# OGSM

## byArchPoint®

DEVELOPING,

ALIGNING

AND DEPLOYING

## STRATEGY.

Prepared by: ArchPoint® Consulting, the leader in OGSM

## INTRODUCTION & OVERVIEW

The hard truth is that most companies' biggest struggle is with strategy — and that problem isn't new. In 1919, William Cooper Procter said:

*The chief problem of big business today is how to shape its policies so that every employee, whether in office or factory, will feel they are a vital part of the Company, with a personal responsibility for its success and a chance to share in that success. To bring this about, employers must take the people into their confidence. They must know what they are doing and the relationship of their work to the business as a whole.*

A hundred years later, nine out of 10 companies fail to execute their strategy, according to research by David Norton and Robert Kaplan of Harvard University's Balanced Scorecard Consortium. What's more, only 5 percent of the work force, on average, understands their company's strategy; only 25 percent of managers have incentives that are linked to the successful execution of strategy; 85 percent of executive teams spend less than one hour per month discussing strategy; and 60 percent of organizations fail to link their budgets to their strategy.

In short, an OGSM is a written and easily communicated statement of an organization's OBJECTIVE, GOALS, STRATEGIES and MEASURES. OGSM brings alignment, transparency of priorities and metrics that define success. OGSM frames what the business needs to achieve and how it's going to get there. The OGSM approach has been used by many of the world's leading businesses to deploy and link organizational GOALS with each person's work. The OGSM defines success and helps groups work together across functions, geographies and up and down the line.

## OGSM INSIGHTS FROM EXECUTIVE LEVEL LEADERS

*"In our particular case, my organization is three different business units coming together. We struggled. The team leaders went to the same staff meetings and reported to the same guy but were pretty distinct silos. **Visually, what we chose from an OGSM standpoint was very unifying.** We were aligned in a roll-your-sleeves up and get down to work manner. The things we picked had large interdependency between silos."*

*– CEO, consumer products company*

*"Every strength is a weakness in people and tools. OGSM's strength is that it forces you to put your **strategy on a page**. Its weakness is that you end up with a page full of letters and numbers — and that can be off-putting. The OGSM document is a pretty dense product versus a Power Point that you can waltz people through. You have to have the **organizational discipline** to force people to work through the details."*

*— Executive vice-president, healthcare company*

*The challenges are discipline. It's a framework to install. If you don't have an interest in framing it and maintaining it every month, OGSM will not work. If you don't have the **discipline to use the scorecard**, it loses its effectiveness. That said, every organization I've worked with has customized the tool to some degree.*

*— **Executive vice-president, industrial services company***

*"Used properly, one of the big benefits of OGSM is that you're able to get leadership aligned around the biggest opportunities. **It fosters a level of prioritization** that allows the business to focus on a few critical things and allows the work to cascade. That's the essence of what makes it powerful."*

*— Executive vice-president, food service company*

## OGSM COMPONENTS OF SUCCESS

- Organizations succeed when their leaders are aligned to specific **OBJECTIVES** and **GOALS** that set a clear direction.

- Organizations succeed when both work activities and **MEASURES** are transparent.

- Organizations succeed when they collect data from outside the organization (customers, marketplace, suppliers) to identify gaps in performance.

- Organizations succeed when they create **STRATEGIES** and initiatives that are directly linked back to the **OBJECTIVES** and **GOALS**.

- Organizations succeed when they focus on fewer **STRATEGIES** and are staffed to execute those priorities.

- Organizations succeed when they execute their plan with a consistent management routine.

## OGSM PITFALLS

- Organizations fall short when they create a generic OGSM with language that could be adaptable to almost any organization.

- Organizations fall short when they argue methodology rather than pushing forward and executing. The best organizations focus less on bureaucracy of the template and more on execution.

- Organizations fall short when they spread everything too thin by focusing their attention on too many strategies.

- Organizations fall short when they lose critical time wordsmithing instead of moving toward execution. Statements do not have to be perfect.

- Organizations fall short when they miss the first step toward planning an OGSM. Any planning process that doesn't start externally misses the mark when it comes to execution.

- Organizations fall short when they aren't willing to change how they manage the business. The OGSM management routine requires a discipline and consistency that most organizations don't have in place around their planning process.

