

## **Beyond the Vision – Architecting Organization Performance**

**A White Paper by  
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### **It Starts with a Big Idea**

Late one night, at 2:00 am, I was fast asleep in Moscow, Russia, where I was working on a transformation project for a large oil company. Suddenly, the phone rang, and when I groggily answered I heard the voice of my friend Joe, a client from past projects. Because I travel frequently, he had no idea what time zone I was in (it was 4:00 pm his time), and he began telling me he was starting a new exploration oil company, Cobalt International Energy. His new company had just received funding from major venture capital and investment banks, and he was in the start-up stage of one of the largest-ever new companies to start from the ground up.

We talked for about forty minutes about the prospects of his new company, and also the business model he was developing. He was creating a vision of an oil company that was different from any other oil company. It was a big idea, with big investment, with a highly focused strategy. A key element of his strategy was to focus primarily on the core capabilities of his company, while outsourcing much of the administrative support functions, including human resources.

Although a bit sleepy, I was clearly intrigued with what my friend was ready to embark on. Here was a guy with a big idea, a unique and distinctive value proposition for investors that he was just starting up. There were no guarantees, there were huge sums of investments required, and yet a small group of seasoned oil executives were ready to place the “big bet” on what they could create.

The idea had come as Joe was looking at future opportunities. With some of his colleagues, he had developed an idea of how they could create a new oil company built on a basic business model of Great People, Great Investors, Great Technology, and Great Data. This company would be able to attract the best talent in the industry and, with the right resources in a focused place, its leaders would create incredible value.

The first time we met face-to-face after that call, Joe had acquired and set up office space, had attracted world class investors, had created the initial executive team of five, and had hired a couple of additional employees. He showed me the group’s computing system connection on the wall, which was the company’s IT system—that entire system was all outsourced. He and his partners were in the process of buying some of the largest seismic data for Gulf of Mexico deep water. The Big Idea had gone live.

As an outside consultant, my primary role was to facilitate the leadership team in working its way—as a team—through the life cycle of the company. We began working together through executive retreats to plan and advance each step along the path that would lead to creating a legendary company. First, we met to get clear on the vision and the short-term goals. We continued to meet every few months to address key issues, and to refresh the focus, with an eye toward taking the company to the next level. Every six months, we dealt with a new set of issues, along with a new set of “learnings” tailored to

the decisions that had to be made. Although the broad strategy stayed the same, new tactics had to be enacted, such as how to access acreage for drilling to address real-time challenges. The resources for the organization had to be grown, the business plan had to be developed, plans for lease sales had to be executed—all while creating a distinctive company that would be the envy of the industry.

Now, seven years later, Cobalt is a \$10-billion market cap company. More recently, my team of consultants has worked with teams of Cobalt leaders to put in place the key processes for governance, human resources, and core processes as the company grows toward its vision and operating model. We are aligning all the leaders as the number of employees has grown significantly in order to take this company from an exploration and drilling company to a development and production company. We have also conducted high performance teambuilding meetings with Cobalt's joint venture alliance partnership to build their capacity to work better together as an integrated team representing highly different company cultures.

Cobalt has made tremendous progress and experienced extraordinary success in a relatively short period of time. However, as their CEO once said, "It might not have been pretty how we achieved it, but we got here". They achieved more than anyone thought was possible, and now they need to be able to grow and sustain it through a more systematic approach. Through this process, Cobalt's leadership team has put in place the foundation for continued growth, and is continuing to build the drivers for high performance.

Great things can also happen in government. In 2010 I met with the mayor of the city of Mecca in Saudi Arabia. Mecca is the most holy Muslim city in the world and has about two million pilgrims come there once a year for Hajj (over a 6-day period for the annual pilgrimage), as well as another two million throughout the year for Umrah (a pilgrimage that takes place throughout the year). And these visitors are on top of Mecca's 2-million base population. He was mayor of a great city, but he wanted to make it better. Specifically, he wanted help in creating a vision of how his city could be operated in a way to better achieve some of his dreams of meeting the demands and growing needs of this significant city. The goal was to create an operating vision for the city of Mecca. (And, since I'm not Muslim and am therefore not allowed in Mecca, we would meet in Jeddah.)

We began by understanding the key issues he saw that needed to be resolved. From these issues we developed a model of what areas would require new ways of operating. We used these areas as the basis for conducting a benchmark of ten other cities throughout the world. The idea was to create a shift in Mecca's operating model. Specifically, the changes would require a shift in the financial/economic model to provide more flexibility in its relation with the Ministry of Finance, shifts in the privatization of services through other business models, clarifying the roles of regulators from the roles of management so that each could better exercise their decision-making authorities, and ensuring a shift in all service providers to better focus on customer service and relations, including privatization.

Following this project, I prepared an executive briefing of our work for the mayor to review with his minister, who presides over all cities Saudi Arabia. The mayor had the meeting, thanked us for the tremendous support, and indicated his meeting went well enough to establish an experiment in funding, to obtain support for implementing changes, and to lead the way for other cities across the Kingdom

Both of these stories are examples of the many experiences I have had with remarkable leaders in facilitating change and executing projects that build and transform organization performance that is

legendary, pre-eminent, and lauded by others. Wherever the project, the process always involves taking a big idea and turning it into an organization system that goes beyond the vision. By architecting a system of great performance, the effort beyond the vision, leaders and their organizations have the potential to achieve results even beyond what they had envisioned.

When Mark Zuckerberg, a young Harvard dropout, developed a social network application for his classmates, did he have any idea that by 2012 he would have over 1 billion users? Where he goes with Facebook is still work in progress, but Zuckerberg did become the world's youngest billionaire. His international phenomenon has gone way beyond his original vision while he continues to build and expand his organization's capabilities to deliver an evolving opportunity and strategy.

