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Agile Execution: Driving Strategic Results In a Changing Aftermarket

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Introduction

Agile Execution: Driving Strategic Results in a Changing Aftermarket analyzes **the gap between formulating strategic plans and carrying them out successfully**. It also lays out the solution to enable your company to become strategically literate and effectively achieve your strategic objectives.

As noted in AASA's "Automotive Aftermarket Outlook 2020" study, **automotive aftermarket manufacturers are going to face significant strategic shifts over the next decade**. Relationships along the aftermarket value chain will change dramatically, and each company will need to create compelling new sources of competitive advantage. The winning manufacturers will build differentiated capabilities that are valuable to their channel partners.

To survive and thrive in this changing environment, manufacturers need to be able to effectively translate their strategies into execution. A recent study¹ of employees found that 70 percent of workers do not know what to do to support their company's strategy. Work aligned with the strategy is "Real Work"; work not aligned with the strategy is "Fake Work." According to the study, **half of all the work people did had nothing to do with their company's strategy** – it was Fake Work!

70% of workers don't know what to do to support their company's strategy.

Success will require improving the strategic thinking skills of executives and managers at all levels within your company, resulting in an improvement in strategy translation and execution at the individual level. Translating strategy to the individual level is the key to engagement and alignment. The same research also presented the disconcerting and embarrassing truth that 81 percent of employees responded "no" when asked, "Do you feel committed to your company's strategy?"

Team members within many manufacturers are not strategically literate. Research and experience demonstrate that **most workers are not literate in their view of, or their place within, the "big picture" strategy**. To improve financial results, companies must critically examine disconnects between the effort employees currently expend and the real contribution of their results in achieving the company's most important goals.

This report provides **new thinking and approaches that have been successfully tested** and implemented at real companies. These approaches have enabled Fortune 500 companies – and smaller competitors – to achieve their strategic objectives and realize their vision of the future.

¹ *Fake Work*, Brent D. Peterson & Gaylan Nielson, Simon Schuster, N.Y., 2009

About the Authors

Brent D. Peterson, Ph.D., has authored or co-authored 20 books; he was the founder of the Center for Entrepreneurship, Marriott School of Management at Brigham Young University. He also founded The Work Itself Group to help companies reduce their “Fake Work.” Ron Cox, MBA, is the former CEO of four well-known consulting and training companies. He formed Tailwind Consulting to work with clients on building their employees’ literacy in their own strategy. Cox pioneered the idea of *Strategic Literacy for business*. Chuck Udell earned his MBA in marketing and finance from Simon Graduate School of Business at the University of Rochester. He is the former president of the University of the Aftermarket at Northwood University. Tom Easton completed his undergraduate work in business administration at Murray State University. He is a former adjunct professor at Northwood University. *(See Author’s Biographies at the conclusion of this report.)*

The combination of their research, studies of aftermarket companies, findings and opinions provide extensive insights into the most important strategic execution issues facing senior leaders in Automotive Aftermarket Suppliers Association member companies. The authors of this AASA Special Report present their opinions in six sections:

- I. Executive Overview
- II. Beliefs and Principles of Fake Work
- III. Introducing Strategic LiteracySM for Business
- IV. How to Build Strategic Literacy in Your Company
- V. Implications for Aftermarket Manufacturers
- VI. Appendix

I. Executive Overview

“Manufacturers cannot rely on just traditional sources of power (i.e., good product, strong brands, and scale and scope). There will be a survival of the fittest among automotive aftermarket suppliers with greater distinction between the winners and losers in an industry with no real growth and over-capacity. Only those companies that invest in building differentiating capabilities over time and evolve their business models will succeed; others will suffer.” Aftermarket Outlook 2020

Before exploring business models, operational efficiency and strategy, it is helpful to distinguish *efficiency* from *effectiveness*. Efficiency is a performance metric that evaluates how well a process converts inputs to outputs. Effectiveness is a measure of the degree to which outputs satisfy requirements.

Efficiency is about “doing things in the right way.” This includes using all resources well, with an internal focus on activities. *Effectiveness* is about “doing the right things.” Your *effectiveness* is when Real Work produces the results that contribute to the realization of the strategic intent of your company.