- Organizations fall short when they believe that everyone, all the way down the organization, needs an individual OGSM. Instead, business priorities should link to performance management and, therefore, link the OGSM to each employee's work.

## LINKING OGSM TO ORGANIZATION PERFORMANCE

A good strategic planning process starts with an aligned viewpoint of the market dynamics that impact the performance of the company. This review of external market dynamics leads the strategic planning process and ultimately clarifies where the organization can compete and how the organization can win. To create an effective OGSM, the external analysis is critical. The OGSM becomes the guiding direction for the capabilities of the organization including products and services, functional excellence and organization development. Strategy work also has an impact on culture and all of these elements ultimately impact an organization's ability to deliver results.

Central to the performance of OGSM, different aspects of an organization need to work in conjunction. OGSM ties together all the key business choices.

**MARKET**
Needs, Requirements & Pressures

**RESULTS**
Mental & Physical Availability

EXTERNAL
INTERNAL

**OGSM**
Strategy to set direction

Growth
PRODUCT/SERVICE ROADMAP

Productivity
FUNCTIONAL EXCELLENCE

People
ORGANIZATION DEVELOPMENT

**CULTURE**
Behaviors/Attitudes that Impact the Business
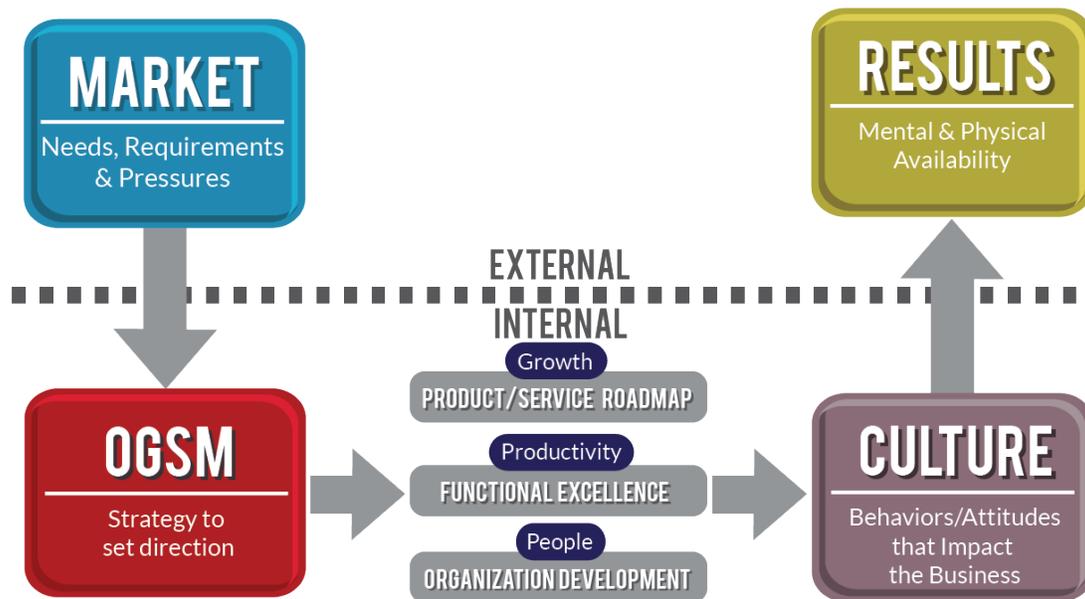
*These three focus areas impact the speed, efficiency and success of strategy through the organization to execution.*

FIGURE 1

The OGSM influences each of these areas and ultimately drives the culture of the company.
In concert with one another, these elements constitute our presence and performance in the marketplace.

## OVERALL GUIDING PRINCIPLE

The purpose of OGSM is to set, communicate, align and deploy strategy. The process of creating an OGSM provides a framework for an organization to set clear priorities. (reference step 10, p. 7) Executives must ask:

> **Does the OGSM set guardrails to align direction as it moves down the organization?**

Being more selective and specific at the corporate level leads to tighter execution at the business unit level. Without that clear direction, business unit leaders may make choices based on their own interpretation of a variety of factors versus understanding what the organization wants. The bottom-line: the more specific direction delivered to the business unit, the less variance an organization experiences as a whole.

