

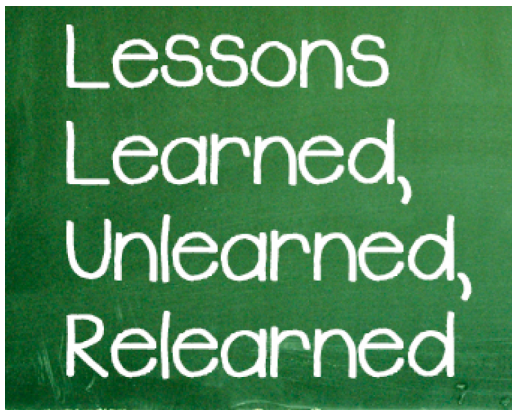
The Delivery Engine

Rediscovering Lost Lessons on Corporate Governance

By Ron Wiens

The first step in almost any program for change is the building of a culture that embraces and thrives on the disciplined implementation of ideas. The Delivery Engine accelerates the development of such a culture.

AT A GLANCE:



- ♦ The Delivery Engine is a simple set of processes that help to build, across an organization, a sense of accountability for on-time and on-budget delivery.
- ♦ The Delivery Engine keeps an organization focused on its priorities for change. It helps the members of the organization understand their organization's change strategy and in so doing helps to build commitment to the success of the whole.
- ♦ For all its simplicity, the Delivery Engine grows an organization's ability to turn its strategy for change into a reality. It does so by teaching workers, at all levels, how to manage and work together.

The Delivery Engine

Rediscovering Lost Lessons on Corporate Governance

Over the past 40 years something extraordinary has been happening in organizations. The staff and management who populate them have been getting progressively smarter, at least when measured by their education, ongoing training and number of books read. Paradoxically, the organizations themselves seemed to have become dumber.

What is the nature of this organizational dumbing down, you ask? Well, it takes the form of basic governance processes that seem to have virtually vanished. Basic processes such as regular written status reports and the production of project plans, to name two, have become a thing of the past for a surprisingly large number of organizations. Project planning, for example, seems to have become something with little more than a beginning and an end with nothing of substance in-between.

Organizations have lost much of their ability for the disciplined delivery of change.

The impact of this dumbing down is that organizations have lost much of their ability for the disciplined delivery of change. In these dumbed-down organizations, lots gets started but little gets delivered – and what is delivered is usually late and over budget, often significantly so.

The bulk of this dumbing down seems to have taken place between 1985 and 1995. This period corresponds with the era of process re-engineering and the mass introduction of both personal computers and the Internet. The re-engineering was driven by the need to reduce costs, a direct result of increased global competition. The view that was taken, however, was a short-term one, with the result that the baby got thrown out with the proverbial bathwater. Processes were not only re-engineered, but processes that were deemed bureaucratic were eliminated. Sounds like good stuff, right? Well yes, except for that “short-term” thing. There are processes that you can live without in the short-term but whose continued absence tends to lead to long-term chaos. Many governance processes fall into this category.

The introduction of the personal computer was part of another global phenomenon – the speeding up of just about everything. The scale of this speeding up is best understood through an observation made by Dr. Nick Bontis from McMaster University in his keynote presentation at KM World in Hamilton, Ontario, in 2000: “In the 1930s, the cumulative codified (i.e., written down) knowledge base of the world doubled every 30 years.... In the 1970s, the cumulative codified knowledge base of the world doubled every seven years.” Bontis’s prediction in 2000 was that by 2010 the world’s cumulative codified knowledge base would double every 11 hours.

We may or may not have reached this 11-hour figure but what we do know for certain is that we now live and work in a world in which knowledge, AKA opportunity, AKA the need for change, is growing exponentially.

If an organization has lost its ability for disciplined delivery, then in essence it has lost the ability to change.

Organizations and the people who populate them responded to this global speeding up by trying to do more – they worked longer and they worked harder, speed being a euphemism for “the universe has just become a whole lot more competitive.” One-way of dealing with this competitive universe is to be more “in the moment” to take advantage of opportunities as they arise. This is what many organizations and their people did – they focused on what was in their face. When you focus on the here and now, you don’t have the time or the energy to worry much about tomorrow. A large part of governance relates to delivering the future – so governance processes became less relevant to these fast, in-the-moment organizations. In fact, governance even became a dirty word – it was seen as limiting the speed and creativity of the organization. And so governance rigour fell by the wayside.