Operational efficiency is an absolute requirement for any manufacturer to compete in the current automotive aftermarket. However, in terms of true competitive advantage, a manufacturer can only surpass its rivals by managing to establish a difference that is distinctive and that it can maintain. To this end, the manufacturer must include in its strategy unique and sustainable ways to deliver value to its customers in a manner that is distinct from traditional manufacturing strengths.

Strategy *development* is the deliberate search for a plan of action. Strategy is a pattern to follow in a consistent way over time. Collectively we have found that there is a deficiency in the connection between the process of conceiving strategy and the process of implementing it.

73% of workers do not think their company’s goals are translated into specific work that they can execute.²

The number one issue cited in a survey of CEOs was “Excellence in Execution.”³ Aligning the thinking and activities of your key executives and managers to the overall strategic intent is a differentiator that reduces and improves all deliverables to your channel partners.

We have found it is next to impossible to achieve strategic execution without company-wide *Strategic Literacy*SM.⁴ Just because leaders dispatch the strategy to their entire company does not mean they can assume that quality translation has or will occur. If inaccurate translation occurs, employees never really take ownership of the strategy, and their contributions to the execution of the strategy are sub-optimized.

² *Fake Work*, Brent D. Peterson & Gaylan Nielson, Simon & Schuster, N.Y., 2009

³ The Conference Board Annual CEO Challenge Survey, 2007-2010

⁴ Greenwald, Bruce. *Competitive Demystified: A Radically Simplified Approach to Business Strategy*, 2005.

To be successful, it is vital that aftermarket suppliers cascade their strategic intent in a way that builds understanding, commitment and ownership at **every** level. Communicating the strategic intent to each executive and manager transcends a manufacturer's traditional sources of strength, creating a new competitive strength by building literacy in their own strategy.

Fifty-six percent of workers do not clearly understand their company's most important goals.⁵

Strategic Literacy engages employees, aligns their contributions and is the key to preventing Fake Work. It creates a disposition for action that concentrates the strategic intent of the company and provides a framework for transforming Fake Work into Real Work. It links your company's strategic intent and its objectives with every unit and every employee.

Strategic Literacy creates a single vision of strategy in the mind of every employee. This improves the strategy's implementation and facilitates its communication and the translation to channel partners, customers, employees and shareholders. As companies build employees' literacy in their strategy, there is an optimization of effort. The most basic form of this optimization involves the flow of information and coordination between divisions, units, work groups and teams.

Too often, a generalized focus on operational efficiency explains the lack of strategic vision.

When an aftermarket manufacturer bases its "self-evaluation" solely on its operational performance, the only options for improvement are in traditional disciplines such as purchasing, manufacturing and material handling.

Of course, operational efficiency is desirable, and increasing it is a necessary part of managing any enterprise. However, the incremental gains realized when manufacturing companies improve their efficiency is not a strategy.⁴

In fact, since every manufacturer in the aftermarket has adopted the same cost-containment tools and best-of-class practices, these improvements to their operational efficiency are no longer enough to differentiate one supplier from another.

A manufacturer making a commitment to improve their employees' literacy in their own company's strategy will generate greater value than its competitors will. Improving strategic thinking skills creates the ability to foresee the risks and returns with sufficient accuracy to justify a new use of resources. Executives, supervisors and managers are able to leverage new insights into their own strategy to predict the effects of their decisions and actions.

"All levels of your company should be engaged in a discussion of the future, thus becoming strategy activists."⁶

⁵ Strategic LiteracySM within a business usage is a term serviceSM marked by Tailwind Consulting, LLC. From this point on throughout this paper, we will use the term *strategic literacy* to refer to this usage.

⁶ *Strategic Alignment Process and Decision Support Systems*, The Idea Group; IGI Global, EBSCO publishing, 2006

The Strategic Literacy of your company will change perspectives, involving the highest levels of your organizational chart (where resources are allocated) as well as in the middle levels (where more imagination exists), and at lower level (where there is more potential for change).

