

MANAGING INNOVATION: *Building Strategic Commitment in High Performance Teams*

By John G. Mathers

Managing innovation – introducing new products, entering new markets, or refocusing an entire division – fine tunes an organization’s strength and showcases its failings. Every aspect of the process of creation makes the organization’s vision an accepted reality. What differentiates those organizations that can innovate from those that cannot is both mechanics and Strategic Commitment. Mr. Mathers separates mechanics – the processes, procedures and actions that define strategy and manage its implementation – from Strategic Commitment, the life energy that connects the organization’s vision to its strategy and management practices, ultimately driving it into the marketplace.

About the Author

John G. Mathers, Consulting Partner with Grinnell Scott & Associates, Inc. in Mill Valley, California, has twenty five years experience working with executives to facilitate their decision-making on issues of strategy, organization, marketing, and team performance. Mr. Mathers’ work has focused on rapid corporate action to take full advantage of shifting market opportunities. Assignments over the past ten years have ranged from finance to high tech to consumer goods. Throughout, Mr. Mathers has supported innovative, practical applications of the concept of “speed with quality”. Mathers’ clients have included Intel, Motorola, the Federal Reserve Bank, BankAmerica, American Express, Nikkei Quick, Visa International, PepsiCo International, Levi Strauss & Company, Genesco Corporation, and numerous other multinationals. Mr. Mathers has recently co-authored a book, Change-ABLE Organization: Key Management Practices for Speed and Flexibility (ACT Publishing 1997), and an article, "Provoking Organizational Change: Using the Five Behaviors of Network Management" (Design Management Journal, Summer Issue 1995).

Rising And Falling With The Market – First Case Study

A semiconductor equipment supplier was growing, passing \$100 million and moving swiftly toward \$200 million. Such rapid growth put pressure on every aspect of the company, especially the management systems. Recognizing that most companies backslide after two or three consecutive years of significant growth, management contacted us to implement high performance team management practices. Despite a few false starts, key management practices were established, resulting in performance metrics and communication improvements across the company.

Over eighteen months, we were guest participants in two annual strategic planning cycles. Each year the focus was on innovative market and product initiatives to maintain growth and margins. Each year the resultant strategy did not gain broad support – or even understanding – and tactical follow-through was poor.

When the market slowed during the second year, the company quickly felt the pressure from its customers. Without an accepted strategy or alternatives to deal with product and market shifts, the company's stock dropped to a third of its previous year's high within months.

The management practices we put in place brought news – good and bad – quickly to the executive team. They were advised of the downturn fully six months before it happened but were unable to listen. How could an organization with a powerful management system continue to simply follow the market's ups and downs?

The Right Strategy Is All You Need – Second Case Study

Another technology company more than doubled revenues to over a billion dollars in less than 20 months. Their success was a combination of innovative product capabilities, decreased costs, shortened delivery cycle, and an expanded target market. Customers responded to the strategy by moving contracts from competitors and negotiating tight contracts with delivery penalties and rewards. Senior management, despite obvious concerns about plant capacity and organization structure, was strongly committed to their new growth strategy. Recognizing the management issues resulting from dramatic growth – and the potential liability of missed deliveries – the chief executive asked us to implement the management practices necessary to meet their commitments.

At the senior level, the management team established appropriate management and monitoring systems within and across functions. Middle managers were very willing to develop and align tactics with the strategy, driving performance planning down the organization quickly. However, when it came to monitoring performance and allocating resources – especially across functions – resistance was strong as fiefdoms were threatened. Managers were unwilling to cooperate for the good of the company. Teamwork at the many levels broke down as the focus moved from cooperation to finger-pointing. With looming penalties for late delivery – discovered at the eleventh hour – the focus moved from implementing the management systems to re-negotiating existing contracts. The company began to show signs of stress in the marketplace as competitors reclaimed lost ground.

The market's acceptance was intoxicating. Managers at all levels were living in a world where corporate vision and strategy were not connected with the performance and monitoring system. How could an organization so clearly in touch with its industry and customers fail to establish the management tools necessary to turn an innovative strategy into market performance?

In any business, whether successful or not, there are only two elements. One is the mechanics of process and procedure, the actions that define vision (compelling discernment of a future state) and strategy (a clever, comprehensive plan for achieving specific results) and manage their implementation. The other is the less tangible force – sometimes referred to as intention, power or energy – that brings the mechanics to life. This force directly connects the organization's vision to its strategy and management practices, ultimately driving it into the marketplace as shown in the graphic.