## CHANGE MANAGEMENT AND OGSM

Don't underestimate the change management work that goes with OGSM. Building an OGSM is about getting to the truth of an organization's ability to perform in the marketplace. Creating the structure and content for a successful OGSM brings an organization face-to-face with its biggest challenges.

Preparing for and developing an OGSM requires taking an honest look at an organization — both from an internal and external perspective. Leaders should recognize the power of the status quo in an organization. Moving to an OGSM requires a disciplined and structured approach to strategy development and deployment. The process is fraught with various challenges, especially in the initial stages.

The leadership team has formed the organization to be what it is — including what is working and what is not working. In preparing for an OGSM, leaders must get ready for what may feel like criticism on their management and leadership approach. Additionally, they should prepare others within the organization for the struggles that will surface because of the process.

> " People don't resist change. They resist being changed."

— Peter Senge

Building the OGSM is challenging, but managing in it — especially in the first year — is even more difficult. Leaders need to be on high alert for the change management aspect of launching the OGSM process.

Change management is about leading through resistance and supporting team members as they struggle with shifts in practices and processes.  Remember to:

- Align compensation and reward programs to the direction and focus on measures of the OGSM.

- Revise work processes and key workflows that enable the OGSM — make the work of  the OGSM easy to execute.

- Free up the flow of critical information needed to enable the OGSM. Build in practices that improve transparency and information flow.

- Review and adjust organization design, including manager spans and layers, to improve speed and empowerment.

- Update business and individual performance measures to align to the OGSM.

- Review managerial decision rights and decision limits considering the needs of the OGSM.

- Communicate and re-communicate the critical change message. Talk to people. Don't just make presentations.

Without addressing many of the change management components above, organizations often struggle through creating an OGSM only to abandon the effort within a few years of its launch. Leaders have to remind the organization that short-term pains will have long-term results, including a positive market impact and a better place to work.

# CASCADING OGSM THROUGH AN ORGANIZATION

The purpose of cascading OGSM is to link the STRATEGIES of the organization up and down the hierarchy of the organization. Cascading facilitates the top-down and bottom-up flow of information, strategically aligning work at every level. When cascaded downward, it provides clear direction to support functions and personnel, while bottom-up flow offers feedback on the resources and timing required to accomplish the STRATEGIES.



**CORPORATE**

**GLOBAL BUSINESS UNIT**

**MARKET**

**COMMERCIAL P&L OWNER**

Performance Feedback (Bottom-Up)

Strategies & Goals (Top-Down)

OPTIONAL
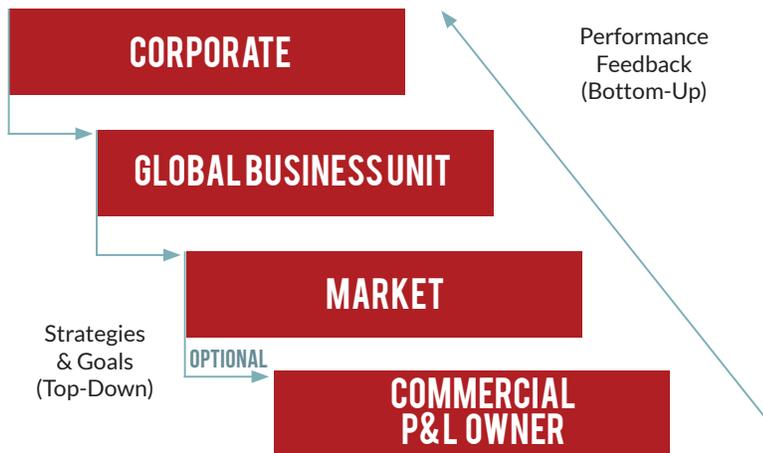
**FIGURE 2**

**How many levels down into an organization can an OGSM cascade?**

On average, there are three to four levels of OGSMs linked to drive alignment deep into the organization:

**Level 1 = Corporate  >> Level 2 = Global Business Unit >> Level 3 = Market>> Level 4 = Commercial P & L owner**

# HOW TO DEVELOP, ALIGN AND DEPLOY AN OGSM

*A step-by-step approach will allow an organization to define OBJECTIVES (both in purpose and financially), crystallize key STRATEGIES and initiatives, assign owners and due dates and build a one-page living document that can be the road map for all future planning reviews.*

1. **Gather external data.**
The OGSM process is rooted in the reality of the marketplace. Incorporating any number of market and customer research methodologies is essential to identifying trends, critical expectations and unmet needs. In addition, consider the performance of inside functions that interact with customers to gather data and better understand delivered customer value.