We all know the story of the late Steve Jobs, who left a remarkable and lasting legacy in Apple—a name and a trademark that has permeated every corner of the globe. Beyond Apple, though, he was the architect of a seismic shift in the way every business has to operate if it is going to be competitive in today's environment.

On one level, what Jobs accomplished is quite simple: He created a culture and an organization whose one and only focus is to develop compelling products and services that “wow” the customer.

Think about it: From the time Apple released its first desktop computer, its first laptop, its first iPhone, its first iPad, or its first online supermarket (iTunes), every other company has found itself scrambling to come up with products that replicate the long lines, the loyalty, and the buzz that surround the release of any Apple product. (And while many of Apple's competitors have been successful by any standard, they always seem to come up just a little bit short.)

On another level, though, what Steve Jobs accomplished was extraordinarily complex: He demanded an unprecedented attention, not only to design and quality, but to every detail of every product from every employee, supplier, and manufacturer associated with Apple. And, from the minute a new product began raking in its inevitable record-breaking sales, Jobs turned his organization's attention to how Apple could make the next iteration even better.

Apple began with a vision, but Jobs' focus on achieving the vision “beyond the vision” was to architect an organizational system that would deliver that vision now and into the future.

### **Organization Performance Strategy**

Given that most people can recognize the difference between outstanding and adequate performance, why is it that some organizations soar to the top and others barely get off the ground?

Although it is often not recognized, the organization strategy behind the technology and innovation breakthroughs that make and deliver products that wow customer may be the most significant advancement of the 21<sup>st</sup> century. If a bright idea is going to succeed in the marketplace, an organization that links together large and diverse capabilities to deliver great outcomes is an absolute necessity.

Yet, even with a big idea and an organization backing it, some ideas skyrocket and some fizzle. Generally, that is the result of one or more fatal flaws within the organization. Leaders of organizations must understand the various parts and how they work together. Then they must use that understanding

to develop a highly effective organization that will deliver results not only to their customers, but to their investors and shareholders as well.

For over thirty years, I have worked for and with organizations, both large and small, in the United States and across the world, and I have made a study of what leads to success and what leads to failure. Whether my work has been with high tech industries, international energy conglomerates, local governments, or non-profit groups, I have repeatedly seen a number of common overarching issues and flaws that limit an organization's ability to achieve and sustain superior performance.

A high-level view of these issues include:

- An inability to maintain laser-like focus on the organization's strategy. Often, the problem begins at the top and extends downward through the fulfillment of customer requirements.
- An absence of leadership needed to articulate and deliver the strategy, meet commitments, and direct a well-integrated leadership team.
- A lack of organizational design needed to optimally deliver the strategy and to address the complexities across stakeholders and functions while satisfying customers across global markets with innovative operating and organizational models.
- Inadequate governance and management systems needed to ensure safe, legal, and reliable performance that can be tracked and effectively managed.
- The core DNA, or culture, of the organization that is essential in communicating strategy at a high level is not well defined or embedded into the behaviors of employees.
- Human resources systems that are not integrated to attract, retain, motivate, and align the performance of employees to the strategy
- An absence of innovation and responsiveness to a changing business environment that can be integrated into change for sustainable growth and competitiveness across the organization

### **The Organization Performance System**

Avoiding these mistakes and, instead, creating value and achieving remarkable success begins with understanding the whole of an organization, or its Organization Performance System.

The Organization Performance System found in modern organizations is made up of two interrelated but vastly different parts:

1. The Organization Performance Fundamentals, or the foundational elements that develop and deliver products and services. These fundamentals can also be viewed as the organization's *tangible* assets.
2. The Organization Performance Drivers, or the primary determinants of high performance that optimize an organization's ability to create, organize, coordinate and deliver the strategy with sustainable growth and competitive advantage. These drivers can also be viewed as the organizations *intangible* assets.

The Brookings Institute has studied the impact of tangible assets and intangible assets on the market cap of companies and has found that the role of the intangible assets has increased significantly over the

past thirty years. In fact, the Institute determined that the effect of intangible assets on the market cap value of major companies was 75 percent while the effect of the tangible assets was only 25 percent.

As leaders are able to identify and understand the difference between the Organization Performance Fundamentals and the Organization Performance Drivers, they are better equipped to manage the interplay between the two in ways that optimize performance and success.

Virtually every business in existence has in place, at some level or another, the Organization Performance Fundamentals. But the businesses that stand out, that excel, that “wow” their customers have the additional layer of Organization Performance *Drivers*. Before delving into the particulars, consider this illustration of the differences between the two.

I grew up in a small, rural town. Like many small towns, it had its own, homegrown fast-food hamburger stand called Parker’s. Parker’s wasn’t fancy by any stretch of the imagination. It didn’t have indoor seating, but it did have great hamburgers, fries, and milkshakes. Its owner, who was a local, had a good business plan when he started, made decent money, and kept things just as they were for sixty years. In fact, the only change I ever saw was the addition of a front enclosure so that people could come in out of the cold and place their orders. As the community grew and many new restaurants moved in, Parker’s continued to be a favorite among the locals who had strong hometown ties. However, that business model wasn’t enough to keep it afloat, and in 2011 Parker’s flipped its last burger after six decades of business.

