Using Two Speed Execution (2SE) to Capture the Value You've Been Missing

By Paul R. Niven

Highlights:

- Strategy execution remains a top challenge identified by CEOs globally. The execution problem is amplified by poor measurement in many organizations.
- While differing levels of an organization have varying responsibilities and time frames for monitoring of results, virtually all measurement systems are focused on the long-term needs of senior executives.
- Employees at all levels require a mechanism for reacting to changing circumstances, while concurrently demonstrating a link to overall organizational goals.
- 2SE combines the best attributes of two powerful tools: The Strategy Map and OKRs (Objectives and Key Results) to balance measurement throughout an organization.
- Benefits of 2SE include a dual cadence of operation, easy to understand and apply terminology, enhanced engagement, and improved strategy execution.

Executing strategy remains at the forefront of executive concern because it is, very simply, hard to do. Estimates vary, but most pundits agree that the vast majority of organizations are unable to effectively execute their strategies. In fact, on the low end, it's suggested that just one out of ten companies is able to achieve this most vital of organizational imperatives. Why is this? There are, of course, many possible reasons, but in this paper I'd like to focus on an issue that, as a consultant, researcher, and writer in this space, I've run into frequently for the past twenty years: The inability to effectively measure and monitor performance throughout the organization.

The Traditional Method

Let's start our discussion by considering the span of control (using time) exhibited in a typical business. At the top of any organization you have an executive team. Their primary responsibilities include charting the long term Mission of the organization (it's core purpose), creating a compelling Vision of the future, and identifying and crafting the differentiating strategy that will lead to achievement of that Vision. You'll notice of course that all of these activities are relatively long-term in nature.

Further down in the organization there are additional layers that have their own responsibilities, encompassing different time frames. Directors and Business Unit Leaders (your terminology may differ), for example, work to implement the strategy put forth by the executive team, and provide guidance for their own direct reports. Managers also work to implement the strategy but must concurrently stay on top of day-to-day challenges that inevitably arise, and maintain agility in the face of changing circumstances. Finally, we have front line employees. Most lack direct insight into the organization's strategy and focus almost exclusively on daily priorities.

The Enduring Problem

The schema described above has been with us almost as long as modern commercial enterprises have been in existence. And I doubt anyone would argue that responsibilities and time emphasis vary depending upon your level in the corporate hierarchy. Here's the problem: Most strategy execution systems are designed almost exclusively on the long-term metrics senior executives require to gauge execution. When goal systems are "cascaded" down to lower levels they often result in objectives and performance measures that are irrelevant and misaligned, marring any hope of effective execution.

It's not uncommon, for example, to see objectives such as "Increase revenue from new products," or "Build relationships with targeted customers" populating the goal documents of senior executives; and rightly so. These are high-level strategic objectives an organization (depending on its strategy) must focus on in order to execute. But when these objectives are thrust upon managers three levels below, they react with understandable concern and confusion. "How can we, at this level, build relationships with targeted customers?" Their response is justified because there is no line of sight from their reality on the ground, back to the corporate objective. In response to the challenge they may assemble a set of "cascaded" objectives and measures, but they're doing so to check a corporate requirement box, rather than create a tool that will help them manage their business.

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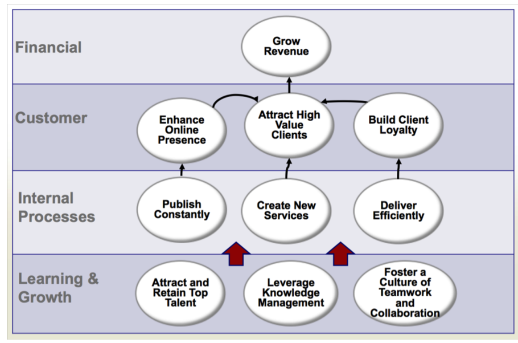
A Better Way – Two Speed Execution (2SE)

In order to effectively execute today we need to calibrate the speed of execution so that it is appropriate for varying levels of the organization. This necessitates one speed for senior executives, and a second speed for those closer to the day-to-day action. I call this model Two Speed Execution (2SE). It relies on the creative combination of two business frameworks that are powerful in and of themselves, but whose value increases exponentially when combined. I'm speaking of Strategy Maps (a key component of the Balanced Scorecard system) and OKRs (Objectives and Key Results). Let's take a look at these two frameworks individually.

Within the Balanced Scorecard framework, a Strategy Map is a one-page graphical representation of what an organization must do well in order to execute its strategy. The Map is comprised of objectives – concise statements of what must be performed well - that span four perspectives of performance: Financial, Customer, Internal Processes, and Learning and Growth. These perspectives provide lenses for examining your business in a systematic and holistic way, ensuring you carefully consider drivers (intangible assets such as employee skills in the Learning & Growth perspective, differentiating processes in the Internal Process perspective) and outcomes (meeting customer demands in the Customer perspective and achieving growth and profitability in the Financial perspective). Each objective on the Map is accompanied by a key result measure (more on those below) that determines whether, in fact, the objective has been reached. A carefully conceived Strategy Map is a vital tool for any senior executive team to both gauge execution and communicate strategy to a broad audience. An example Strategy Map for a Healthcare Consulting Firm is shown in the diagram below.



Now let's turn our attention to OKRs (Objectives and Key Results). OKRs is a practical and easy to understand methodology that is particularly well-suited for units, teams, and individuals below the executive level. An objective, as we noted with a Strategy Map, is a concise statement of must be done well. A key result is a quantitative statement that measures the achievement of an objective. You may be asking, "How does this differ from the Strategy Map?" Good question, and there are a couple of major distinctions that ignite the value of combining these tools.

