

# The Art of Execution

September 2011

Andres Consulting Inc.  
Partnering with Canada's Credit Unions

CUMA CONFERENCE 2011



## Objectives

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### We will discuss:

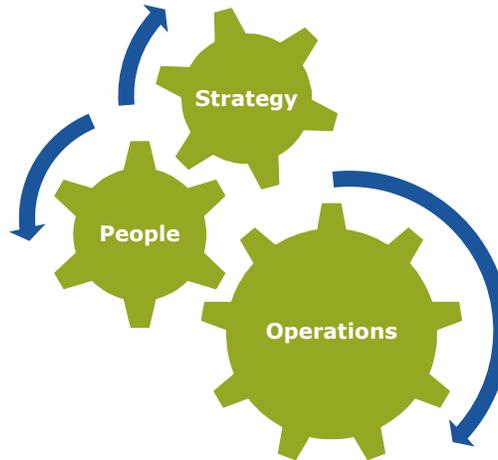
- Why some organizations find it difficult to execute on their strategies
- The processes that successful organizations employ to implement their ideas and achieve their goals
- Some strategies and tactics that you can begin to use right away to make an immediate and sustainable difference for your credit union

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## Core Processes of Execution

People, strategy and operations are the building blocks and heart of good execution.

As the economic, political and business environments change, the ways in which they are carried out must also change.



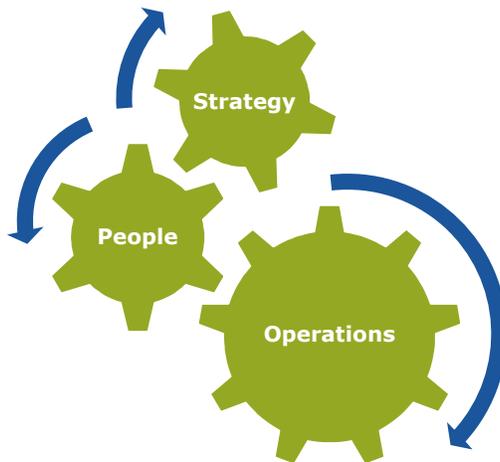
## Executing in the Real World

It is not good enough for each process to be independently functioning at a superb level.

It is the linkages between each of these processes that raises performance from good to great.



## Focusing on Roles



**Strategy** needs to clearly see the “future” and draw a picture of how to achieve that state.

**Operations** need to effectively achieve that future state.

**People** develop the strategy and carry out the operational functions.

## Sandy Weill's Legacy

Weill, former American Express executive, after leaving would eventually put together the deal that created CitiGroup:

- Jamie Dimon, long-time “understudy” of Weill, moved to BankOne in 2000
- Charles Prince, worked for US Steel Corp and then Commercial Credit (CC) and met Weill during the sale of CC to CitiGroup
- Prince began working for Weill after CC purchase
- Dimon was eventually ousted and Prince succeeded Weill in 2003

## Tale of Two Behemoths

Dimon, JP Morgan	Prince, CitiGroup
Established clear P&L responsibilities for each division, benchmarked against the best of its competitors	Lacking operating experience, focused on growth through merger, creating a fractious culture
Selected the best from BankOne and JPMorgan to run each business, also recruited from CitiGroup	Closest advisors were detached from core operations
Invested heavily in Information Technology	Failed to replace experienced operations executive and took on those responsibilities personally
Established compensation and incentive pay programs tied to corporate goals	Ill equipped to anticipate and understand the impact of new exotic financial products
Devoted intense effort into discovering and managing risk	Understood the legal and reputational risks inherent with Enron and WorldCom, but not the business risks