By contrast, one of Parker’s competitors also started as a local hamburger stand in Southern California, at roughly the same time. But, while Parker’s business was dwindling, this popular hamburger restaurant always had long lines of people at the counter and cars in the drive thru (Parker’s never did add a drive thru). In-N-Out Burger, which is legendary in the Western United States, is also a family-owned business. For a time, its owner resisted growth because of his concerns over maintaining its high standards and quality. But, with time, his strategy changed, and In-N-Out now has 281 stores across the western United States and into Texas. Remarkably, In-N-Out Burger has kept the same menu for over sixty years—hamburgers, fries, milkshakes, and soft drinks. Period. If you want a chicken sandwich or a salad, you’re out of luck. But with its clean, modern restaurants; its well-dressed and well-trained staffs, and a high-quality product wherever you eat, In-N-Out has a highly loyal customer base that wears its t-shirts and displays its bumper stickers with the same pride as Apple loyalists. And, with the highest quality ratings in its industry, In-N-Out Burger makes a profit that leaves a lot of other hamburger stands—and multinational corporations—green with envy.

At one level, Parker’s and In-N-Out Burger followed the same business model. They both started with the idea to serve great burgers, they both raised the funds to start and operate their business, and they both developed their product mix and formulas. They both drew from basic technology to cook and operate their business, and they both kept their own knowledge capital proprietary to their stores. They managed a supply chain from contracting raw materials, to storing inventory, to cooking their burgers, dispensing their drinks and shakes, and to marketing and selling their burgers and drinks at the register. However, today one is growing with extremely strong margins; the other is out of business. So what is the difference?

While Parker’s and In-N-Out Burger could be viewed as being in basically the same business, that is where the similarity stops. In-N-Out Burger has a strategy for conservative, managed growth; Parker’s

had none. In-N-Out has a well-oiled system of leadership development and the training of store managers; Parkers had an owner and a steady stream of daily supervisors who learned on the job. In-N-Out has developed a leadership team to manage its regional growth; Parker's had one boss, and everybody reported to him.

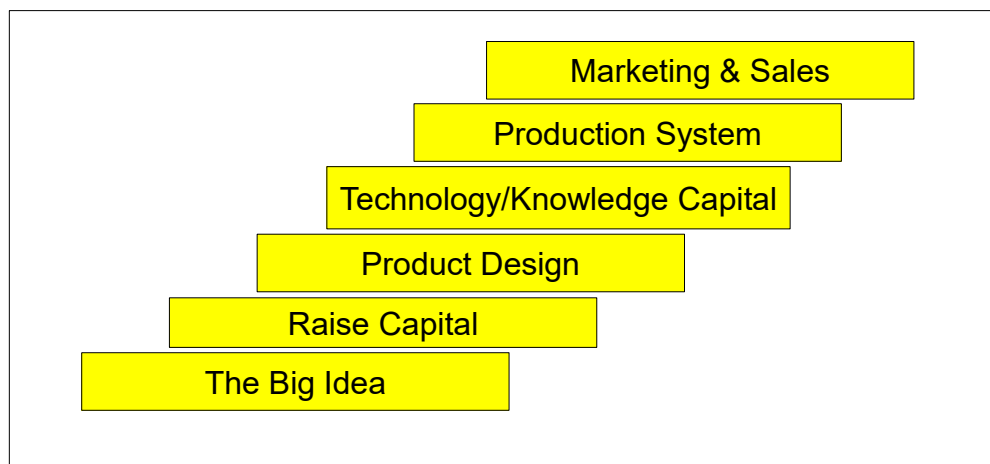
In-N-Out uses sophisticated data to track and predict sales, as well as an audit system that tracks staff compliance and performance. Parker's had a single cash register and monitored staff performance by face-to-face interaction—if the boss happened to be there. In-N-Out instills in its employees a high-performance culture of friendliness, service, pristine facilities, and employee dress, Parkers had nice people who tried to keep the place looking nice. In-N-Out systematically recruits and interviews potential employees that meet their profile, and it pays its employees above the industry standard. Parkers paid minimum wage rates, and hired largely friends of friends. In-N-Out has taken full advantage of advancing technologies, with every activity electronically recorded, tracked, and monitored for real-time performance analysis. Parker's, from the day it opened until the day it closed, took orders by scribbling on a note pad.

In a nutshell, both companies followed the Organization Performance Fundamentals, but only one took advantage of Organization Performance Drivers.

### Organization Performance Fundamentals

Those activities that are basically the same for any organization are what we refer to as Organization Performance Fundamentals. Every company starts with an idea to build a business or service. Capital is then raised to fund the venture, the product or service is designed, technology and knowledge capital are leveraged, the product goes to production (or the service is created), and it is then marketed, sold, and delivered to customers. This process forms the most common and fundamental approach to building an organization and can be broken down into: 1) The Big Idea, 2) Raising Capital, 3) Product Design, 4) Technology/Knowledge Capital 5) Production System, and 6) Marketing and Sales.