In both case studies above, this life-giving energy was missing, thus measurably impacting the quality of the mechanics of strategy and management. As a consultant working closely with senior management teams, it is disappointing to see so many people working hard only to discover they have not connected their innovative strategies to equally powerful management practices. Worse yet, the misfire usually becomes clear only after the organization's fortunes begin to decline. Amidst the din of the marketplace and internal politics, the message is missed: management must go well beyond conventional strategic planning and even the right management practices to renew the power and energy that drives an organization to succeed. This is **Strategic Commitment** and it is most obvious in organizations that are engaged in innovation.



Strategic Commitment

Basics: Strategy Development and Management Practices

Twenty five years of working with management teams at every level has taught me two things. One, organizations that grow rapidly for more than five consecutive years are in tune with their Strategic

Commitment. Two, organizations that fail are out of touch with their reason-for-being. This is not to simplify the act of creating a powerful corporate entity. There are logical steps – mechanics – that must be undertaken to build an organization, but the best strategy and management system will fail without an approach to sustaining the life energies – Strategic Commitment – that created the growth in the first place. Perhaps that is why the life expectancy of a Fortune 500 company continues to be less than 45 years.

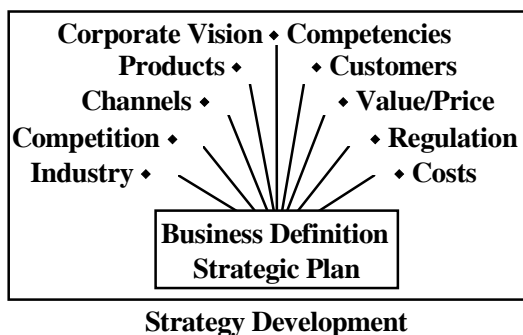
I have been privileged to help develop strategies and install management systems in organizations of every size across a variety of industries. The most successful of these efforts have been focused on aligning the strategy and management systems with what has been called an organization's strategic intent¹ or Strategic Commitment. The mechanics of strategy and management cannot succeed without Strategic Commitment!

In this article we are focused on this less tangible element that runs through the vision, strategy and management practices. It must be made clear, however, that without rigor in strategy development and the implementation of management practices, Strategic Commitment will be misdirected. Therefore, a few words on strategic planning and key management practices are appropriate.

The process for strategy development has regained much of its luster after more than a decade of decline. Yet, despite the fanfare, the actual process, as graphically defined below, is too often short-changed. The innumerable books² on the subject point clearly to the need for rigor: in the visioning process; the collection of market data; and the consideration and selection of alternatives.

Too often, management is willing to cut corners when considering its vision. The corporate vision may only be a statement of intent, but it builds a sense of reality for individual senior managers, and by extension, the rest of the organization. If the senior managers cannot believe in the vision, they will not execute it.

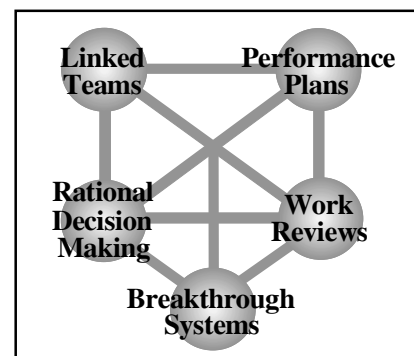
Rigor in tying the vision to the present reality may seem difficult. This is especially true when current market data is missing. Without a firm foundation in the present, it is hard to envision an organization's future. Employee hearsay regarding industry trends, market segmentation, competition, channels, customers, and internal efficiencies is not sufficient as a basis for strategic decision-making. While valuable as a point of view, nothing can replace unvarnished data from the marketplace. Hearsay can be corroborated or rejected when quality market data is available.



Whatever methodology is utilized for strategic planning, it must seek to include representatives from all key areas of the organization in the decision-making.

The most effective planning efforts reach down into the organization to encompass new thinking as well as corporate history. By including representatives from the organization's past and future – embodied in a strategic planning team – the resultant effort will be able to take advantage of current competencies in building a more powerful future.