All of this brings us to where we are, organizationally speaking, today. Many, if not most, organizations have lost the capacity for disciplined delivery. Now, we are living in a time of constant change. Constant change requires an organization to think strategically about its future and to continually initiate and manage a significant number of change projects. The purpose of these projects is to evolve the organization to keep it relevant in a changing universe. But here’s the rub: if an organization has lost its ability for disciplined delivery, then in essence it has lost the ability to change.

If anything, governance is even more relevant in a changing world. Governance keeps an organization focused on its strategic choices. We live in a time of immense distraction. There are more things requiring our attention than there are hours in the day to do them. Organizations

have become critically dependent on the ability of their people to stay focused on the organization's strategic priorities.

Every day, people make choices about where they will and will not put their time and energy. They make choices about what will and will not get done. When governance is weak or absent, the distractions (i.e., today's fires) block strategic movement. The lack of governance actually limits the speed of the organization. Rapid movement requires strategic

THE VALUE OF DISCIPLINE

Jim Collins, in his book *Good to Great*, tells the story of how biotechnology company Amgen went from being a start-up to a \$3.2 billion company with 6,400 employees. Amgen's cofounder, George Rathmann, attributed his company's success to the simple governance rigour he learned early in his career, working at Abbott Laboratories.

"What I got from Abbott was the idea that when you set your objectives for the year, you record them in concrete. You can change your plans through the year, but you never change what you measure yourself against. ... You never just focus on what you've accomplished for the year; you focus on what you've accomplished relative to exactly what you said you were going to accomplish - no matter how tough the measure."

A key part of Rathmann's learning was that creativity flowed from rigour in delivery when it was combined with freedom. Abbott allowed its managers the freedom to set their own paths, but at the same time people were held rigorously accountable for meeting objectives. The result of what Collins called "freedom within a framework" was that creativity was "woven into the very fabric" of Abbott's culture.

It appears that accountability combined with freedom is a powerful catalyst for success.

intent. You have to know which fires to put out and which ones to let burn. Organizations that live in the moment are trying to do everything well, but when you try to do everything, you have no strategy, no plan, no hope and most importantly, no future.

Paradoxically, weak governance actually limits creativity. If it is my job to deliver a certain outcome and if I do not feel the pressure of time and budget constraints then I can always take the easy way out; that is, there is no need for original thought here. If next week, next month or next year is good enough then I can just

plod along. No need to tax the old grey cells. A culture of disciplined delivery is the foundation for a culture of creative thinking (see box, The Value of Discipline).

Charles Darwin pointed out that it's not the biggest, the brightest or the best that survive, but those that adapt the quickest. The absence of governance limits an organization's ability to adapt. The legacy of the re-engineering of the 1990s has been to turn our organizations into change adverse dinosaurs. Can it get any worse?

The answer is, "yes it can." We now have in place a whole generation of workers and managers who have grown up in the era of weak governance and who do not recognize the benefits of formal governance processes. All of this means that the return to a strong governance

model, one that contributes to the building of a culture of disciplined delivery, will involve managing a lot of resistance to change.

The good news is that once people have lived with a strong governance model for a while (a while being, in my experience, in the neighbourhood of 18 months) they don't want to go back. Why? Well, they find that the new governance processes actually help them manage their workload. Management starts to appreciate just how much people have on their plate and so to-do lists start to become a whole lot more reasonable. These governance processes help the organization and its people maintain a strategic focus, with the result that projects are seen through to completion. People get an increased sense of success as they see themselves delivering projects that are aligned with the organization's

WHAT DRIVES SUCCESS

Nitin Nohria, William Joyce and Bruce Roberson, in their paper "What Really Works" (*Harvard Business Review*, July 2003) followed 160 companies for 10 years. They concluded that strategy was less important than the ability to implement a strategy and that success came less from the specifics of any given strategy and more from the leader's ability to highly focus their organisation on the delivery of a single strategy.

Jim Collins's book *Good to Great* was based on seven years of research involving 1,435 Fortune 500 companies. His research concluded that what moved a company to greatness in terms of its bottom-line performance was picking one big thing and sticking to it.

Jack Welch, General Electric's former CEO and one of the most successful business leaders of the 20th century in terms of bottom-line performance, was known for picking one major change initiative and focusing his organisation on it for three to five years.

