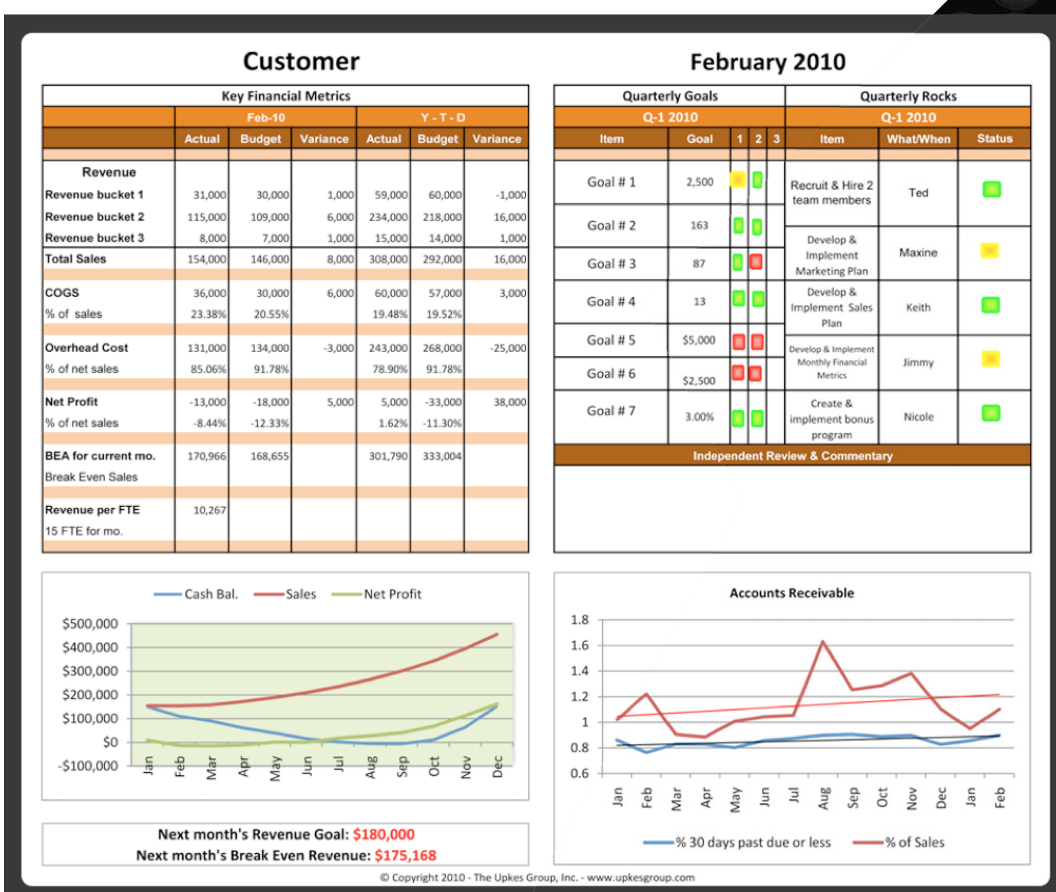
The right scorecard should be visible, simple and actionable

- **Visible** – Don't hide the scorecard on a shared drive somewhere. Make it visible for all to see so no one can escape knowing the score. Having a larger, visible scorecard up on the wall adds tremendous accountability and focus.

- **Simple** - As a leader, you may keep track of dozens of performance measures. However, when creating a scorecard, keep it simple. It should be easy to understand your goals, current performance against the goals and whether you're winning or losing the game.

- **Actionable** – Through the use of leading indicators, team members should understand how they can impact the scoreboard. If people feel like the score is not in their control, they'll stop paying attention and feel demotivated. It's important for each department to create leading indicators they can control that will impact the score. Without that, it becomes too easy, for example, to fault the sales department, and only the sales department, when revenues are down.

Below is an example of a simple scorecard that shows status against financial targets and company priorities.



Customer **February 2010**

Key Financial Metrics

	Feb-10			Y - T - D		
	Actual	Budget	Variance	Actual	Budget	Variance
Revenue						
Revenue bucket 1	31,000	30,000	1,000	59,000	60,000	-1,000
Revenue bucket 2	115,000	109,000	6,000	234,000	218,000	16,000
Revenue bucket 3	8,000	7,000	1,000	15,000	14,000	1,000
Total Sales	154,000	146,000	8,000	308,000	292,000	16,000
COGS	36,000	30,000	6,000	60,000	57,000	3,000
% of sales	23.38%	20.55%		19.48%	19.52%	
Overhead Cost	131,000	134,000	-3,000	243,000	268,000	-25,000
% of net sales	85.06%	91.78%		78.90%	91.78%	
Net Profit	-13,000	-18,000	5,000	5,000	-33,000	38,000
% of net sales	-8.44%	-12.33%		1.62%	-11.30%	
BEA for current mo.	170,966	168,655		301,790	333,004	
Break Even Sales						
Revenue per FTE	10,267					
15 FTE for mo.						

Quarterly Goals

Q-1 2010				
Item	Goal	1	2	3
Goal # 1	2,500			
Goal # 2	163			
Goal # 3	87			
Goal # 4	13			
Goal # 5	$5,000			
Goal # 6	$2,500			
Goal # 7	3.00%			

Quarterly Rocks

Q-1 2010		
Item	What/When	Status
Recruit & Hire 2 team members	Ted	
Develop & Implement Marketing Plan	Maxine	
Develop & Implement Sales Plan	Keith	
Develop & Implement Monthly Financial Metrics	Jimmy	
Create & implement bonus program	Nicole	

Independent Review & Commentary

Next month's Revenue Goal: $180,000
Next month's Break Even Revenue: $175,168

*Discipline 3 - **Meeting Rhythms***

MOST PEOPLE HATE MEETINGS...AND THEY SHOULD.

