

The Strategic Performance Operating System (SPOS) ***Aligning Individual Performance to Corporate Strategy***

Bonnie Gorbaty, President of Inner Resources

Over the past thirty-five years of my professional career, I have observed how the business world has approached strategic planning and how that relates to the growth and success of a business. Strategic planning has evolved from a focus on the MBO (i.e. Manage by Objectives) to the full strategic plan that incorporates mission, core values, a 3 to 5 year vision and sometimes a longer term BHAG or “big, hairy, audacious goal”.

Regardless of which approach was used among the companies I was privileged to be working with, the biggest challenge was, and continues to be, the ability to actually get the organization (regardless of size) to successfully execute on the company’s strategy. Spending time and money developing a strategic plan without simultaneously developing a comprehensive plan that ensures its execution is a waste of time and money.

So, with a commitment to look at strategy execution from the beginning of any strategic planning process, we have developed a comprehensive approach that focuses on driving corporate performance down through each individual within the company.

We call this approach the ***Strategic Performance Operating System*** (or the SPOS). It is a way to capture the overall theme of ***what needs to happen to align individual performance to the company’s strategic plan***. This theme can be summed up in our basic premise:

Basic Premise

No strategic plan will ever be successful until everyone in the organization knows what to do, how to do it and how it supports the overall corporate strategy.

Whether you are in the habit of doing annual planning and updating a strategic plan or not, the SPOS is the right place to start in making sure that what you are doing is consistent with a systemized way to manage performance to the plan both individually and collectively throughout the organization.

Like any operating system, there are a few key components that provide a basic framework in defining the system and then a few critical sub-processes within each component to make the system come alive. While this may seem like a lot at first glance, it can be wildly successful in that it gets the organization into a highly productive and synergistic flow of thinking, deciding and taking action with everyone moving in the same direction and being on the same page.

So, it is worth a few minutes of your time to review the figure on the SPOS and the explanation below to see what you have in place and what you may be missing. The power of the SPOS is having all the pieces working together. Jim Collins refers to the flywheel concept in his book “Good to Great” in talking about “a cumulative process – step by step, action by action, decision by decision, turn by turn of the flywheel – that adds up to sustained and spectacular results.” Collins found this process in companies that went from being good to being great. ***The SPOS brings the flywheel to your organization.*** Here’s how it does that!

The Key Components

The purpose of the SPOS is to align individual performance to the Corporate Strategic Plan. To do that, there are three key components that define the SPOS:

1. Outputs of Strategic Plan that can be used to Align Individual Performance to the Plan

2. Development of Annual Operating Plan to Execute on the Strategic Plan and
3. Quarterly Accountability of Performance to Achieve Annual Operating Plan.

You may be doing all three of these core activities ***so the important question to be asking here is -- are all three working synergistically with each other and continually driving down to the individual level.***

Output of the Strategic Plan

If you look at the figure you will see three key outputs from the Strategic Plan. These will become part of the individual performance process. The three components are:

1. The Core Values (generally 5 themes or statements)
2. The Vision (generally has a three-year outlook)
3. The Strategic Growth Initiatives (referred to as SGI's, these define the high-level projects or initiatives to support the growth strategies of the company).

While most people know about core values and vision, the concept of the SGI may need some further explanation. Vision statements detail the new areas for growth. They contain strategies that may require fundamental changes in how the company operates. Without these changes, the company is unable to execute. The planning team must diligently identify and define these initiatives that will become the SGIs.

Since SGIs are sometimes major undertakings, they require a cross-functional team of people who bring their different perspectives in finding the best solution and engaging the right people. The cross-functional teamwork on an SGI can become one of the most important developmental processes at the individual and organizational levels as it requires some solid strategic thinking from the very people who are most likely to be directly responsible for its execution.

The company's core values, vision and SGIs are all sources of critical information that each department and individual in the company needs to take into consideration in defining their unique contribution and performance goals in making these become a reality. Each individual must look at how they need to exemplify the core values in what they do and how they do it every day. At the functional level, departments and individuals need to understand the overall vision to anticipate how their functions could be affected or need to be prepared to support the vision. Oftentimes, an SGI may even be identified within a department to build a specific capability that is either too weak or non-existent yet essential to execute on a specific company strategy.