Ideas are important and choosing the idea in which to invest is critical to an organisation's success. However, study after study demonstrates that the really successful organisations are differentiated from the rest by their ability to implement.

strategic intent. People see themselves as successful. They get an appetite for success and the organization finds itself en route to a high-performance culture – all because of a few simple "bureaucratic" processes.

Who would have guessed?

So what does a governance process that builds a culture of disciplined delivery look like? Well, it looks incredibly simple. I refer to it as the Delivery Engine.

Organizations fail at change in large part because they have

failed to build the discipline around the implementation of change. What makes an organization successful and differentiates it from the competition is its capacity for disciplined delivery. The key to organizational success is not the brilliance of the change strategy but rather the ability of the organization's people to stick to it (see box, What Drives Success). The first step in almost any program for change is building a culture that emphasizes, embraces and thrives on the disciplined implementation of ideas. The Delivery Engine is a simple, straightforward set of processes for accelerating the development of such a culture.

The Delivery Engine is made up of three components: the Terms of Reference, Status Reporting and the War Room (visible project plans).

1. TERMS OF REFERENCE

The purpose of a Terms of Reference (TOR) is to document a change project in terms of its scope, cost, risk, target benefits, success measures and an initial high-level project plan. Under a Delivery Engine approach, the rule is that no work (i.e., no change project) can start without an approved TOR. As well, a TOR cannot be more than one double-sided page in length (there is competitive advantage in brevity). Once a project is started, any change to the budget, timeline or scope, as specified in the original TOR, must go through a formal change management process. Below is a sample two-page TOR.

PROJECT TERMS OF REFERENCE (TOR) – Page 1	
Project: Customer Feedback	Owner: Julie Grace, Director Account Management Services Delivery Manager: John Hughes, Senior Analyst Account Management Services
Description: Establish a process for collecting, measuring and acting on customer feedback.	
Intent: <ul style="list-style-type: none"> To improve customer satisfaction. To improve the quality of our work. To integrate our customer's perspective in our operation. To allow our customers' feedback to drive the continual improvement of our business. To track our performance progress from our customers' perspective. 	Success Measure: Percentage increase in customer satisfaction rating.
Scope: This project is focused on all of our customers for all of our services. The project should run 7 months elapsed time, will require 1 full time equivalent and will be driven by the Account Management Department but will involve every department in the organization.	
Assumptions/Issues	
<ul style="list-style-type: none"> All areas support the initiative. Funds are available for the consultant. Resource availability throughout project. Commitment from the Senior Management Team on making customer driven changes. 	
Costs	
<ul style="list-style-type: none"> Cost of hiring a consultant to act as coach to the project team. 1 full-time resource for 7 months to create pilot and establish the process. Cost of the survey software - estimated to be \$25,000. 	

PROJECT TERMS OF REFERENCE (TOR) - Page 2			
Project Plan			
STEPS & ACTIVITIES	EFFORT	DELIVERABLE	DATE
PROJECT LAUNCH			April 20
<ul style="list-style-type: none"> Define the information that we need to collect from our customers. 	15 pd	List of customer information constructs	May 16
<ul style="list-style-type: none"> Establish the simplest way of collecting the required information. Build the required instruments for collecting the information. 	20 pd	A customer feedback instrument	June 10
<ul style="list-style-type: none"> Define the simplest way of processing the results. Establish the most effective way of sorting and reporting the feedback. 	15 pd	Sample reports of customer feedback	July 10
<ul style="list-style-type: none"> Outline the process for identifying, prioritizing, defining and assigning customer driven projects for change. 	12 pd	A customer feedback project process that is understood and supported by all departments	July 31
<ul style="list-style-type: none"> Purchase and modify the required software. Pilot the entire feedback process. Modify system based on pilot results. 	50 pd	Pilot feedback system	Oct 31
<ul style="list-style-type: none"> Implementation of the process. 	20 pd	Fully implemented customer feedback system	Nov 30
Total estimated effort = 132 person days			
Approvals			
Budget Officer			
Director			
COO			

Figure 1. Sample Terms of Reference

The TOR process ensures that all work is aligned with the organization's strategic objectives. The TOR leaves no place for a project to hide and in so doing helps to eliminate the well-intentioned but misaligned "pet" project.