### Organization Performance Fundamentals

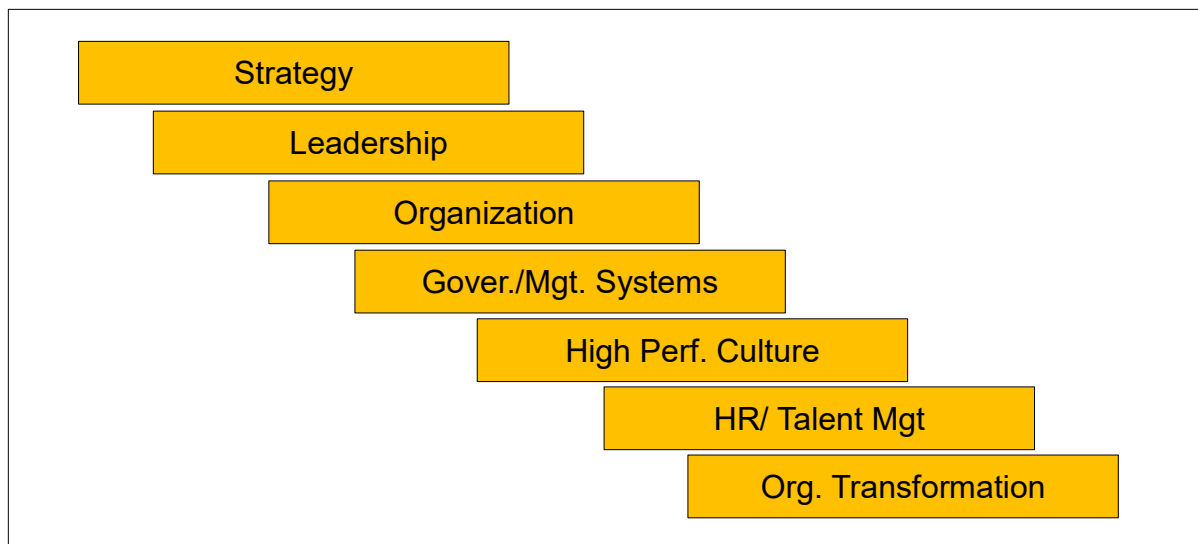


Organization Performance Fundamentals are the basic building blocks of an organization. They are tangible and measurable, and they provide the foundation for the existence and development of any organization, whether it is public, private, or non-profit. They provide the context for the dimensions that determine long-term sustainable growth and high performance. They must be well executed if a company is going to develop to its highest capacity. But they do not, in and of themselves, create success.

### Organization Performance Drivers

Where the similarities between Parker's and In-N-Out Burger stop—and competitive differentiation begins—is with what we refer to as the Organization Performance Drivers. These are the intangible assets that the Brookings Institute described as contributing 75 percent to the success of organizations, compared to the 25 percent contributed by the tangible assets. Although they are harder to quantify, Organization Performance Drivers provide the critical differentiation in performance. These Drivers, which are expanded on below, include: 1) Strategy, 2) Leadership, 3) Organization Architecture, 4) Governance and Management Systems, 5) High Performance Culture, 6) Human Resources/Talent Management, and 7) Organization Transformation.

### Organization Performance Drivers



**Strategy:** Strategy sets the direction for where an organization is headed. Strategy often begins with a clear vision and an aspiration for the future, and is coupled with a more practical definition of what business the organization is in, which we refer to as the mission. The more precise definition of what an organization focuses its resources on to achieve outcomes is defined by the strategic goals. Typically, the approach a company uses to create a competitive advantage and to develop, distribute, market, and monetize its products is the business model. Strategy starts broad and is then broken down into finer elements until the exact approach used to achieve value is defined.



***Insight: Many organizations define their vision and mission statements as their strategy, or they have hundreds of objectives that they see as their strategy. Both extremes do not constitute a strategy. A strategy needs to be clearly focused on a few priorities that drive differentiated performance with clarity of purpose. As Peter Drucker once stated, "Strategy are those things you do today that determine your tomorrows."***

**Leadership:** The one factor that seems to be the most indicative of long-term success is leadership. Leaders, after all, define the strategy, allocate resources, position the business model, develop and align employees, and ensure that the necessary resources are available to be successful. Leaders are the ones who make the final decisions. The structure of leadership needs to be clear in terms of what positions are established, what levels of authority are delegated, and where the lines of accountability are drawn. Leadership teams need to be organized to function effectively to sit in councils, deliberating key issues and rendering decisions and plans for execution. Finally, organizations need to define what is required of an effective leader through leadership models and competencies, through leadership development, and by creating a pipeline for future leaders.

***Insight: Leadership was first differentiated from management by Harvard Professor John Kotter. Traditionally, management has been defined as: plan, organize, direct, and control. Kotter defined leadership as having a vision, inspiring, motivating, and leading change. Both are important, but leadership is typically the least developed in organizations.***

**Organization Architecture:** The focus on the organization begins with the operating model. The operating model is the broad vision of how the organization should operate, what the key roles and core functions are, and how they interrelate. This typically starts with the corporate roles and how involved these individuals are in leading the enterprise. These roles can vary from a pure holding company, to strategic alignment, to strategic management, to being operationally involved. The operating model for the business units, their intra-relationships and interrelationships, also need to be defined. The capabilities required for the organization need to be defined, and the value chain must be organized effectively. Then the form of the organization can be analyzed based on the focus around geography, product lines, customer types, value chains, or a matrix combination. The degree of centralization and the roles of selected integrating groups or core processes need to be defined to ensure that core capabilities are built into the organization. The final product of the organization is an organizational chart, with positions and accountabilities. However, it is the operating model that best describes how the organization will function to most effectively and efficiently achieve the strategy.

***Insights: Organizations are notorious for trying to tinker with their organizational structure, and for swinging the pendulum from centralization to decentralization, and back. The organizational structure is only one representation of the organization. Being clear on what the organization needs to do (strategy), and the means by which it does it (capabilities) are the key ingredients of organizational design. Organization architecture requires not only an understanding of the vertical grouping of functionality, based on how the organization needs to optimize the way it performs, but also the horizontal relationship functions by which all the capabilities get accessed. This is also referred to as the operating model, which by definition, ties all the other elements together as one integrated high performance system.***

**Governance and Management Systems:** As organizations expand and investors seek to ensure their investments are being protected and grown, systems and processes to govern and manage the



organization are critical. Their absence can lead to chaos. At the same time, an overabundance of governance practices can lead to bureaucracy, with overly tight controls and regulations, and can drown out innovation and action. The key is to get the right balance, beginning with the board level's function and duties and then the leadership team's functions and duties. Other special teams or subcommittees also need to be designed for proper governance and management. In addition, management needs to set the right policies for managing the business, along with the processes to plan, to ensure the capabilities are in place, to audit to ensure practices are followed financially and operationally, and to manage the risks. Key to this is defining how decisions are made and who has what decision-making authorities, and putting in place the management system to manage and track key performance indicators.