The process of developing literacy in your strategy is work involving all levels of your company to make possible the changes needed for the achievement of your company's strategic intent.

II. Beliefs and Principles of FAKE WORK

The Fake Work Problem

Fake Work is the activity that workers participate in that does not advance their company's strategic goals or intent. We have found that Fake Work looks like work to employees and supervisors. **Fake Work may even feel like real work – and it costs just as much.**

When workers do not know or understand strategy and the processes required to implement it, they are likely to end up doing Fake Work. A large percentage of employees confess to dedicating weekends and long nights to projects, proposals or presentations that end up being Fake Work.

Focus on Doing Real Work

The research from Peterson and Nielson indicates that across all the companies they studied, half of all the "work" people did had nothing to do with their company's strategy. **A stunning 50 percent of the employees' output was Fake Work!** A lot of this work was time-consuming and/or difficult, but it did not advance their company's strategy.

Rethink the work that is being done in your offices, cubicles, product distribution centers and manufacturing facilities. Each executive, manager, supervisor, team leader, office worker and production worker could be making a push to avoid Fake Work and make their work contribution relevant and real.

The Ice Man

A Scandinavian Television advertisement for Statoil's coffee promotion illustrates our point about Fake Work. The ad shows an executive (the iceman) coming out to his urban apartment building at the beginning of the workday. When he arrives at his car parked on the street, he finds it completely covered in snow and ice. He puts his briefcase down and gets to work cleaning the snow and ice from his car. He struggles, slips, bangs and pushes ice and snow – even using his briefcase and credit card to remove the snow. Finally, the car is clean. He reaches in his pocket, hits the button on his key to unlock the door, and the lights come on and the doors unlock on the identical car in the space in front of the car he just cleaned. He had cleaned the wrong car. ⁷

Did the Ice Man work hard? Did he have a sense of purpose? Was his work fake? The answer to all of these questions is **yes**. He worked hard, he had a sense of purpose, but he did Fake Work by cleaning the wrong car. He had accomplished the wrong outcome.

⁷ Statoil©2007 [youtube.com/watch?v=3PiQiuA-WbI](https://www.youtube.com/watch?v=3PiQiuA-WbI)

Avoiding Fake Work

Fake Work is not biased toward a labor category. Union, non-union, supervisors, managers, directors, executives and even senior level executives can **all** fall victim to tasks and work streams that are not in alignment with their company's strategic intent.

Many managers know about the meaningless tasks and useless meetings, but the real horrors lurk behind long projects, ill-defined jobs, and seemingly important "time sensitive" work that contribute no value or produces results that contribute nothing to the attainment of the strategic intent.

"Managers are a primary cause of Fake Work because their role is, by design, to serve as a conduit for meaning. Strategies and results flow through this conduit, and Fake Work comes out the other end when information is translated incorrectly, ignored, or not passed on at all."⁸

Most aftermarket manufacturers do not realize how Fake Work permeates their company. Most employees also don't recognize how their hard work contributes to their company's desired results.

Every employee in your company has some role in communications, decision-making, oversight, effectiveness of management, or overall success. Your employees cannot maximize their contribution if they don't understand the big picture.

Fake Work Trends in the Automotive Aftermarket

1. The costs of Fake Work are enormous. Margin pressure and low-cost country competition in the light-duty aftermarket will continue for the foreseeable future.
2. Aftermarket manufacturers are facing a market with no real growth and over-capacity. As companies streamline, the need for their workers to be more self-reliant is immense.
3. To win, we must build capabilities that are valuable to the channels or end customers. This is a very challenging and nebulous goal, which can result in uncertainty and misdirection. This confusion provides the murky environment where Fake Work thrives.
4. Growing SKU complexity and channel partners' desire for shorter lead times are challenging aftermarket organizations. Long hours often indicate a team is off track or a pattern of misdirected focus.
5. The need for major investments in IT, skills, and know-how to build advantaged capabilities can create exhaustive efforts that are often misdirected and costly.
6. A strategy for delivering tangible value improvement to customers is important but can lead to Fake Work when the workforce is not strategically literate.

