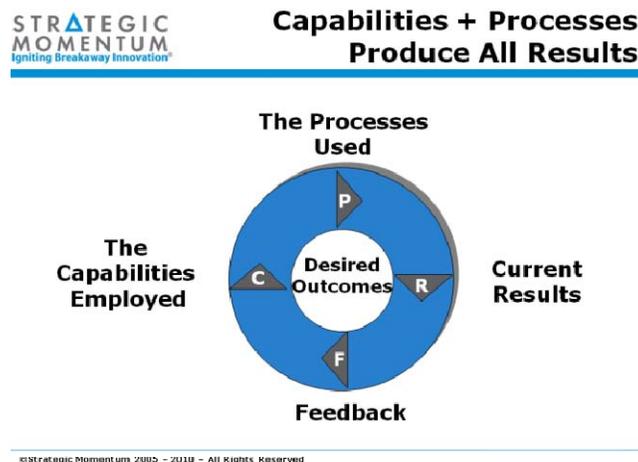


## Innovation and Execution Excellence – Practices of High-Performance Organizations/Teams

Innovation and execution excellence is a big subject. As an operating executive for over 30 years, I have studied and applied best practices to improve my own organizational performance and the performance of other organizations. I think it is misleading to talk about organizations in terms of this organization executes or innovates better than that organization, because it obscures a fundamental fact.

Organizations do not innovate or execute, people innovate and execute. So, when you say this organization innovates and executes well, what does this really mean. It means the people in that organization have installed effective processes and have developed the capability to work effectively together. What emerges is innovation and execution excellence.

Ultimately, all results are achieved by people following a process or processes. This is a very simple, but powerful concept. When you think about it, it cannot be any other way. Everything we do in life is done by a process driven by a capability. This can be represented by the Process Cycle Model below. I was first introduced to this model in 1991, in a somewhat different form, by Brian Yost of Yost and Associates.



Before I explore the Process Cycle Model and its relationship to innovation and execution excellence, I want to articulate a number of axioms that provide additional context for this discussion. I've learned these axioms over the years. I call them axioms because, like in geometry, an axiom is a truth that does not have to be proved, but is used to prove other truths.

Here are the axioms which I am using to support this discussion on the practices used by high-performance organizations/teams to produce innovation and execution excellence.

1. An organization is a system, of people and processes, perfectly designed to produce the results it is producing. The term organization can be applied at the enterprise, department and individual team level.
2. If you want to change the results, you have to change the design.

3. Results are produced by the individual and collective capabilities of the people driving a process or processes.
4. Language is generative, not just descriptive. Our conversations produce results through the language-action relationship.
5. Everything that happens between people, happens in the spoken and unspoken conversations people have or do not have with one another. In this context, we take a broad view of conversations. To us, conversations are anything that provokes interpretation. This includes anything we pick up with our senses as an active or passive participant in the conversation. This means conversations are never innocent.
6. Since everything that happens between people in an organization happens in conversations, the system design is held in place by the spoken and unspoken conversations. However, it is the unspoken conversations that have the most gravitational pull creating the status quo.
7. To change the results, you have to change the conversations. This means having the courage to start new conversations, stop some conversations and change other conversations.

We have used the **Process Cycle** above for years as a lens and actionable framework to lead organizations to produce the results they actually want to produce, rather than continuing to produce the results they do not want. **High-Performance organizations/teams are able to see the relationship between their capabilities, processes and the results they are producing.** Without this lens, it is difficult to make design changes. You cannot intervene in a world you cannot see.

### **Desired Outcomes**

The Process Cycle always starts with what you want to produce. This has to be the first question which has to live within the purpose of the organization or team. The purpose of the organization or team is its reason for being.

So, given the purpose, what is the goal or the mission of the organization or project? What are the **desired outcomes**? At the project or process level, the desired outcomes are typically represented as project or process objectives. At the enterprise level, the desired outcomes are usually represented as strategic objectives supporting its mission or the mission itself. **This is what CEOs everywhere call the “hard stuff.”**

The key question is, are the desired outcomes “ordinary” or “incremental” versus what James Collins, in his article on visionary leadership, called a BHAG or **Big Hairy Audacious Goal**, like producing a product in a third of the time.

- **To achieve innovation and execution excellence, high-performance organizations/teams:**
  - **Take on and fully commit to BHAGs.**
  - **Take on BHAGs that are breakthroughs or game changes.**

## Measuring Current Result(s)

The purpose of every process is to move the **current results** to the desired outcomes. At every moment, the process is producing current results. This is What Is. This is the current reality. This means that there has to be **feedback** or a measurement system in place to evaluate the gap between the current results and the desired outcomes. How fast are the results converging toward the desired outcomes and is the cost to produce the results in line with the projections? **What is not measured is not managed.** If the results are not converging, you have to change the **process** or the **capabilities** or both. You could change the **desired outcomes**, but high-performance/teams rarely compromise the desired outcomes.