It should be noted, though, that some very successful, high profile organizations have used the pet project approach as a deliberate innovation strategy. In the 1950s 3M introduced the concept of giving employees a certain amount of time (in 3M's case it was 15% of the employee's work week) to work on whatever they wanted. For 3M this led to the development of such things as masking tape and Post-It Notes. More recently, companies like Google, LinkedIn, Facebook and Microsoft have followed a similar course. Google, for example, allows its staff to spend up to 20% of the workweek on pet projects. Google's co-founder and CEO, Larry Page, however, recently declared that Google needs to focus on "more wood behind fewer arrows." Translation: Google needs fewer ideas and more implementation.

The TOR gives managers the ability to proactively manage.

In one organization we were advising, the vice president complained that a lot of work got started but little was being delivered. When we asked how many projects were currently underway or in the planning phase, his response was that he thought it was somewhere around 25. The uncertainty in the response was a concern so we suggested that he order "pens down" and ask for TORs to be completed for all work currently underway or being planned. When the bundle of TORs finally hit his desk, it turned out that his organization was working on or about to launch 155 different projects, an incredible number, especially considering that his organization had only a fraction of the resources required to complete these projects. No wonder that even though everyone was being run off their feet so little was actually being delivered. Needless to say, the VP was shocked to see how out of control his organization was.

The TOR gives managers the ability to proactively manage. The TOR clarifies not only what is to be delivered but also how it is to be delivered. It does so by breaking down the project into a sequence of interim deliverables, each with its own target delivery date. As such, a failure to deliver is now reduced to a failure to deliver on a specific milestone. So, we are no longer looking at a failed project but rather at a failure milestone.

The TOR process helps people connect the strategic dots and builds, across the organization, a collective big-picture understanding of the change goals.

This proactive approach affords the manager the opportunity to intervene while the project's problems are still molehills and to take the corrective action needed to bring the project, as a whole, back on track.

The TOR process clarifies for the entire organization what is being worked on and the outcomes to be delivered. In short, the TOR process helps people connect the strategic dots and builds, across the organization, a collective big-picture understanding of the change goals. This, in turn, facilitates the development of a culture in which its members are working together for the success of the whole.

2. STATUS REPORTING





Inside organizations, especially in these times of constant change, there are a lot of competing agendas vying for people's attention and time. It is now the norm that on any given day, people have more to do than they can get done that day. It is not uncommon for people's to-do lists to be longer at the end of the day than they were at its beginning.

It used to be the manager's job to be strategic; to decide what gets done and what gets ignored. But the world is moving too rapidly and a significant part of this challenge has landed on the shoulders of the organization's front-line workers. Every day, in knowledge-worker organizations around the world, workers at all levels are deciding what to focus on. Now more than ever, every manager's challenge is to keep staff focused on what is important. Status reporting is a simple yet wonderfully powerful tool for helping to meet this challenge.

In the Delivery Engine approach, every week, all staff members submit status reports that delineate the previous week's accomplishments and what they understand to be the target accomplishments for the coming week. Each manager, in turn, submits a summary status report to his or her manager that makes clear the status of each project he or she is responsible for.

There are many variations in what makes up a status report; a sample report format is shown below.

Now more than ever, every manager's challenge is to keep staff focused on what is important.

Weekly Status Report: 06-12 April					
Name: John Wilson					
	Project Name	Accomplishments This Period	Next Period - Planned Accomplishments	Project Health	Issues & Mitigation Strategies
1					
2					
3					
4					

Project Health
Green – On track, on time, on budget
Yellow – At risk, issues to be resolved
Red – Budget increase, delivery timeline change and/or scope change requested

Figure 2. Sample status report template

The report format is standardized across the organization and follows a traffic-light approach:

- ♦ Green means the project (or activity, depending of the level of the person doing the reporting) is on time and on budget;
- ♦ Yellow means the project or activity has issues but the author has a mitigation strategy;
- ♦ Red means a change is required to the project's or activity's timeline, budget or scope).

So what is the value of status reporting? First, it regularly reminds people of the delivery commitments they made. It is this constant reminder that enables people to hold these commitments uppermost in their minds. And so, with this ever-present reminder, they have a better idea, as they plan their day, of what to focus on and what to allow to fall off the table.