As to management practices, for those organizations engaged in innovation, there are a select few behaviors that work. As co-author of an article for this journal³ and a recent book⁴ on the subject, my experience has identified five **Key Management Practices**⁵. This does not mean that there are not other practices, rather that these are *proven* for those organizations where speed and flexibility are critical to keeping up with – or leapfrogging – competition. These Key Management Practices, when implemented together, support rapid product, market and organizational innovation. As the graphic at right shows, each practice is directly connected to the others, with Breakthrough Systems for individual contributors the end result of all the others.



In action and in theory, none of these practices are new. In fact, every successful manager is doing some combination of

them and can trace his or her competence to their application. However, undertaking all the practices focuses the management talent of the organization at all levels – from the senior executive to the hourly employee – so that each optimizes the resources under their control.

These management practices – even when implemented together within a well-constructed strategy – are not sufficient to drive a business that must thrive on change. Corporations easily become complacent – as shown in the case studies above – when the market is on the up-tick or they reach a size where they are the market-maker. Management practices can become standardized and strategic planning can be relegated to the level of annual operating procedure.

Strategic Commitment: Neglected Art

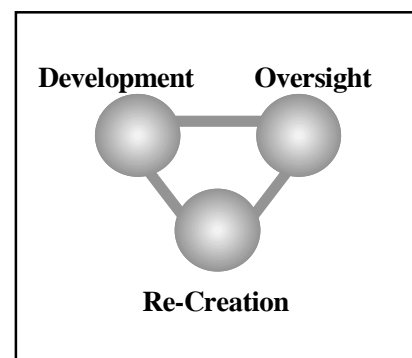
Strategic Commitment is the “promise” an organization makes to itself and its marketplace – *an agreement to deliver* on its vision. Failure to keep the promise to the market means rejection by customers. The market’s reaction to the promise of value is decisive and often immediate. If a competitor’s product is available, customers will flock to it; failure by the organization to keep its promise to itself leads to employees leaving.

While the employees’ response may take longer than their customers, it is just as devastating. What is said by management – whether in its vision/values statement or a glossy human resource brochures – does not always reflect the true assumptions about people. Employees – consciously or unconsciously – know this. They remain because the company’s basic principles match their view of work. In the case studies above, both organizations published values statements emphasizing the importance of individual empowerment and creativity, but the underlying basic corporate principles viewed employees merely as commodities to be used and discarded ... graciously! Trust was not a part of the vocabulary anywhere but in the corporate values statement. Employees remain in such an environment for personal advantage only. The personal rewards – financial gain or enhanced business and technical skills – matched the usurious values of the corporation. The company and its success were secondary to the individual’s agenda, whether senior executive or lowly technician. Observation of almost any regular meeting – as so often portrayed in the Dilbert cartoons – quickly demonstrates an organization’s real values.

This is not to say that focus on individual over corporate advantage is wrong. For many organizations, it is the basis and foundation for current success. However, the more an organization’s basic principles visibly align with its strategy and management system, the more powerful. This is especially true when an organization is confronted with rapid growth – when the market is shifting or new innovations are required. There is little leeway for mistakes. Strategies must be developed quickly, based on quality market data. Action must be taken to meet tight windows of opportunity. Performance must be assessed quickly so strategy and tactics can be fine-tuned.

Strategic Commitment establishes the context for speed and flexibility. It focuses the human resources to take advantage of the organization’s past power and future potential through today’s actions. Strategic Commitment goes beyond data-gathering and analysis to the align the organization behind its strategy. Strategic Commitment goes beyond management practices to define the context and culture, thus assuring swift and seamless performance. Three underlying and intertwined commitments, as shown here, define Strategic Commitment. Each commitment is measured by its execution in the strategic planning process and implementation of Key Management Practices.

1. Commitment to personal, team and organizational **development**;
2. Commitment to management **oversight** of the planning process and implementation of the key practice; and
3. Commitment to regular **re-creation** or renewal at all levels of the organization. This active commitment is the energy that feeds all innovative organizations.



Strategic Commitment

1. Commitment to Development

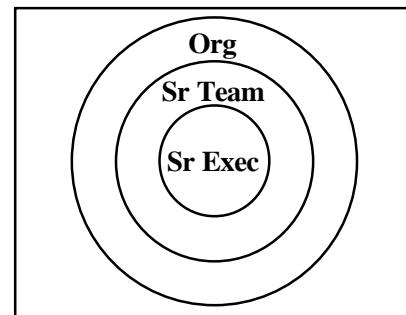
Support for building and sustaining a high performance organization starts with the senior-most executive, the individual accountable for the team’s results. It expands out from there, as shown in the

graphic below, to the senior team and then the organization. If the senior executive does not support the tangible and intangible aspects of a high performance organization, it won't happen. Senior executives must take the time to develop personal understanding and skills around building and managing teams. This can be done through online, as well as offline, interactive coaching. Executives need to go offline to assess the organization's performance in light of its vision and strategy, and their own performance as a manager at least semi-annually. From this work, they can identify alternative strategic scenarios to bring to their senior team for consideration and action.