**Insights: Governance is often a misunderstood concept. It begins with the board level role of directing and protecting the organizational assets in behalf of the shareholders. That cascades down to the executive team and the processes employed by leaders to ensure and monitor performance through the use of audits, to the implementation of policies, to a corporate-wide performance management system. The more that desired behaviors are embedded in the culture, the less tightly does the behavior of the organization need to be legislated. Enron had all the policies in place to manage behavior; however, its culture encouraged high-risk and sometimes illegal behaviors under the pretense of innovation.**

**High Performance Culture:** Culture is one of those topics that cause some executives' eyes to gloss over and to feel uncomfortable addressing. Yet everyone seems to accept that it has a profound impact on how an organization performs. Culture is sometimes referred to as the "DNA" of the organization. The academic definition involves the underlying beliefs, values, and assumptions that are shared and that shape behaviors. The pedestrian definition is "the way we do things around here." The approach the organization takes in focusing on the types of behavior characteristics that are necessary to successfully deliver the strategy is the culture. Some of these characteristics might include being innovative, cost-focused, network-based, willing to engage in constructive debate, entrepreneurial, and customer-focused.

***Insights: An organization's culture will eventually trump policies, procedures, and structure in determining how an organization will operate day to day. Leaders are the most powerful determinants of culture based on the behaviors they model, the expectations they set, the activities they reward and punish through selected consequences, and the systems they set up to reinforce the culture. When patterns of behavior become the norms, then the culture emerges as an embedded DNA through the values, beliefs, and assumptions of all employees.***

**Human Resources/Talent Management:** It is the people of the organization, at the end of the day, who determine whether an organization succeeds or fails. They are the ones who carry out the work; they do the jobs that create value, and they are at the interface of every step of the value chain. The key is to effectively manage the life cycle of employees from recruiting, to staffing, to development, and to performing. This also requires a focus on processes and systems to ensure employees are aligned, capable, and motivated. These activities are the responsibility of line managers, with the assistance and support of the human resources function.

***Insights: The days of personnel administration are out, and the process of talent management has transformed what human resource organizations need to do to support the line function. The war for***

***talent, despite a recession, continues with many highly sought after skills, with jobs going unfilled, as the available workforce doesn't match the requirements of the modern organization.***

**Organization Transformation:** Change starts with innovating new and better ways of developing and delivering products and services. Frustration is defined as trying to accomplish different results while doing things the same way. The business environment is in constant flux due to geo-political issues, new technologies, changing customer demands, and shifting global markets. Organizations that do not keep pace with an ever-changing world will be left behind—and will eventually fail. Organizations can develop systematic ways of changing and improving through methods of innovation and creativity, quality management, continuous improvement, and systematic approaches for implementing large-scale change. Attempting to transform organizations through executive edicts and memos will not provide the wherewithal for creating sustainable long-term change for growth and success.

***Insights: Change by memo does not work. We have found that even simple attempts at changes are misunderstood unless accompanied by the right level of communication, explanation, training, and coordinated change plans. Such efforts require the support of leaders and sometimes specially trained change agents. The transactional part of change—such as training employees to use new technology or work processes—is fairly simple to accomplish. However, holistic and transformational change that requires a significant shift in mindset, mental models, attitudes, beliefs, and assumptions—such as in the culture or business model—requires a more intensive and structured approach to achieve lasting change that “sticks” with sustainable results.***

### **Integrating Performance Fundamentals and Drivers**

Both Organization Performance Fundamentals and Organization Performance Drivers are important, and both sides must work together as integral partners for performance. When effectively combined, they form a performance system. The effectiveness of the performance system determines whether the “wow” factor is embraced by shareholders and customers and is delivered on a continuous basis even as demands change over time.

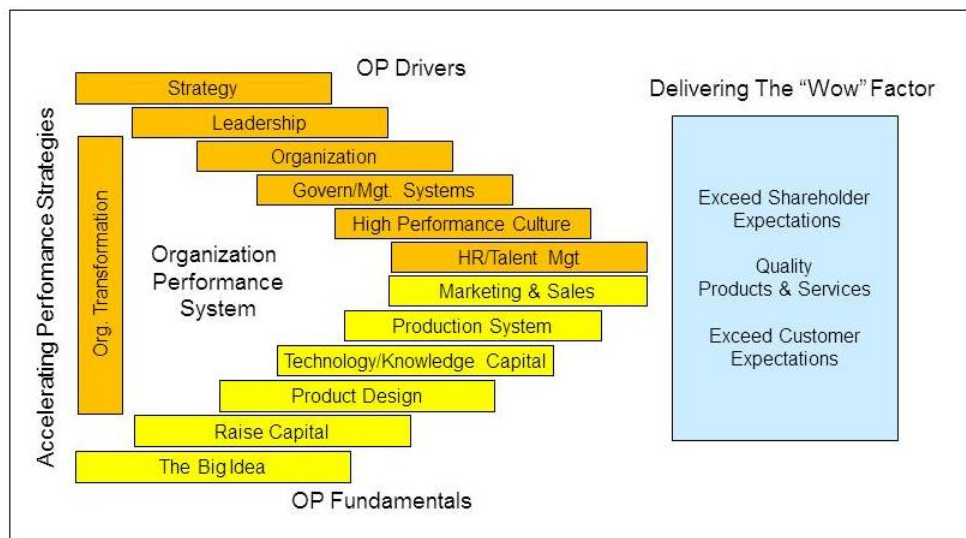
Most leaders spend the majority of time focusing on the Organization Performance Fundamentals, a place where there is always room for improvement as the business environment changes. However, less time is usually spent on the Organization Performance Drivers, which provide the competitive advantage to deliver sustainable results. The Drivers cannot be developed in isolation, but only within the context with the fundamentals of the business, so the two go hand in hand.