## The Next Chapter

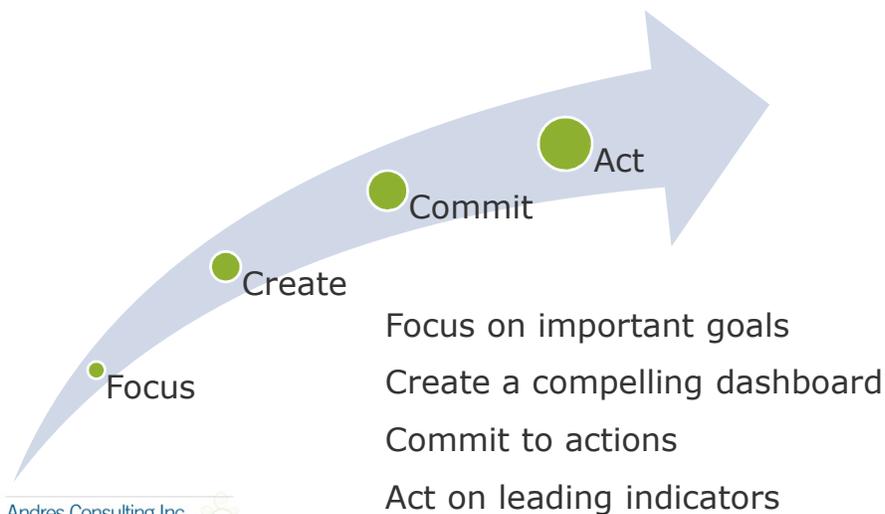
In 2007, CitiGroup and JPMorgan were poised to plunge into the biggest and most wrenching financial crisis since the Great Depression:

- The strategies, people and operations of JPMorgan met the challenge and were even able to take advantage of the crisis to buy the assets of failing Bear Stearns and Washington Mutual for pennies on the dollar
- CitiGroup's assets were labelled "toxic" and quickly dropped in value. In November 2007 Prince resigned and was named by *Fortune* magazine as one of eight economic leaders who failed to see the crisis coming

# Lessons Learned

- Know yourself
- Know your people and know your business
- Insist on realism
- Identify clear goals and priorities
- Follow through
- Reward the doers
- Expand people's capabilities

# The Four Disciplines of Execution



## Focus on Important Goals (a)

- 2 or 3 goals
- Clear expectations (e.g. timelines or deliverables)

*The maximum number of "priorities" we can reasonably juggle is 7. **However**, we are generally more productive when we work with 3 priorities before moving on the next 3 and so forth, rather than focusing on 7 at the same time. Sequencing is important.*

## Focus on Important Goals (b)

Ideally you want your people to make great decisions day in and day out.

*"Think like an entrepreneur." Ball Rancic*

This requires that your people are able to make good decisions – not policy based decisions – but, action-oriented decisions. This requires that they understand the context of the important goals. This requires knowledge and insights; not merely information and data.

## Create a Compelling Dashboard

- Simple
- Focused on lead and lag indicators
- Ability to determine status at a glance

*What is a lead versus a lag indicator? When are each most appropriate to focus on?*

## Commit to Actions

- Weekly check-ins
- Actions to be implemented to achieve goals

*Each week is an opportunity for a new beginning. As a credit union strive to be agile; make modifications to see what works best.*

## Act on Leading Measures

- Measures that lead to achievement of the goal
- Ability to be influenced by your team

*Focus on actions, that lead to results, rather than focusing directly on results.*

## The Art of Execution

The four disciplines of execution result in three outcomes:

1. It clarifies the credit union's priorities for each staff member
2. It engages each member of the team through the compelling dashboard and weekly actions
3. Most importantly, it allows credit unions to achieve their strategic goals

## Question

If it is so simple, why don't all organizations and leaders live up to their potential?

Take 5 minutes at your table and identify three key reasons that organizations fail to realize their goals.