Secondly, it affords a dialogue between individuals and their managers – a dialogue that gets people asking for help sooner rather than later. Also, this dialogue facilitates the development of a “no surprises” culture. In such a culture, it's OK – in fact it's more than OK, it's a very positive act

– to report a problem with your work, as long as you’re highlighting anticipated or potential problems (e.g., you have completed 20% of your assignment but 40% of the resource budget has been spent so you anticipate that there may be insufficient funds to complete the work).

A no-surprises culture drives the team discussions that lead to creative solutions. But most of all, status reporting lays the foundation for a culture that values disciplined delivery by driving home the fact that you are going to be held accountable for the delivery commitments you make. So what is the value of an organization-wide formal status reporting process? In one word, its value is immense.

The status reporting lays the foundation for a culture that values disciplined delivery by driving home the fact that you are going to be held accountable for the delivery commitments you make.

The status report, more than any other Delivery Engine component, makes the point regarding the dumbing down of organizations. I was working with a senior executive in a large organization. She had just been asked to take over a division that was under-performing. The executive asked if my team could investigate the division to determine what was inhibiting its performance. We conducted a series of interviews, speaking to staff and managers at all levels. What we noticed was that the staff were working almost completely in the moment. The latest phone call or email seemed to determine their ever-shifting priorities. Staff and management were pretty much setting their own priorities, with little (if any) reference to their organization’s strategic objectives. We also noticed that no one, at any level, was producing written status reports and very few managers were taking the time to conduct regular one-on-one or team status meetings. In short, the division was under-performing because no one was being held accountable for anything.

I met with the senior executive to share my team’s findings. I explained the Delivery Engine concept and suggested that she start with the immediate implementation of formal, written status reports. It was not without some trepidation that I showed her the status report template (Figure 2). The template is so simple that showing it to this very competent and seasoned executive felt not unlike teaching an old dog some really old tricks. She looked at the report template and went silent and then finally said, “This is good, I can see its usefulness. Do you think I could get a copy of this template?”

So here we have an intelligent, experienced and successful executive who, in the middle of her management career, is being introduced to the concept of formal and universal status reporting for the first time. When she saw the template she immediately recognized its usefulness. It was

new to her as a required discipline because she had cut her management teeth in the era following the re-engineering of the early and mid-90s. She had grown up in the era of weak governance.

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3. THE WAR ROOM: VISIBLE PROJECT PLANS

A war room is all about making the status, timelines and milestones of every project visible to the members of the organization.

The “war room” is another very simple concept. A war room is all about making the status, timelines and milestones of every project visible to the members of the organization. This open display of project status is usually made available in a commonly accessible meeting room. A stylized version of a war room chart is shown in Figure 3. For every project, the chart shows the project name, the leader and the overall status. The project status here comes straight from the most recent project status reports and follows the same traffic light convention (green = project on track, yellow = project has a problem, red = project is in trouble). The war room chart also displays each project’s key activities or steps. A blue dot at the end of an activity means the activity has been successfully completed and a milestone has been reached. An open dot means the activity has been started.