2. **Gather internal data.**
The process starts with interviews of your management team and extended leadership team. The questions are designed to diagnose opportunities within categories like growth, productivity and people. By the end of the interviews, the organization has clarity as to what is working well and areas of improvement.

3. **Facilitate an executive overview and debriefing session.**
Once the data is collected and analyzed, the leadership team reviews a comprehensive, detailed summary of the findings. The review summarizes macro trends, major positive themes and opportunities for organizational improvement. This session often serves as a brutally honest assessment of an organization's current state.

4. **Define a company OBJECTIVE statement**.
Building on the market data and internal feedback, the leadership team collaborates on an OBJECTIVE statement that will set the direction for the company for the next three-to-five years. This statement is a customized, business-specific view of where the organization is headed.

5. **Solidify the financial and operational GOALS.**
With an OBJECTIVE statement in hand, the leadership team then turns its attention to a three-to-five-year financial outlook and determines whether all team members are aligned to the same expectations — asking each member, "What are the headwinds and tailwinds facing the company?" and, "Are the financial GOALS achievable?" At this point, the team addresses any gaps between expectations and financial realities.

6. **Create strategic platforms.**
Now that the OBJECTIVE and GOALS are determined, the leadership team can direct its efforts to the critical choices needed to invent the future. Teams often group STRATEGIES under one of three areas: growth, productivity or people. The STRATEGIES are developed to address gaps in performance identified from internal and external feedback and observations. As a result of this work, the team develops five to six overarching STRATEGIES for the company and their respective initiatives.

7. **Align key MEASURES to STRATEGIES.**
Each STRATEGY should have no more than three MEASURES. The challenge for most teams is deciding which MEASURES predict the success of the STRATEGIES. Once determined, the team can build a scorecard and start tracking progress.

| | |
|---|---|
| 1 | GATHER EXTERNAL DATA |
| 2 | GATHER INTERNAL DATA |
| 3 | FACILITATE AN EXECUTIVE OVERVIEW & DEBRIEFING SESSION |
| 4 | DEFINE A COMPANY OBJECTIVE STATEMENT |
| 5 | SOLIDIFY FINANCIAL & OPERATIONAL GOALS |
| 6 | CREATE STRATEGIC PLATFORMS |
| 7 | ALIGN KEY MEASURES TO STRATEGIES |
| 8 | DEVELOP A FINAL OGSM |
| 9 | COMPLETE INITIATIVE CHARTERS |
| 10 | COMPLETE A PRIORITIZATION & RESOURCE ALLOCATION PROCESS |
| 11 | ALIGN & CASCADE STRATEGIES |
| 12 | MANAGE THE OGSM |

8. **Develop a final OGSM.**
Finally, the team encompasses all the information completed in the first seven steps and builds a one-page OGSM. The resulting document is used to communicate and align the rest of the organization to the critical priorities of the business. Developed collaboratively and based on the needs of the business, the OGSM can now be used to guide all future planning sessions.
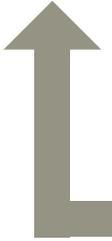
> Once the OGSM is complete, the leader needs to consider how best to communicate the key priorities. There is no best practice here. A number of factors impact how to best communicate the OGSM. Some organizations communicate the actual one page document. Others create a slick marketing piece that communicates the OBJECTIVES and key STRATEGIES. The guiding principle is to communicate as much as possible to inform people. However, never forget the Wall Street Journal rule:  whatever is distributed needs to be considered public information and in the hands of all.

9. **Complete initiative charters.**
Once the OGSM is created, charters can be developed.  The charters become the project planning structure for each initiative. They help the organization define, structure and launch the work of each STRATEGY into the organization. Initiative charters include a business case (why it is important), project milestones and needed resources. To drive accountability, an owner is designated for each charter.