The optimal value from this self-development activity cannot be realized without a coach, someone who knows the organization and can be straightforward about executive successes and shortfalls. Usually this position is filled by an outsider, although more and more organizations are utilizing human resource professionals with a background in organizational psychology and development.

This personal coaching can be brought into the senior team through the team's regular meetings. These meetings are an opportunity to connect managers – through review of performance-to-plan and decision-making – back to the organization's vision and strategy. As the team develops trust and interact more directly with one another, the speed and quality of decision-making will be enhanced. Team maturity may in fact be defined by its members' ability to interact on any *work-related* topic – irrespective of who the owner might be – with directness and without offense. Building such an environment requires a dedication to the team's development, something that must be considered in each regular meeting.

Commitment to Development in today's competitive world also means successfully employing the power of the organization's workforce. This is impossible without a consistent focus on developing both individuals and teams. Skill in management practices is necessary at every level of the organization from the senior executive to the hourly employee. Each must know how to most effectively manage the resources – from capital assets to people to time – under their control. This may require a staff of organization development professionals competent in the management practices of high performance teams. The baseline is set by a survey of the organization's culture and management practices. Appropriate coaching and training – preferably *online* on-the-job – can then be put in place. This staff of experts is more than a training or administrative function; they are partners with their clients in bringing both the mechanics of management and the organization's Strategic Commitment into regular focus.



Commitment to Development

2. Commitment to Oversight

In many organizations today, complexity has dictated a division of responsibility that can both hide mistakes and avoid action. Following through on the Strategic Commitment requires the senior executives' support within their team and across the organization. Development of the corporate vision is their sole responsibility. They must oversee strategy assessment, design and implementation to assure alignment with that vision. Although they may not do the data gathering and analysis, their close supervision and ongoing involvement is critical to the strategy's decisiveness.

At every step – vision, planning process design, source data review, scenario development, and final selection – the senior team must recognize its direct authority and accountability. Managers and individual contributors from other levels of the organization may well be involved in the effort, but senior management must *own* every step. Discussion and disagreement – even when heated – is vital to the well-being of the organization and leads to the optimal strategy rather than the least rancorous.

Oversight must also reach deep into the execution of strategy to assure appropriate management practices. The five Key Management Practices noted above represent a system that supports high performance in organizations of every size and industry. The caveat is that the organization must have the need – and willingness – to implement a system that is fast and flexible. Regulated environments may not want to put such a powerful system in place. But for those organizations that must react nimbly to market demands, these practices guarantee results. Doing part of the work – implementing some but not all of the practices – will produce short-term results but not the level of consistent flexibility required

in today's markets. Senior management must take responsibility for implementing the practices as a required part of managing in the organization. The success of the implementation must then be surveyed for accuracy and impact as part of a regular organization culture survey. Case studies are of tremendous help in focusing managers – war stories – on the optimal behaviors for improved performance.

It should also be noted that the implementation of these practices provides the best metrics for tracking the sustainability of the organization's Strategic Commitment. The Key Management Practices track the level of success in planning, performance review, resource decision-making and cross-functional cooperation.

3. Commitment to Re-Creation

No matter the level of the organization, regular renewal of individual and team commitment keeps the power and focus of the organization alive. Regular – semi-annual or quarterly – offsites strengthen a team and drive results. This is not to suggest a “soft” program but rather an agenda of internal/external data assimilation, team development, strategic commitment assessment, and group decision-making. Central to this exercise is the renewal of the team's understanding and acceptance of the corporate vision and the **Basic Principles**⁶ that give life to the organization. These Basic Principles are not just “words” written to describe important values but the operating assumptions from which strategic and tactical action is undertaken.

This renewal process brings the team, even if only for an hour, back into alignment with the Strategic Commitment upon which the organization thrives. Just as important, however, it is an opportunity to make correction when activities – or even people – cannot line up with the organization's commitment. An agenda with performance data provides a powerful base for honestly assessing the organization's Strategic Commitment and taking direct action.