Most SGIs require some in-depth work from other experts across the organization to help the SGI team finalize the work. This often identifies some key goals with corporate visibility for an individual or a department and ensures that the work gets a priority along with the day-to-day, tactical activities.

Eventually, the output of the SGIs become part of the ongoing responsibilities of the organization often bringing unprecedented levels of productivity and efficiency to the company. This is one of the most significant benefits that come out of a well-developed Strategic Plan.

Development of the Annual Operating Plan

Most companies have some type of annual operating plan though for many it would be characterized by the annual operating budget. ***Many companies use their budgeting process as their annual planning process. While this may work for some companies, eventually it can make a company quite vulnerable because it usually does not consider unexpected, market changes that we have all come to expect.***

The development of an annual operating plan is the natural next step in responding to the output of the Strategic Plan. In the figure, the SPOS is shown as a “flow” in that it generates a flow of activity out of each level that frames the thinking and actions for the next level.

At this level, there are three critical processes that flow from the Strategic Plan into the Annual Operating Plan

1. The identification of Corporate Goals defined by the CEO with their executive team,
2. Operational Goals defined by the functional executives and their teams, and
3. Individual Performance Plans defined by each individual with their manager.

For each process, we have developed suggested formats that ensures consistency in how everyone creates their own performance plan and stays aligned with the overall company plan.

Quarterly Performance Reviews

In this last component, we really get to see how well everyone is aligned and engaged in the company's planning and performance expectations. Here is where the proverbial pedal hits the metal – ***everyone has an annual performance roadmap coming into this level and now it is a matter of accountability.***

If an organization does not routinely hold itself accountable for the performance it expects, then this is the area where you will receive the most return. All the value of the above two levels are realized here. The ability to build the organization's capability and capacity to achieve future strategic growth objectives can be determined by the results of these performance reviews.

This is a discipline that once adopted becomes one of the most important processes that any company would want to claim as an organizational core competency. ***The ability to use the output from the annual operating plan as a vehicle to drive the review of actual performance to that plan on a quarter-to-quarter basis is a “no brainer.”***

The key to this process is that it keeps each individual thinking strategically and critically about their top priorities in supporting the company goals, and it keeps their activity timely and relevant as they review what needs to happen each quarter. The best time to keep the organization in a proactive state of mind is prior to the end of a quarter. Each individual from the CEO to the administrative staff take time each quarter to review their individual performance plans and set some specific goals for the upcoming quarter as well as review the performance of the past quarter – all with the intention of achieving their annual goals and staying in line with any corporate changes.

The Value of Aligning Individual Performance to the Company Strategic Plan and the Inherent Challenges

While the idea of aligning individual performance to the company strategic plan is not new, our observations of **how planning and performance is managed within many companies** (particularly the small to mid-sized on which I focus) is that **the efforts are not generating the real value that can be realized from this powerful business tool.**

I believe it is because like everything in today's economy, **the power of a strategic plan is in the integration of a system not in its individual parts.** We are also finding that the increased pressures and demands on our time are making it more difficult to create the time to focus on strategy let alone put a strategic performance operating system in place.

And while we talk about the importance of execution, we find at the heart of execution is discipline, which is another real challenge for many CEOs. **Its takes some strong commitment and effort on the part of the CEO to get themselves, their executive team and their organization into a productive and efficient rhythm around thinking strategically and aligning the execution through each individual.**

Why it Makes Sense to get Help

Can you pull this off yourself? Sure, you can. But, why would you when you can draw upon the experience and expertise of a professional who can show you the right path, can act objectively without the impact of corporate politics and, most importantly, can get you through the process faster and more efficiently than you ever could have done by yourself. We also work with you to make it a stimulating, inspiring and fun experience that leads to more creative insights.

To hear what some of the CEOs we have worked with have said about this process, read the case studies section. There are many different reasons that prompt CEOs to begin to get serious about this work but the best reason we find is **the realization that corporate success is intimately tied to individual success.** If everyone in your company succeeds in doing the right things and in the right way, then, your company can't help but thrive.

Strategic Performance Operating System

"Aligning Individual Performance to Your Strategic Plan"