Organization Performance Drivers seem mysterious and elusive to many leaders because they are less tangible and therefore more difficult for leaders to actually develop and manage. Yet Performance Drivers provide the path to high performance in developing an effective organization that can deliver strategy, wow the customer, and provide high value returns to the shareholders.

Any organization can be designed to perform like a Ferrari or a Ford Focus. Both are cars, both rely on internal combustion engines, and both will move you from Point A to Point B. But if you want speed, high performance, quality, and style—if you want to be *wowed!*—then the Ferrari is the car you will choose. This is the difference between the Performance Fundamentals and Drivers...one will get you there, the other will do that—and take your breath away in the process.

The Organization Performance Drivers and Organization Performance Fundamentals are illustrated as an overall Organization Performance System in order to deliver the “wow” factor to shareholders and customers:

### Organization Performance Strategy Framework



While all Organization Performance Levers are important, the Organization Performance Drivers are the primary differentiators of performance examined further in this paper. Note in the framework that Strategy the starting point of the Big Idea by Organization Transformation keeps the Organization Performance Fundamentals and Drivers linked and integrated. Changing the Drivers will impact how the Performance Fundamentals are executed.

### Delivering High Performance through Organization Performance Drivers

One of the first priorities of Cobalt International Energy was to develop the strategy. Once the strategy was set, it only changed in terms of tactics, but continuing to build an organizational capability to deliver the strategy was one of their most important challenges. This challenge was the same for Steve Jobs, as one of his most important functions was to develop his organization’s capabilities to deliver on Apple’s strategy beyond his leadership as CEO. Since his death, Apple has continued to flourish.

To be able to transform an organization through the Organization Performance Drivers, it is important to understand in detail what each entails. For each Organization Performance Driver, a summary of key issues that are found in many organizations are summarized and potential approaches are listed.

#### Strategy:

Key Issues	Potential Approaches
<ul style="list-style-type: none"> <li>Strategy not clearly articulated</li> <li>No clear, commonly-understood goals</li> </ul>	<ul style="list-style-type: none"> <li>Conduct a leadership workshop to articulate strategy</li> </ul>

<ul style="list-style-type: none"> <li>• No central document for the operating approach</li> <li>• Lack of mechanisms for communication</li> </ul>	<ul style="list-style-type: none"> <li>• Analyze the value chain and develop the optimum business model</li> <li>• Cascade goals as part of a performance meeting system</li> <li>• Develop a company vision and operating model document</li> <li>• Develop a communication strategy</li> </ul>
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#### Leadership:

Key Issues	Potential Approaches
<ul style="list-style-type: none"> <li>• No definition of leadership requirements</li> <li>• No leadership team</li> <li>• Leaders not held accountable</li> <li>• No effective leadership development approach</li> <li>• Lack of leadership pipeline</li> </ul>	<ul style="list-style-type: none"> <li>• Develop high-performance leadership team</li> <li>• Develop a leadership model of leadership focus to deliver the strategy</li> <li>• Develop a leadership development system</li> <li>• Develop key institutionalized leadership practices such as decision-making, planning, and strategy implementation</li> <li>• Develop robust succession planning process</li> </ul>

#### Organization Architecture:

Key Issues	Potential Approaches
<ul style="list-style-type: none"> <li>• Operating model to differentiate performance is not defined</li> <li>• Organization design has been limited to organization chart</li> <li>• The role are not clear between functions</li> <li>• Silos exist and integrating mechanism across organization don't exist</li> <li>• The organization is not designed around capabilities and performance outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct workshop to define a differentiated operating model across the value chain</li> <li>• Design the organization around capability and performance requirements</li> <li>• Define clear roles across functions and within jobs</li> <li>• Set up cross-organization coordinating mechanisms</li> <li>• Develop documentation of how the organization is intended to work</li> </ul>

#### Governance and Management Systems:

Key Issues	Potential Approaches
<ul style="list-style-type: none"> <li>• Role of governance has not been defined nor understood</li> <li>• Organization lacks assurance processes for: <ul style="list-style-type: none"> <li>- Risk management</li> <li>- Policies and practices</li> <li>- Organization capability audits</li> </ul> </li> <li>• No rigorous enterprise wide performance management system</li> </ul>	<ul style="list-style-type: none"> <li>• Design effective board roles and structure for meetings</li> <li>• Develop core governance systems for risk management, define and align critical policies and procedures</li> <li>• Conduct an audit of organization performance practices</li> <li>• Develop a robust enterprise-wide performance management system with the support infrastructure</li> </ul>

### High Performance Culture:

Key Issues	Potential Approaches
<ul style="list-style-type: none"> <li>• Definition of the core organization DNA for high performance is not defined</li> <li>• Current culture and barriers to performance have not been assessed</li> <li>• Processes and systems are not aligned to support the desired culture</li> <li>• Multiple cultures exist from legacy backgrounds and interests</li> <li>• Culture is neither measured nor continually reinforced and shaped</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct a cross-organization culture assessment and definition workshop</li> <li>• Assess the current culture and diagnose barriers to desired performance</li> <li>• Define the desired culture and develop a plan to build the desired culture</li> <li>• Align reinforcing processes and practices for the desired culture</li> <li>• Get leaders to model and reinforce the desired culture behaviors</li> <li>• Measure and track shifts to the desired culture</li> </ul>