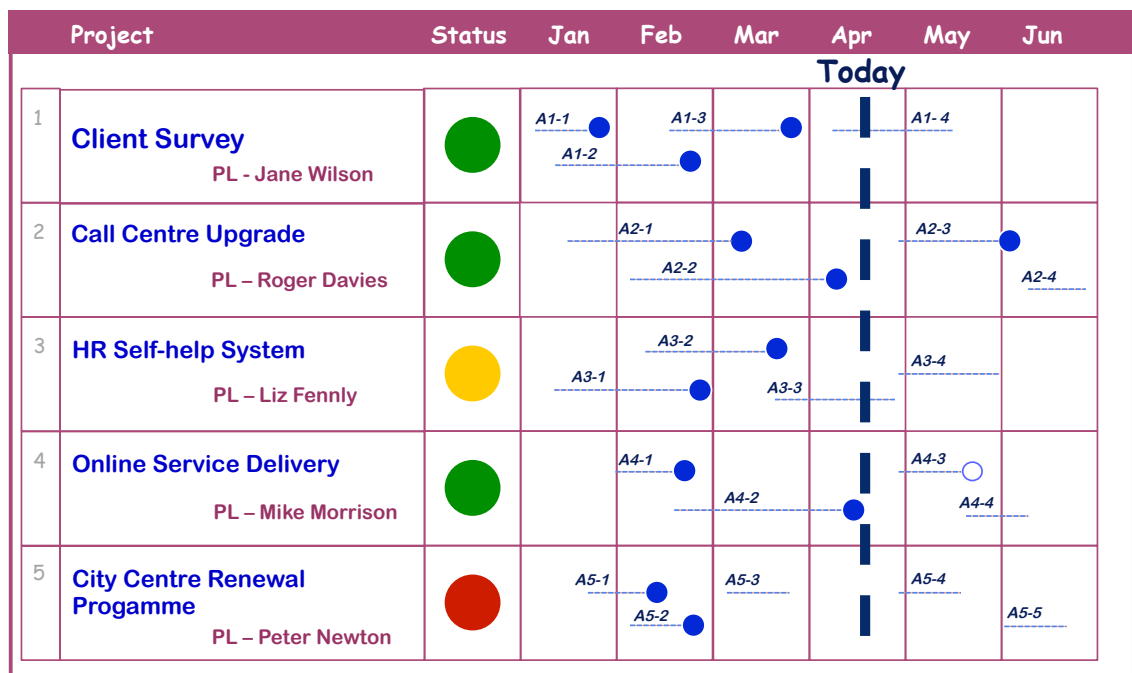


Figure 3. Sample War Room Chart

In the sample war room chart, several things are apparent. Roger's project seems to be ahead of schedule, as suggested by the blue dot on activity A2-3. Liz has a problem with her project (it looks like there has been a delay in starting activity A3-3) but she is confident she will be able to recover and complete the project on time and on budget. Finally, Peter's project appears to be in trouble: activity A5-3 is late. He will likely be requesting an extension to the project's schedule, a budget change or a scope change.

When the war room chart goes on public display, many projects suddenly seem to fix themselves.

There is little magic in management; it's closer to a science than an art (the reverse is true for leadership). The war room, however, does have some distinctly magical overtones. The first one is that when the war room chart goes on public display, many projects suddenly seem to fix themselves. It turns out that project leaders don't like to have their name publically associated with a project that has problems or is failing. The result is that these leaders move heaven and earth to ensure that their project isn't given a yellow, and especially not a red, status. It has been our finding that the war room process facilitates almost instant commitment to timelines and budgets.

The war room has a second magical property. By openly displaying all of an organization's projects and their associated activities, the members of the organization start to better understand how their work links to and affects the work of other project teams. They start to appreciate and consider the impact that a failure to deliver on schedule will have on their colleagues' work and on the organization as a whole. In short, the war room promotes a culture in which people work for the good of the whole. Here's some more good news: any organization in which people work for the good of the whole is an organization en route to high performance.

The Delivery Engine is nothing if not simple. It is, however, effective at helping to build, across an organization, a sense of accountability for on-time and on-budget delivery. The Delivery Engine keeps an organization focused on its priorities for change. It helps the members of the organization understand their organization's change strategy and in so doing helps to build commitment to the success of the whole. And last but not least, it helps people to manage the distractions that plague today's workplace. For all its simplicity, the Delivery Engine grows an organization's ability to turn its strategy for change into a reality. It does so by teaching workers, at all levels, how to manage and work together.

Success requires managers to both manage and lead, to hold people accountable while giving them the room and the freedom to discover their own way forward.

As important as the Delivery Engine is to the building of a high-performance culture, in the greater scheme of things it is relatively straightforward and a rather small piece of the culture success equation. In building a high-performance culture, the much more significant challenge involves leading in a way that has your people achieving your organization's objectives not because they are being beaten over the head with management control but rather because the objectives are meaningful to them. As well, they have to be given the space to bring to the table their own inspiration with regards to the path for achieving these objectives. Success requires managers to both manage and lead, to hold people accountable while giving them the room and the freedom to discover their own way forward. Challenging indeed. †

One final note: If 30 years ago someone had suggested that I would be writing a paper on the merits of basic governance processes, such as status reporting, I would have suggested that that someone might want to consider counselling. Oh, how times change.



ABOUT THE AUTHOR

Ron Wiens has spent the past 30 years helping organizations build high performance cultures. His most recent book, titled '*Building Organizations that Leap Tall Buildings in a Single Bound*' is a leader's guide to culture as competitive advantage. To contact Ron, send him an email at ron@ronwiens.com



† For further insights on the leadership piece associated with the building of a high performance culture, see *Building Organizations that Leap Tall Buildings in a Single Bound*.