- Goals are too optimism – preparation is under-estimated
- Capacity was over-estimated – overconfident
- Lack of internal alignment – ineffective operations
- Lack of organizational focus – too many priorities

## Behaviours to Avoid

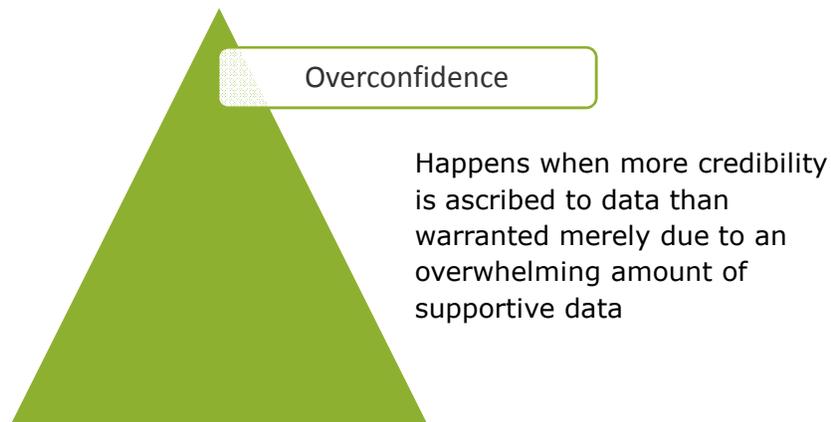
Behaviour	Tactics
Optimism	Ensuring that analysis is neutral
Overconfidence	Test, validate, question and probe
Lack of internal alignment	Discipline
Lack of organizational focus	Planning

*Alignment and focus require that we, and everyone else in the credit union makes good choices ... choices are the result of decisions ... making a decision is not a perfect science ... we all have biases ...*

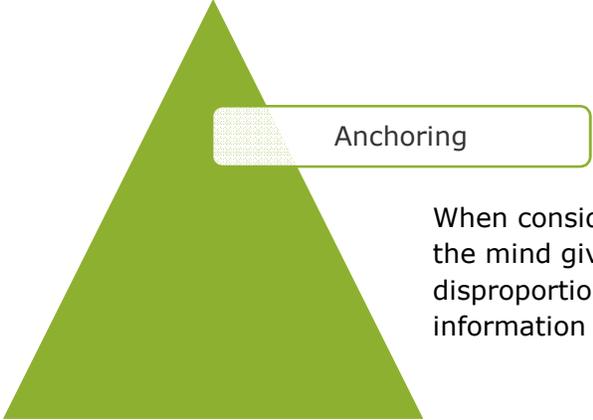
## Common Decision-Making Biases



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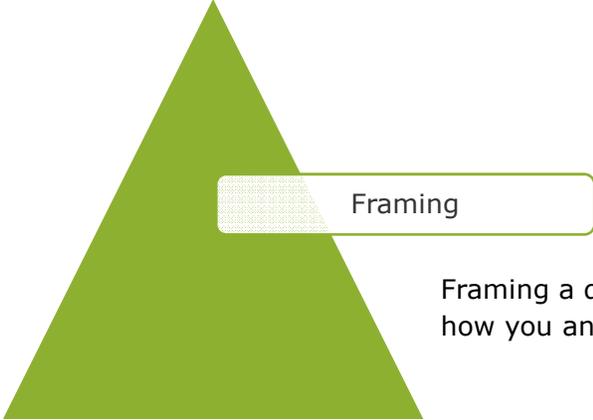
## Common Decision-Making Biases



### Anchoring

When considering a decision, the mind gives disproportionate weight to information already received

## Common Decision-Making Biases



### Framing

Framing a question can dictate how you answer it

## Question

Which would you rather do?

- A. Win \$10,000 for sure
- B. Accept an 85% chance of winning \$12,000 and a 15% chance of winning \$0

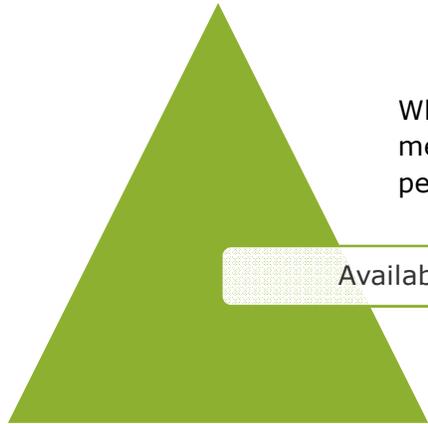
## Follow-Up Question

Okay, now which would you rather do?