10. **Complete a prioritization and resource allocation process.**
Now that the Initiative Charters are complete, the team prioritizes the initiatives to ensure resources are available to execute the plans—people, capital, etc. When resources are limited, a prioritized OGSM is critical to drive focus.

11. **Align and cascade STRATEGIES.**
Cascading is the process by which alignment is achieved throughout the organization. It links corporate-level GOALS to the divisional or functional plans, and ultimately, to the individual. Cascading starts a natural flow of top-down/bottom-up information, which aligns the work at every level.

12. **Manage with the OGSM.**
By establishing a set of management routines, the OGSM can be used to guide daily, weekly, and monthly activities through the review of initiative charters. Many organizations use the Stoplight Approach to communicate status updates and manage by exception by using a three-color system as a visual marker for each initiative update — green (initiative is on track to deliver on time/in scope), yellow (circumstances are impacting the initiative and it could miss key deliverables, timing or defined scope) or red (serious issues with the initiative and it will not deliver on time/in scope).

## Rules for OBJECTIVES

OBJECTIVES are words that set the direction for the organization for the next three to five years. This statement describes the ambition of the business and answers the question: *What are we trying to achieve*? The OBJECTIVE should define the playing field and the rules for winning. An OBJECTIVE is a constant and meaningful reminder to the organization about what success looks like in the future. An effective OBJECTIVE statement is not generic or easily adoptable by others; it is a customized, business-specific view of where the business is headed.

## Rules for GOALS

GOALS are numbers that define what success looks like over a three-to-five year time horizon. These GOALS are usually financial and/or operational and make the OBJECTIVE visible in measurable terms. GOALS should be more strategic in nature, defining the financial health and guiding the direction for the strategic choices. The GOALS of an organization answer the question, *What do we want to achieve?* in critical targets and terms.

## Rules for STRATEGIES

STRATEGIES are words that provide specific explanations and descriptions of specific choices that focus an organization's plans toward accomplishing the desired OBJECTIVE and GOALS. STRATEGIES guide the work activities and allocation of limited resources across the organization. STRATEGIES are implemented through initiatives and structured work plans called charters. STRATEGIES tighten choices needed to deliver the OBJECTIVE, GOALS and to win in the market. It's much more important for STRATEGIES to be written in clear, complete language as opposed to clever headlines.

## Rules for MEASURES

MEASURES are numbers that define an organization's progress toward delivering a STRATEGY. Each STRATEGY should have no more than three MEASURES that define whether the STRATEGY is effective and is having the desired impact. Each MEASURE is tracked to determine the progress of a STRATEGY, and used to make decisions regarding any necessary adjustments.

| WHAT DO WE NEED TO ACHIEVE? | | HOW DO WE GET THERE? | |
|---|---|---|---|
| **OBJECTIVES**<br>**What we need to achieve:**<br>Objective statement | **GOALS**<br>**What we need to achieve:**<br>Financial and operational performance measures | **STRATEGIES**<br>The choices we will make to achieve our objectives and goals, including key initiatives<br><br>**INITIATIVES**<br>The programs, initiatives, etc. required to deliver the strategies | **MEASURES**<br>Numerical statements benchmarking progress toward implementing each strategy |
| WORDS | NUMBERS | WORDS | NUMBERS |

Figure 3 represents the basic construct of OGSM.

**FIGURE 3**

# FIVE QUESTIONS TO TEST AN OGSM

## Once you write an OGSM, how can you test to make sure it passes the test of an OGSM?

Is it **Aligned:** Is it clear how the OBJECTIVE and GOALS will be achieved by executing the STRATEGIES and initiatives? Do the GOALS and MEASURES reflect how management tracks the success of the business? Is there transparent linkage between the OGSM at the top level and the OGSM one step down (in both language and strategic intent)?

Is it **Achievable:** Does the organization have the competency and capability to achieve the direction the OGSM has set? Said differently, will the OGSM be a success or failure based on the honest assessment of the team's ability to deliver it? Beyond the organization's efforts, other factors also impact the successful delivery of an OGSM including market dynamics, competition, company commitment, etc.