⁸ *Fake Work*, p. 39, Brent D. Peterson & Gaylan W. Nielson, Simon & Schuster, NY © 2009

The Key Causes of Fake Work

Following are just a few causes that we see regularly.

ORGANIZATIONAL CULTURE AND SYSTEMS

Failing to Clarify and Cascade the Strategy from the Top to Bottom:

When a company's employees do not understand the strategy and the processes that will be required to implement it, Fake Work will occur. A huge cause of Fake Work begins when leadership creates and develops strategic documents that are not translated into the offices, cubicles or the factory floor where the work occurs.

Can Often Cause



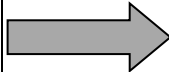
INDIVIDUAL MINDSETS AND BEHAVIORS

Failing to Focus and Prioritize: Out of the many things they do at work, what are the critical things that they must be doing to contribute to the achievement of the strategic objectives? There is a lack of clarity about focus.

Operational Silos: Work groups failing to communicate about the right things.

Any time the wrong work is being done – the wrong schedule, the wrong focus, the wrong project or the wrong amount of effort – lack of communication is one of the causes. Poor communication between divisions, units, departments and teams is one of the root causes of Fake Work.

Can Often Cause



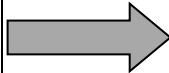
Blinders – Failing to See the Execution Gap – Alignment, then Execution:

You can have an excellent strategy; however, if everyone is misaligned to that strategy, Fake Work ensues. Researchers estimate that 80 percent of all change processes fail due to poor implementation. First, ascertain whether an investment in time or money is effective, and then endeavor to refine its efficiency.

Randomness of Activities and Initiatives:

Variance from the strategy by second and third-tier management executives creates Fake Work. The randomness that they introduce dilutes strategic intent and makes the company less effective.

Can Often Cause



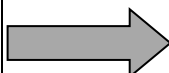
Failing to Understand the Expected Results:

Many employees do not fully understand the results that are to be achieved from their work contribution. There is a lack of clarity about measurements.

Managers Failing at Information Distribution:

Managers can be a primary cause of Fake Work because their role is to serve as a conduit for the translation of meaning. When managers attempt to interpret strategy in a vacuum, they can change its meaning and unknowingly introduce variability into execution.

Can Often Cause



Failing to Understand Their Real Job:

Simply put, do individuals know what they should be doing and why your company needs them to be doing it? An individual's understanding of strategic context is created almost exclusively through interactions with their manager.

Ultimately, knowing and understanding the causes of Fake Work, like any vital knowledge, gives you options and choices for how to respond.

“A Problem Recognized is Half Solved.”
Charles Kettering, inventor of the electric starter

Fake Work – A Case in Point

For years, we worked with a large manufacturing company; historically the company had done fairly well. However, the bottom line results could have been much better if the manufacturer had understood the tremendous amount of Fake Work that its employees were doing. Some of the issues plaguing this company included:

1. ***Ineffective Organizational Communication*** – There was little or no communication between divisions, plants and departments. Consequently, many projects and initiatives being completed in one department were counterproductive to other departments. We found unbelievable duplications and inefficiencies that could have been corrected with better communication. There were many silos that did not know what the other silos were doing.
2. ***Unnecessary and Ineffective Meetings*** – Over the years many meetings were developed and required by the company. Many of those meetings were simply not needed. However, they continued because the company had mandated them. Necessary meetings that could have been productive were poorly managed and wasted participants’ time.
3. ***Complete and Total Strategic Illiteracy*** – Generally the company’s senior leaders knew the strategy but less than 10 percent of the rest of the company could list a single strategic goal. The company was illiterate regarding the senior leaders’ strategy.
4. ***Lack of Individual Alignment*** – Employees within individual work teams had no idea what they could or should be doing.
5. ***Fake Work Culture*** – This company had developed a culture of “keep busy and look like you’re doing something important,” which led some employees to give the appearance of hard work while doing what was not needed. Even though a new product system had inherent design flaws, produced high defect rates and was going to be abandoned, they kept building it and the workers all appeared productive.