### Human Resources/Talent Management:

Key Issues	Potential Approaches
<ul style="list-style-type: none"> <li>• Too many unfilled critical positions</li> <li>• Lack of systematic coordinated human resources processes and practices</li> <li>• No overall human resource strategy for leveraging staffing</li> <li>• Lack of a focused competency development program for short and long term needs</li> <li>• Lack of career ladder</li> <li>• Employees aren't aligned to the organization's strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a human resource/staffing strategy</li> <li>• Develop a compelling story for employer of choice for recruiting and retention</li> <li>• Audit current HR processes and practices and develop a plan to eliminate gaps</li> <li>• Develop a career ladder that is attractive to technical as well as managerial roles</li> <li>• Develop a performance appraisal system that is aligned to a corporate strategy and performance measures</li> </ul>

### Organization Transformation:

Key Issues	Potential Approaches
<ul style="list-style-type: none"> <li>• Limited processes for innovation and to develop change</li> <li>• No integrated transformation process to integrate changes</li> <li>• Change lacks the right sponsorship, leadership and change agents</li> <li>• The process of transformational change is not understood</li> <li>• There is no common approach nor model for implementing effective organization transformation</li> <li>• Change is not measured and tracked for change progress and outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Set up an approach for innovation and continuous improvement</li> <li>• Set up a change leader to work with management on clear transformation processes</li> <li>• Set up a central change counsel to integrate all changes</li> <li>• Train change leaders</li> <li>• Hold leaders accountable for change as an integral part of their job</li> <li>• Measure and track change progress for implementation and results</li> </ul>

Although surgical approaches can be helpful to address specific issues, they also need to be understood within the context of the whole organization; otherwise, changes in one area can lead to unintended consequences in another. This is why a change program needs to be managed as part of an overall integrated effort to achieve the optimum sustainable results. (Note: For specific examples of how the Organization Performance Drivers have been applied in real-life business situations, see Appendix A.)

### **Developing an Organization Performance Strategy**

Most requests to help improve an organization come as a result of a felt need or observed problem with one particular area of the organization, such as wanting to update the organization structure and operating model. While that provides a good starting point, we have found that any change in one part of the system needs to take into consideration the rest of the system. There is a useful approach and tool to assess the overall system with a primary focus on the Organization Performance Drivers called an Organization Performance Strategy Assessment. This assessment is conducted by interviewing the senior leaders to rate the strengths and weaknesses in their organization around each dimension in the Organization Performance Strategy Framework. A content analysis of the findings is conducted and presented to the executive team in order to prioritize key issues and develop an overall Organization Performance Strategy Transformation Plan. Based on the priorities, a transformation plan is usually developed in phases so that a systematic and manageable order to change is in place while the organization continues its day-to-day operations.

Once the big idea is established, the hard work is to go “beyond the vision.” Going beyond the vision suggests that by developing the performance drivers to deliver the strategy, an organization is creating a high-performance system that will deliver results exceeding the original vision. This includes transforming already existing companies to transform themselves to achieve new heights of success. This process is neither a mystery nor elusive. It begins with the basic foundation of all organizations or Organization Performance Fundamentals. Then, by leveraging the Organization Performance Drivers, an organization can achieve step change performance. Together, the Fundamentals and the Drivers provide the greatest opportunity for competitive differentiation and sustainable results.

To end where we began, Cobalt recently announced its second big discovery in the Gulf of Mexico, which sent its stock soaring in one day. And this was on top of its discovery in offshore Angola the previous year that sent its stock from \$11 a share to over \$30 a share. Cobalt has truly gone beyond the vision, and it is just getting started. Its leaders are on an ongoing journey, to be certain, but you get what you architect your organization to achieve.

In fact, with the commitment to follow a systematic process for developing great performance, every leader can realize the vision of a “Big Idea” by Architecting Organization Performance, beyond the vision.

### **About the Author**

After earning a masters degree in Organizational Communications and Business at Brigham Young University and pursuing doctoral studies at Rutgers, Curt J. Howes worked for eighteen years at Exxon, where his responsibilities included leading Advanced Management Education. He was then an Associate Partner with Accenture for eight years, leading Organization Change Strategy in the Resources Sector.



As President of Organization Performance Strategies, Curt has worked with numerous international organizations, including Cobalt International Energy (Houston, Texas), Mecca Municipality (Saudi Arabia), Orascom (Egypt), Protection of Women and Children (Saudi Arabia), and the Royal Commission for Jubail and Yanbu (Saudi Arabia), Aramco, (Saudi Arabia), ExxonMobil (U.S.A.).

In his international management consulting practice, Curt helps organizations transform performance by focusing in these key areas:

- Strategy Alignment
- Leadership Development
- Organization Architecture
- Governance and Management Systems
- High Performance Culture
- Human Talent Strategies
- Organization Transformation

In addition to his consulting practice, Curt serves on the Advisory Board of BYU's MBA OB/HR program and teaches case study classes for both BYU and Utah State University MBA Programs.

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## Appendix A

### Implementation Case Examples

Abraham Maslow stated, “The trouble with giving someone a hammer is that they tend to treat everything as if it were a nail.” Successful implementation of any idea is only useful if it is developed in the context of the needs and requirements of the whole organization. Therefore, to pursue the implementation of Organization Performance Drivers without clearly understanding where they fit within the broader context of the industry and the life cycle of the organization is a formula for failure. The starting point for improvement and transformation, in all cases, is by conducting a current state assessment, diagnosing the core issues, developing a project plan, and securing the commitment of leaders to lead the change.

Below are a few examples of selected company projects undertaken to improve and transform performance by addressing key issues, with a primary focus on the specific Organization Performance Drivers.

#### **Ministry of Water and Electricity (OP Drivers: Organization, Governance/Management Systems, and Organization Transformation)**

Challenge: The organization had a mix of roles that were not coherently put together to manage the overall water of the country in a highly arid region of the world.

Solution: Developed an operating model that separated the roles of water suppliers from the role of managing the countrywide water resource and the regulatory roles. The organization model was restructured with roles and processes redefined.