Is it **Adequate:** Are the STRATEGIES defined in the OGSM adequate and specific enough to deliver the OBJECTIVES and GOALS? The STRATEGIES should be detailed and have enough muscle to create a high level of confidence that they are the best choices to deliver the plan.

Is it **Accurate:** Do the STRATEGIES clearly communicate the explicit choices the organization is making? In turn, a choice in one direction assumes other choices are no longer options. A good OGSM communicates what we are going to do and what we are not going to do.

Is it **Ambitious:** Do the STRATEGIES stretch and push the organization to new levels of results? If the OBJECTIVE and GOALS don't have the right level of ambition, the organization won't move in the direction it's aiming.

# EXECUTING BUSINESS STRATEGY TO WIN IN THE MARKET

One of the other advantages of OGSM is the fact that the entire approach can be captured on a single sheet of paper or a single screen-shot. That brevity helps with clarity, tracking and visibility. Everyone, from executives to project teams, can use it to manage work activities. The net result is increased productivity both in how an organization manages the work and what work they do. The format of a single page OGSM is shown below:



FIGURE 4

## Should functional leaders develop OGSMs too, or is there a more appropriate tool?

The best practice is for profit and loss owners at the corporate or business unit level to develop OGSMs. Other functional leaders who need to direct organizations from the top down work from specific planks of the OGSM platform called SIMs (STRATEGIES, initiatives, MEASURES). OGSM works best with clear strategic leadership from business units on priorities. Functional partners align their SIMs to support business unit plans. Seldom does a functional organization branch off in a direction counter to the business unit. The sequencing of planning is for business units to develop their OGSM first, and then the enabling functions develop their SIMs to support the execution of the divisional OGSM — never the other way around.

| SIM | STRATEGIES | | INITIATIVES | MEASURES | OWNER | STATUS |
|---|---|---|---|---|---|---|
| | **PRODUCTIVITY** | | | | | |
| | **1.0 LEVERAGE SYNERGIES** | | | | | |
| | Leverage synergies to optimize operations & standardize best practices. Focus on productivity initiatives that reduce costs and drive efficiences. | 1.1 | **Sourcing** - drive Strategic Sourcing savings; execute Risk Management program; identify in-source options. | $52M (Combined with , SKU Optimiz & Strat Sourcing) | Rob | 🟨 |
| | | 1.2 | **Footprint Optimization** - execute restructure; complete optimization , complete footprint optimizations | $275M annualized | Fred | 🟩 |
| | | 1.3 | **Logistics** - complete implementation of network | 17 DC operational, Service Level met | Elizabeth | 🟥 |
| | **2.0 BUILD INFRASTRUCTURE** | | | | | |
| | Build the needed infrastructure for effective operations today and establish a platform for future acquisitions. Be audit-ready. | 2.1 | **One Order, One Invoice** - complete for M&A | Service Level/On-time (5%) | Jan | 🟩 |
| | | 2.2 | **Project Bullwinkle - Process & System Infrastructure -** implement processes and systems that drive operational efficiency across all facilities | Standard Processes, complete on-time ($245M savings) | Pierce | 🟩 |
| | **PEOPLE** | | | | | |
| | **3.0 PEOPLE, SAFETY AND QUALITY** | | | | | |
| | Provide a safe work environment where employees can grow and develop, resulting in an engaged workplace. | 3.1 | **Food Safety and Quality** - implement necessary programs to ensure safe food processing (part of Project Swamp) | Consistent policies ; Consumer complaints; ($12M) No recalls ($25M) | Jesse | 🟨 |
| | | 3.2 | **People Safety and Talent Mgt.** - establish a safety culture. Provide training needed to execute current job functions; develop talent succession. | High potential employees 10% Bottom 5% turnover, | Richard | 🟩 |

**FIGURE 5**

## What is the risk of OGSM proliferation?

Too many OGSMs confuse people on priorities and diminish the importance of all OGSMs. Additionally and pragmatically, developing and executing an OGSM takes time. Developing too many OGSMs not only wastes time and resources, but it also increases the risk of alignment issues within an organization.