- A. Pay a \$1,000 fine
- B. Take an 85% chance of paying \$1,200 and a 15% chance of paying \$0

*These two questions are objectively identical in terms of their values. However, if – like most people – you selected "B" in the first question (85% chance to win \$12,000) and "A" in the second question (pay \$1,000 fine), you know that changing the description of outcomes can drive results that may not be rationale.*

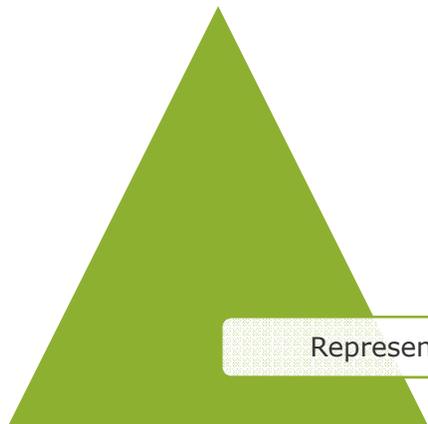
## Common Decision-Making Biases



What is readily available in memory influences most people's judgment

Availability

## Common Decision-Making Biases



Most people have an inappropriate tendency to assume that random and non-random events will balance out – they don't!

Representation

## Focus and Alignment

Even with good quality decision-making, your credit union's collective focus on its strategic goals may not be strong:

- Given how important the goals are, this loss of priority cannot be allowed to take place

Take 5 minutes at your table to identify the two or three key things that can cause the people in your organization to lose focus on the important strategic goals of the credit union.

## Losing Focus

### Key Reasons:

- Conflicting priorities
- Interruptions
- The sheer amount of information you need to absorb
- Random information that creates "noise"

## Growth in Data

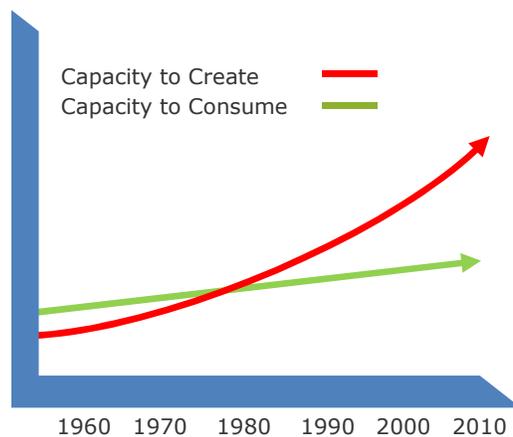
### Knowledge is useful, data is not:

- About 1,000 books are published internationally everyday and the total of all printed knowledge doubles every 5 years
- In the past 40 years mankind has produced more information than in the previous 5,000 years
- Having too much information is as dangerous as having too little
- To be useful, information needs to increase knowledge, deepen understanding and jump-start insight

## Data Creation and Consumption

Where does information overload come from?

*Our personal desire to know and be a part of things.*



Source: Sarah Houghton-Jan

## Effects of Information Overload

- 28.1% (2.1 hours) of a knowledge worker's day is consumed by interruptions (2005 Basex Survey)
- IQ scores when interrupted by:
  - e-mails/phone calls = 10 points lower
  - smoking marijuana = 4 points lower

(2005 University of London Study)

## The Truth About Information

- Yesterday's information is stale-dated
- Think of information as a stream, not a lake
- Choose to be in-control of your information sources and content, and ask:
  - Is it increasing my knowledge
  - Is it deepening my understanding
  - Is it providing a jump start toward insight