The objectives appearing on a Strategy Map are intended to last for at least one year. They, and their accompanying key result measures, are necessarily high-level as they are designed to track overall execution at the highest organizational level. The Map and measures are almost exclusively a tool for executive use in monitoring execution. Also, in order to qualify as a Strategy Map, objectives must appear in each of the four perspectives described above. OKRs, on the other hand, differ in two ways. First and perhaps foremost, they are updated each quarter. This is in recognition of the fact that as you move below the executive ranks, circumstances can (and often do) change rapidly requiring teams and individuals to apply agility in response to what is taking place in the environment

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around them. By updating their OKRs every 90 days, teams are able to remain nimble, while also focusing on what is most important in delivering on strategic imperatives.

The second difference between Strategy Maps and OKRs is that OKRs are not required in each of the four perspectives of the Map. Insisting on this "balance" at lower levels of the organization only results in attempting to fit round pegs in square holes as teams grapple with creating objectives and measures that tick a box, but don't add any real value to their work. Instead, when using OKRs, groups are tasked with identifying the one or two most important things they can do in the next 90 days to further the company's goals. Focus and impact, not a slavish devotion to taxonomy, are the most important factors in creating quarterly OKRs.

Combining Strategy Maps and OKRs for 2SE

By joining a Strategy Map at the top of the organization, with OKRs below, we overcome the span of control challenge faced by all organizations. With the Strategy Map, senior leaders now possess a robust and comprehensive tool for communicating strategy and monitoring its execution, while at lower levels, all groups have OKRs that promote flexibility depending on changing circumstances, while also demonstrating an alignment to overall strategy.
Outlined below is an example of how this combination of Strategy Maps and OKRs works in practice.

Look once again at the example Strategy Map shown above. One of the objectives appearing in the Customer perspective is "Attract High Value Clients." The accompanying metric could be "Number of new consulting engagements over X dollar amount." Both the objective and measure provide value to senior executives, but as we move down the ladder, they become less relevant. Consider, for example the Marketing department of this firm. Attracting high value clients makes sense for them, but the associated metric chosen by the leadership team does not. How can they specifically contribute to the number of new consulting engagements over X dollar amount?

The Marketing team requires a mechanism to demonstrate their contribution, while recognizing their unique operating environment. Let's say there is a healthcare conference that takes place each year in the first quarter. The Marketing team may then put in place this objective:

Have the best performing healthcare conference booth in company history.

Their key results could be:

1. ***150 people commit to attending our presentation at the conference***
2. ***30 requests for meetings from qualified prospects***

The objective is relevant, timely, and inspirational. And most important, the key results are aligned with the company's overall goal of attracting high value clients. If the Marketing team succeeds in having one-hundred and fifty people attend their presentation, and are able to generate thirty qualified leads who request a meeting, they are doing their part to introduce potential new clients to the firm. The next quarter they'll create another objective and set of key results, taking advantage of current circumstances, or fending off incoming challenges.

Benefits of 2SE

2SE offers a number of substantial benefits over traditional methods of strategy execution.

- Dual cadence: This is, of course, the power behind 2SE. Senior leaders benefit from the long-term monitoring

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of execution delivered from the Map and measures, while everyone below is able to express their link to success by pinpointing the most important objective and key results for the next 90 days.

- It's easy to understand: In my twenty years of consulting in the corporate performance management space I've witnessed a staggering acceleration in the complexity of management tools. Many systems feature numerous steps, sub-steps, accompanied by MEGO (my eyes glaze over) inducing diagrams. 2SE includes simple terminology: objectives, key results. That's it. No byzantine schematics to follow, just the identification of what's important today, and for the long term.
- Allows employees to demonstrate progress: Recent research has noted that providing employees with the opportunity to demonstrate progress on meaningful goals is the most critical thing you can do to boost workplace motivation and engagement. One of the biggest drawbacks with traditional goal setting mechanisms is that the goals are so big, so long-term that meaningful progress on a day-to-day basis is exceedingly difficult to isolate. With OKRs, however, the time frame is compact enough that teams can see progress each day, each week, and each month along the journey.
- Drives Employee Engagement: Gallup has reported that 13 percent of employees are actively disengaged at work. This costs our economy here in the United States upward of $500 billion dollars a year in lost productivity. It has been suggested that employees aren't engaged because they see no alignment between their work and the company's overall goals. In effect they're operating in a deep fog that obscures any line of sight back to what is most important for organizational success. Communicating the strategy with a Strategy Map, and then allowing teams to create aligned OKRs overcomes this gap, allowing everyone to find meaning in their work.

The future will belong to those who not only create bold and innovative strategies, but who also possess the ability to harness the power of every associate in bringing those plans to life and creating breakthrough results in the process. 2SE is a simple, pragmatic, yet powerful method to make that happen.

To learn more about 2SE and how you can apply it at your organization, please contact me at pniven@senalosa.com

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PAUL R. NIVEN is an author, management consultant, and noted speaker on the subjects of strategy formation, Balanced Scorecard, and OKRs. As both a practitioner and consultant he has developed successful Performance Management systems for clients large and small in a wide variety of organizations, including Fortune 500 companies, public sector, and nonprofit agencies. His most recent book is “Objectives and Key Results: Driving Focus, Alignment, and Engagement with OKRs” (co-authored with Ben Lamorte). His previous books include: “Balanced Scorecard Evolution,” “Road Maps and Revelations,” (a business fable designed to help organizations develop simple yet powerful strategic plans), Balanced Scorecard Step by Step: Maximizing Performance and Maintaining Results” (first edition has been translated in over fifteen languages around the globe), “Balanced Scorecard Step by Step for Governments and Nonprofits”, and “Balanced Scorecard Diagnostics”. He may be reached through his websites at www.senalosa.com, and www.okrstraining.com