Strategic Commitment lives through each of the activities noted above. Taken together with the mechanics of strategic planning and management practices, they fuel the organization and focus group intelligence.

- **Make change creative**
- **No time but the present**
- **Play by the rules we make**
- **No entitlements, only reputation based on performance**
- **Express negativity thru problem-solving**
- **Cooperation of skilled individuals**
- **Be explicit and do what we commit**

Basic Principles of High Performance Organizations

Building a High Performance Plant – Third Case Study

An old but very large semiconductor fabricating plant was assessed to be in the bottom quartile of plants for a large international technology company. Antiquated systems, low productivity, above average costs and high staff turnover had led corporate management to build a much-publicized new plant as a replacement. A new manager was brought in to handle the phase-out and transfer production to the new plant. However, as the new manager came aboard, market demand for the component heated up. The plant manager's revised assignment for the old plant was to lower the cost per component and increase production significantly, while still handling the phase-out within 12-18 months. The plant manager asked for our help.

The plant manager took the existing team offsite and aligned their commitment to a strategy of innovation and a vision of performing as the best overall U.S. plant. Strategies for meeting corporate objectives were put in place. Basic Principles for management and employees were defined out of the senior team's experience and vision. Alignment with the vision and basic principles was developed across the entire plant population. The five Key Management Practices were established as an operating norm and were eventually required as part of being an employee or manager. Quarterly executive team meetings were established to review commitment, strategy, and the implementation of the management practices. Monitoring of individual and team performance was done in weekly meetings utilizing a few selected key metrics for each plant function.

The plant qualified near the top of the top quartile in the next year's rankings! With almost no staff turnover and high morale on every survey, the turnaround was complete. Of particular interest was the fact that the newly completed plant – which was intended to be a replacement – was in deep trouble

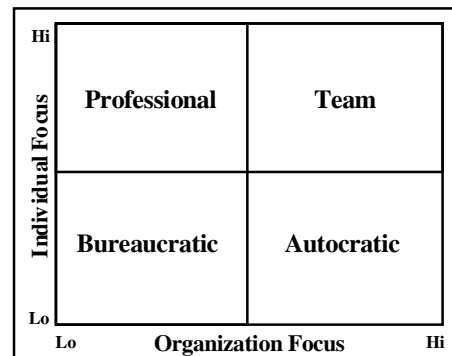
because it could not find customers for its capacity. The old plant was doing an exceptional job with innovations in quality, dependability and cost and customers were unwilling to change suppliers! To this day, the old plant continues to innovate and provide consistent profit back to the corporation.

Re-creating Strategic Commitment in Your Organization

This fabricating plant case study may appear to be a rather simple and straightforward approach. However, their Strategic Commitment may *not* be for everyone. The computer industry requires speed and flexibility while other industries may not be as demanding. An organization cannot assume – and certainly cannot dictate – a high performance environment. Strategic Commitment must be built by linking individuals and teams to the organization’s vision, strategy and management system.

To initiate this kind of high performance environment, managers have to start with themselves. There needs to be thought – at first alone and later through dialogue with the team – to uncover the organization’s current level of commitment to its vision, stated or unstated. The manager must dive in and honestly assess the driving force behind the organization, and place it in relationship using a visual tool like the Performance Grid. Is it designed to take care of each individual and thereby succeed? Or is it beyond the interests of the individual and the employees are only working to service the larger organization? Or does the organization foster individual and organizational growth and prosperity at the same time? There is no right answer beyond those that develop from a frank assessment and dialogue. Ultimately the team must come to alignment.

With this sense of the organization’s current state, the senior manager and team can determine where the organization wants to go. This is not the usual platitude-laden discussion of appropriate values but a direct confrontation of the personal preferences and management styles that have already been identified. Some managers cannot abide the concept of employees managing themselves. Others cannot imagine teamwork without individual accountability and, therefore, self-management. In the end, the senior manager – and the individual team members – must be able to imagine themselves in the future they are creating. Otherwise they cannot commit to it, much less build it. Whatever the final outcome, it becomes part of the baseline – along with other more objective internal and market data – from which the strategic plan will emerge. More importantly, this dialogue creates a bookmark for the organization’s Strategic Commitment. It is the touchstone for the team as the strategy and associated management practices are implemented. The senior team – and eventually every team in the organization – needs to regularly come back to this touchstone to renew their commitment. This regular re-creation of the organization will invigorate the team in the same way that recreational activities recharge our depleted personal batteries and give us strength for the next challenge.