#### **City Of Mecca (OP Drivers: Organization, Governance/Management Systems, and Organization Transformation)**

Challenge: The city had tremendous demands on its resources to accommodate the annual hajj and ongoing pilgrimages to Mecca of millions of pilgrims each year, while accommodating all the needs of a growing city.

Solution: Developed an operating model following best practices around the world that focused on core factors of the economic model, management vs. regulatory roles, privatization of services delivery, and ensuring customer focus.

#### **Oil Company Transformation of Retail Management (OP Drivers: Organization and Organization Transformation)**

Challenge: A large downstream retail oil company was transitioning to the technology-based approach for the management of gasoline in stores, the distribution system, along with automation of store inventory management.

Solution: An overall change management program was designed and implemented to inform all stakeholders of the changes, to manage ongoing communication, to implement the changes systematically, and to manage and measure progress.

**Large Utility Company Information Technology Organization (OP Drivers: HR/Talent Management, and Organization Transformation)**

Challenge: The internal information technology organization was limited in its capacity to deliver business solutions to the broader organization, to select and implement software, and to manage large scale-projects.

Solution: As part of a longer-term transition, an organization competency model was created to identify and develop the requisite capabilities to be a highly effective IT organization, and a on-line, computer-based learning strategy was developed to offset costs and increase learning effectiveness.

**Supply Chain of Large Oil Company (OP Drivers: Strategy, Organization, Governance/Management Systems, HR/Talent Management, and Organization Transformation)**

Challenge: A large transformation was being develop for a 100,000-plus person organization to improve the technology and processes for demand planning, warehouse management, and acquisition of materials and services with significant organizational implications.

Solution: An organization model was designed that would be phased in over a ten-year period. In addition, an overall change plan was developed along with training modules for supporting people in the change process.

**Start-up Oil Company Alignment (OP Drivers: Strategy, Leadership, Governance/Management Systems, HR/Talent Management, and Organization Transformation)**

Challenge: The organization had grown significantly since its IPO but was seeing signs of lack of alignment across the organization. It had also not fully developed its HR practices as a relatively new start-up company.

Solutions: A detailed vision and operating model was developed to provide a clear definition of how the organization would operate in delivering its strategy, and to communicate and develop alignment across the organization. Also, fifteen human resource processes and practices were defined and developed as the new way of managing HR needs for sustainable growth.

**Joint Venture Operations of Different Cultures (OP Drivers: Leadership, Governance/Management Systems, High Performance Culture, and Organization Transformation)**

Challenge: A joint venture between two oil companies was challenged by the significant differences of their two company cultures. One culture was nimble and quick in decision-making while the other required significant corporate reviews that took significant amounts of time.

Solution: An assessment of the two organizations was conducted, leading to the identification of key differences. A workshop with key players for both organizations was conducted to address the issues within their levels of influence, and to make commitments to common guidelines on how they would work together better and manage more efficiently their own organization processes.

**Legal Firm and Subsidiary Companies Strategy Articulation (OP Drivers: Strategy and Organization Transformation)**

Challenge: A prestigious legal firm needed to develop and clarify its strategy among its partner owners and for several subsidiary firms owned by the firm in real-estate development and light manufacturing.

**Solutions:** An analysis was made of the firm's current legal business and then a vision and mission were set to capitalize on new legal opportunities in new geographical areas with key goals and an overall plan for implementation. For each subsidiary company, an initial assessment of their business was conducted, and then a strategy articulation workshop was conducted with senior leaders. One business was selected to divest within three years.

**Utility Company Leadership and Capital Projects Implementation Gaps (OP Drivers: Leadership, Organization, Governance/Management Systems, High Performance Culture, HR/Talent Management, and Organization Transformation)**

**Challenges:** A large utility company found as part of a large transformation program that it lacked the sustainable leadership for long-term success. In addition the company was unable to successfully implement capital projects that had serious consequences.

**Solutions:** An overall leadership development approach was conducted that included developing a leadership model, leadership competencies, leadership development approach, and 360 survey feedback for leaders with coaching and a long-term succession planning process. An analysis of the capital projects process identified many internal horizontal handoffs that led to delays, poor estimating, and recycles that slowed down the process to implement large capital projects. The structure was re-designed to centralize the control of capital projects within an expanded capital projects organization.

**Gas Company Post Merger Culture Change (OP Drivers: Leadership, Organization, Governance/Management Systems, High Performance Culture, HR/Talent Management, and Organization Transformation)**

**Challenge:** Two gas companies were merged, with each bringing their separate cultures. This hindered integration, and the new company also lacked effective governance and performance management processes.

**Solution:** Senior executives were engaged in workshops to assess the current culture and to define an ideal culture. A group of change agents were trained to facilitate the change with each plant identifying its culture gaps and implementing a local program that was linked to a companywide change process. An overall framework for governance was developed, with gaps assessed and priority processes identified for implementation along with the setting of enterprise-wide key performance indicators and performance management processes.

**Government Organization to Address Abuse of Women and Children (OP Drivers: Strategy, Leadership, Organization, Governance/Management Systems, High Performance Culture, HR/Talent Management, and Organization Transformation)**

**Challenge:** A government non-profit organization was commissioned to play a major role across the country to coordinate and integrate the efforts of police, hospitals, schools, counseling agencies, and other organizations that played a key role in addressing domestic abuse. However, the organization had not developed the strategy or the capability for performing that role.

**Solution:** An overall strategy was developed that defined more clearly the organization's role, its stakeholders, its approach, and the gaps in the organization that would have to be closed for it to be successful. The process also required letting go of legacy roles and pet projects that no longer fit the organization's mission. An overall transformation plan was developed to migrate to the new role and strategy.