Let’s face it: most meetings are horrible. They don’t have the right agendas or any agendas at all. They’re not facilitated correctly and don’t happen at the right times.

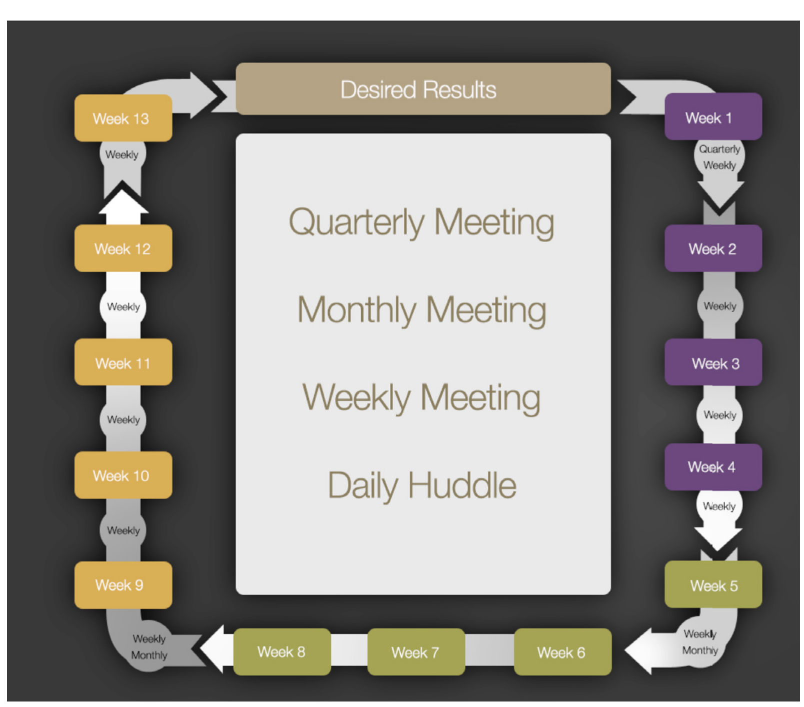
But the right meetings lead to faster decision-making, better decision-making, more communication up and down the organization and stronger relationships across the organization.

The right meetings also provide the best platform to hold you and your team accountable for those things you’re committing to every week, every month, every quarter. There are five parts to a world-class meeting rhythm.

Annual Planning Retreat

My recommended meeting rhythm starts with the annual planning retreat. This is usually a 2-day, off-site meeting where the executive team assesses their business by reviewing key people, strategy, execution and cash decisions. At this retreat, the team will set both long-term strategy and short-term execution plans.

After the annual planning retreat, a four-part meeting rhythm should be implemented to keep the organization nimble and ensure the plan is a living, breathing document, as opposed to a static piece of furniture gathering dust.



Quarterly Planning

The second part of the meeting rhythm is the quarterly meeting. This is typically a full-day meeting where the executive team reviews last quarter's results, plans for the next quarter and participates in learning and development exercises.

Monthly Planning and Education

The third part of the meeting rhythm is the monthly meeting. This is a half-day meeting where the executive team discusses progress on the quarterly plan, tackles key issues and educates the leadership team on new tools and techniques.

Weekly Meeting

The fourth part of the meeting rhythm is the weekly meeting. This is a 60-minute meeting used to discuss status and hold team members accountable to their commitments.

Daily Huddle

This fifth, and last, type of meeting is the daily huddle. This 7-12 minute meeting serves as a daily synchronization for the entire team. These sessions are designed to expose opportunities and challenges, but not resolve them on the spot.

CONCLUSION

Strategic planning is NOT a waste of time IF it's done the right way and supported by the right people and the right execution.

Spend a short period of time creating an imperfect, incomplete strategic plan. When I work with clients, we conduct an annual 2-day retreat (discussed in Part Two) where we get the strategic plan 70-80% accurate.

The most important part of the strategic plan is the quarterly plan (again discussed in Part Two). Because nothing happens in 3 years or 1 year: work naturally gets done in 90-day sprints (execution planning) where the focus and sense of urgency is high.

However, don't let the promise of a "magic bullet" strategy that will solve all of your problems take your focus away from what's most important.

First and foremost, get the right people on the bus! Find, keep, motivate and leverage your A-players. Even if your strategy is a mess, A-players will figure out how to improve it or make it work anyway.

Second, get the right people to execute the heck out of your imperfect plan. Have a bias towards action. Don't let your organization become paralyzed by difficult, strategic decisions. Making the wrong decision is most often better than making no decision. Making no decision gets you nowhere. Making the wrong decisions teaches you an important lesson and sets you on the right path.

RIGHT PEOPLE + RIGHT EXECUTION = SUCCESS

READY TO GROW YOUR BUSINESS?

Mike grows companies by working with leadership teams to ensure they have the right people, strategies and execution habits for growth. **Mike's clients value his vast experience** with organizations of all sizes as well as his incredible passion and energy. His no-nonsense, practical style enables individuals and teams to uncover opportunity areas and **achieve revolutionary results** with laser focus.

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