Performance Grid

Results, in the end, make each of us believers. If a high performance environment is right for your organization, take action with full knowledge. The life energy – the driving force for success – must be real at the start ... for the team and each of its members. This is the commitment to create something from nothing; this is the power to take a vision and turn it into market leadership. Start with this level of alignment around your vision. Build a crisp strategy on the foundation of your basic principles. Implement through a fast and flexible management system. Success will follow.

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Summary

Strategic Commitment is the life energy of a business. It connects the organization’s intentions with its day-to-day management practices. There are many examples of businesses that have failed because they lacked a crisp strategy or appropriate management practices. Both must be present for success in today’s challenging and changing marketplace. However, it is the less tangible Strategic Commitment

that brings life to the mechanics of strategy and management, delivering results and market success. Strategic Commitment includes three disciplines:

1. Commitment to Development:
 - Senior executive
 - Senior team
 - Organization
2. Commitment to Oversight:
 - Vision
 - Strategic planning
 - Implementation of Key Management Practices
3. Commitment to Re-Creation:
 - Basic Principles
 - Quarterly reviews

Introducing Strategic Commitment into an organization, no matter the size, is at once simple and extremely difficult. It is not something to be undertaken lightly or for the short-term. The senior manager and team must consider the organization's current culture and preferences before any action is taken. This feedback can be included in the planning process to guarantee successful implementation.

If an organization intends to be fast and flexible in a world dictated by constant innovation, it must adopt a powerful system for creating and managing its markets, products and people. Strategic Commitment is the life energy of such a system.

¹ Prahalad, C.K. and Hamel, G. "Strategic Intent". Harvard Business Review, May 1989.

² A few of the books and articles on strategy that we recommend:

- Fombrun, Charles. Turning Points: Creating Strategic Change in Corporations. New York, McGraw-Hill, 1992.
- Musashi, Miyamoto. A Book of Five Rings: The Classic Guide to Strategy. Victor Harris (Trans.), Woodstock, NY, Overlook Press, 1974.
- Porter, Michael E. Competitive Strategy: Techniques for Analyzing Industries and Competitors. New York, Free Press, Macmillan Publishing Co., 1980.
- Porter, Michael E. Competitive Advantage: Creating and Sustaining Superior Performance. New York, Free Press, Macmillan Publishing Co., 1985.
- Schaffer, Robert H. The Breakthrough Strategy: Using Short-Term Successes To Build the High Performance Organization. New York, Harper & Row, Ballinger Division, 1988.
- Schwartz, Peter. The Art of the Long View. New York, Bantam Doubleday Dell, 1991.

³ Daniels, William R. and Mathers, John G. "Provoking Organizational Change: Using the Five Behaviors of Network Management", Design Management Journal, Summer 1995.

⁴ Daniels, William R. and Mathers, John G. Change-ABLE Organization: Key Practices for Speed and Flexibility. Mill Valley CA, ACT Publishing, 1997.

⁵ Ibid., Chapters 8-12. The five management practices are:

1. Management hierarchy operates as a system of **Linked Teams**: groups of overlapping managers form the channels of communication by which the organization governs itself.
2. The tactical planning system requires every team of managers, every individual manager, and every individual contributor to have a **Performance Plan**. Planning coordinates every individual's performance throughout the organization.
3. Management teams in the hierarchy systematically and frequently focus on **Work Reviews**. Managers work together to evaluate and control and optimize each other's organizational performance.
4. Management teams use **Rational Group Decision-Making** processes. Group intelligence allocates and controls the use of organizational resources.
5. Individual contributors are in **Breakthrough Systems**. They manage their own performance with clear and appropriate objectives and simple, reliable feedback systems, and they accurately report what has been accomplished.

⁶ Ibid., Chapter 13. The basic principles, called assumptions in the book, are more specifically defined as:

- Everything (including nature itself) is constantly changing. We participate in making the change creative.
- There is no time but the present, which is full of our past and contains our future.
- We play by the rules as long as we participate in making the rules.

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- We must respect and reward those whose good works serve our ability to learn and adapt. There are no entitlements to status and authority -- only reputations based on performance.
 - We should freely express our joy and approval, yet carefully express negative feelings through problem solving.
 - Survival depends not only upon skilled individuals but, even more so, upon their cooperation.
 - We must be explicit about what we commit to do and do it.