- **To achieve innovation and execution excellence, high-performance organizations/teams:**
  - **Track their results regularly.**
  - **Accelerate results and quickly produce the desired outcomes.**
  - **Minimize the cost to produce the results.**
  - **Rarely, if ever, settle for less than their desired outcomes. In the face of breakdowns, the first thing that team has to do is recommit to their desired outcomes. Out of that recommitment, they create innovative solutions to resolve the breakdown.**

## Processes Used

Behind all results are a process and a capability. Let's start with the **processes used**. A process is an ordered set of action steps that a team decides to be the best course of action to produce the desired outcomes. Unfortunately, many times, processes are looked at in the abstract. They are seen as boxes on a piece of paper or steps in a procedure. In actual practice, processes are driven by people, with certain capabilities, taking purposeful actions that are coordinated with other people. Innovation and execution excellence is produced by the skillful actions of the team, the effectiveness of their processes and their ability to coordinate action rigorously.

- **To achieve innovation and execution excellence, high-performance organizations/teams:**
  - **Design highly effective and efficient processes that achieve the desired outcomes.**
  - **Document their processes because they know that an undocumented process cannot be measured and an unmeasured process cannot be managed.**
  - **Have a process for developing the process**
  - **Have a process for evaluating the results and providing the feedback**
  - **Design processes with minimum cycle times in order to produce accelerated results.**
  - **Design processes that are highly reliable and have minimum breakdowns.**
  - **Design processes that are friction free, meaning that they have low hassle factors and waste.**

- **Resolve breakdowns quickly and improve their processes continuously.**

### **Capabilities Employed**

Finally, while processes are important, the **capabilities employed** are a critical success factor. There is no substitute for capability. Two types of capabilities affect processes. The first, domain expertise, refers to the skill set and talents required to execute a task technically – a relatively easy capability to acquire, since you can simply hire it. The other capability refers to your team’s ability to function in a highly cooperative and collaborative manner for flawless execution. This capability takes time and effort to develop. However, when the investment is made to develop a powerful team dynamic, the team becomes unstoppable. **This is what the same CEOs call the “soft stuff.”** What gets missed here is that there is no “hard stuff” without people working effectively together to accelerate value creation. The “soft stuff” is what produces the “hard stuff” of innovation and execution excellence and the creation of extraordinary results.

- **To achieve innovation and execution excellence, high-performance organizations/teams:**
  - **Develop the individual and collective capabilities of their teams at all levels**
  - **Are able to mobilize the power of their teams and bring out their teams’ best contributions.**
  - **Leaders do not focus on managing people/activities/tasks. To name a few, they focus on managing/building:**
    - **Conversational competency**
    - **Commitment**
    - **Teamwork by managing the interpersonal and team dynamics**
    - **Mood**
    - **Trust**
    - **Integrity in word and action**
    - **Rigorous coordination of action**
    - **Capacity management**
    - **The quick resolution of breakdowns**
    - **Producing Customer Satisfaction**
    - **Skill development and leveraging skills with tools**
    - **Continuous innovation and value creation**

### **Summary**

I started off with the concept that a system’s design dictates what it produces. A business delivers the results it is designed, by its people, to deliver. Within the overall company system, the same holds true for its sub-systems – departments, teams and individuals. If you want different results, you have to change how your system operates.

If a business is a system, what creates the system design? It is the spoken (verbal/written) and unspoken conversations within the business and its environment that actually generate the design of the business and hold it in place. If you want to change the design, you have to change the conversations. **Conversations are a core business process.** You must summon the courage to stop some conversations and change others, building a new and more empowering communicative environment within your company.

Everything in life occurs through a process, including the results your business delivers. If you are not getting the results that you set out to get, you have to change your process, your team's capabilities, or both. Two types of capabilities affect processes. The first, domain expertise, refers to the skill set and talents required to execute a task technically – a relatively easy capability to acquire, since you can simply hire it. The other capability refers to your team's ability to function in a highly cooperative and collaborative manner to produce innovation and execution excellence. This capability takes time and effort to develop.

Documenting your processes so you can measure, manage and continuously improve them can have a profound impact on company performance. One of our clients went from breakeven to 12.5% net profit before taxes within the first year of documenting, improving, and managing a core process.