Discussing the role of SIMs in the organization requires a return to the basic principles of OGSM — strategic alignment, transparency and deployment. The principles of the SIM process are no different:

- Give the organization leaders transparency to the strategies and priorities of the function.
- Align the leaders to the right work.
- Deploy that direction to the functional leaders who are responsible for executing the plan

The SIM is always aligned to the needs of the corporate or business unit OGSM. The SIM should clearly communicate how it supports the OGSM. Support functions are not the end. They are a means to enable the business unit to reach the end—or a successful execution of the OGSM, which leads to winning in the marketplace with customers.

### What is the SIM communicating to the organization?

Once the SIM is completed, the purpose and strategy of the function is clear and can be communicated. The role of the SIM is to clarify what capabilities (processes/programs/materials) need to be built — and what competencies (skills to successfully accomplish the tasks) need to be developed to support the business OGSM.

### Do SIMs have the same life cycle as an OGSM?

Yes. Since the OGSM is a 3-to 5-year endeavor, the SIM should be the same.

### If a function is responsible for directly delivering either the initiatives or measures listed on an OGSM, should these be included in the SIM?

Yes. The functional leader will want to review the corporate and/or business unit OGSM for those areas that the function directly owns or supports. If an initiative or measure is owned or supported by the function, then it needs to be reflected in the SIM.

### Does the SIM cascade the language of the business unit strategies?

The answer is, it depends. The SIM can reflect the words directly from the OGSM it supports, but the general rule is that no direct strategy cascade exists unless the function owns or supports the strategy. For example, if the business unit OGSM has a people and culture strategy, and the human resources function is the owner of that strategy, then a direct cascade would be acceptable.

### How does the SIM's cascade work?

Just as the OGSM is primarily cascaded to the P&L owners, the SIM is no different. The SIM cascades to the functional leaders down through the organization. For example, cascading the SIM through human resources by levels:

- Level One – Corporate HR SIM
- Level Two – Business unit HR SIM
- Level Three – Geographic/market HR SIM
- Level Four – Individual action planning within the geographic/market area

The SIM leader at each level of the cascade has to align the business OGSM he or she supports and the one-up level SIM.

A cascade might look like this:
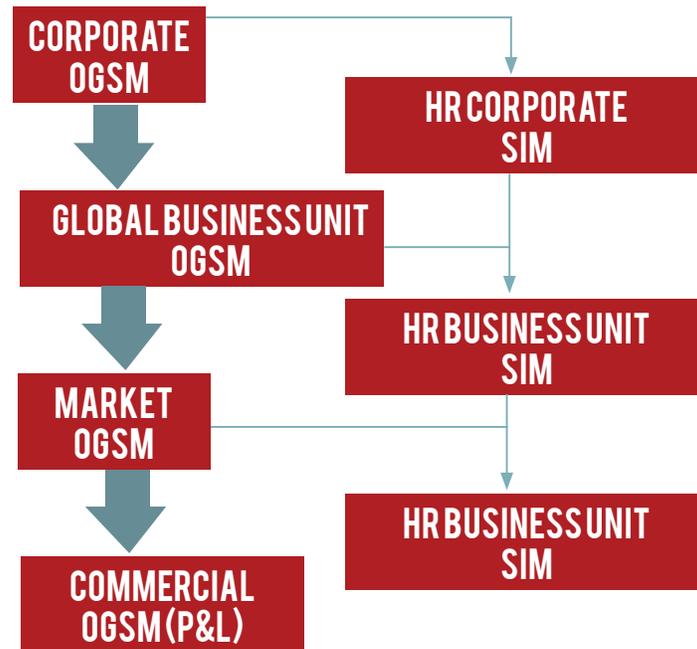


**FIGURE 6**

### Which master should a SIM serve – corporate/segment OGSM or one-up level SIM?

The SIM is first aligned to support the needs of the corporate or business unit OGSM, and then to any capabilities that the function needs to develop. The SIM is subservient to the business OGSM.

Importantly, this does not remove the responsibility of the functional leaders to build the capabilities and competencies that their function owns in the organization, but requires alignment on how resources and work priorities are executed. Sometimes the SIM priorities need to be diverted to address short-term functional needs of the business OGSM.

Bottom-line, if the business unit OGSM is successfully delivered and some of the functional initiatives are missed, it is still considered a successful year.