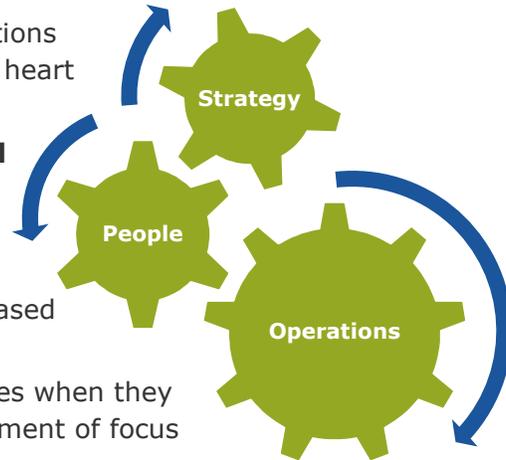
## Core Processes of Execution

People, strategy and operations are the building blocks and heart of good execution.

**An modest strategy, well executed will trump a superior strategy poorly executed every time.**

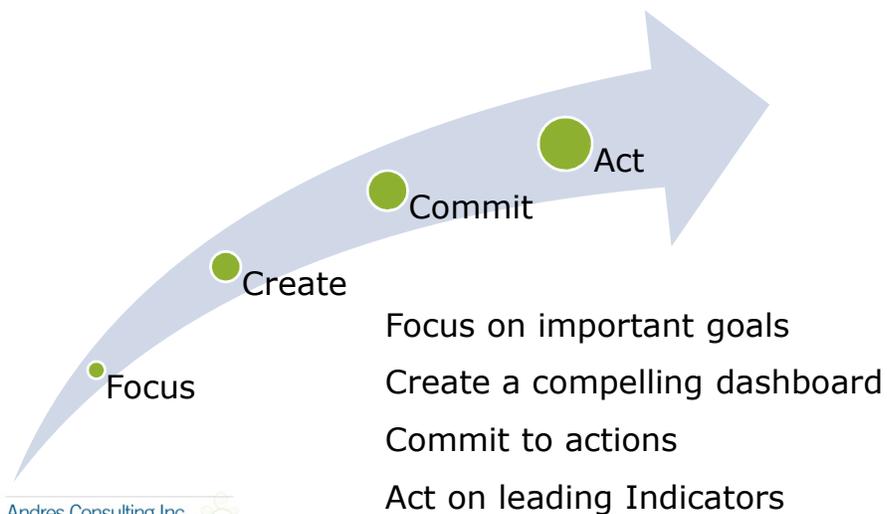
Operations are enhanced based on lead and lag indicators.

People will support strategies when they are operating in an environment of focus and alignment.



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## The Four Disciplines of Execution



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## Lessons Learned

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## Moving our People Forward

The cultural realignment that turned EDS (now HP Enterprise Services) around

Old EDS Beliefs	New EDS Beliefs
We are in a commodity business , we can't grow at market rates	We can grow faster than the market profitably, and using capital efficiently
Profits follow revenues	We can increase productivity year in and year out
Each leader owns all resources; control is key	We are committed to our clients' success
My peer is my competitor	We will achieve service excellence
People are not accountable	Collaboration is the key to our success
We know more than our clients	We are going to be accountable and committed
Our people will tell our clients what solutions they need	We will be better listeners to our clients

# Summary

## Workshop objectives and lessons learned

Objectives	Lessons Learned
Why do some organizations find it difficult to execute on their strategies?	It is important to have alignment between strategies, operations and people.
What processes do successful organizations employ to implement their ideas and achieve their goals?	Seek knowledge, not information, and make sound decisions that are bias-free, understand the lag indicators, but focus on the lead ones. Each week is a new start to enhance performance.
What are some strategies and tactics that you can begin to use right way to make an immediate and sustainable difference for your credit union?	Identify the 2 or 3 key priorities, develop a lead and a lag indicator dashboard, control information in support of what is important today, and eliminate data that is not readily developed into knowledge and insights.

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## Questions?

## Thank-You!

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