“There is nothing so useless as doing efficiently that
which should not be done at all.”
Peter Drucker, renowned author

6. ***Fake Work Policies and Procedures*** – Many company policies and procedures were driving Fake Work. For example, a weekly production report took each participating employee about an hour each week to complete. But the company only used one small piece of the data from the report – data that that would have taken each employee only five minutes to produce instead of an hour.

Are You Doing Fake Work?

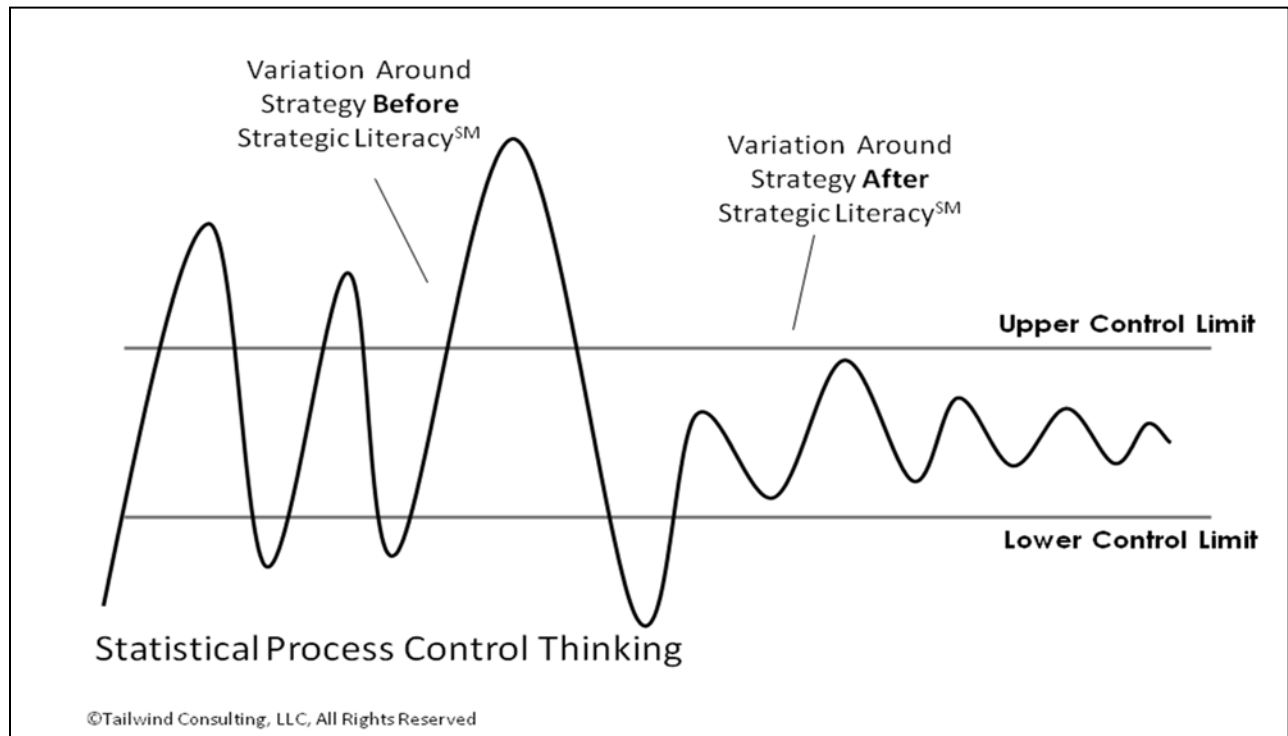
Is Fake Work happening in your company or work team? In Appendix A of this report, you will find the ***Fake Work Index*** to assist you in determining how much Fake Work is occurring in your company. We are pleased to offer AASA members complimentary reproduction rights of this instrument for use only within their respective companies.

III. Introducing *Strategic Literacy* for Business

Fake Work is very similar to “waste” or “defects” in a manufacturing process. It just happens to emanate from a different process – the one where strategy is developed (by people) and integrated into your company (by some other people). When you realize the potential impact of Fake Work on your company, it is natural to want to take aggressive steps to identify it, prioritize it and eliminate it. With waste and defects, it’s much more effective to seek out the root causes and remove them from your production process. Often a redesign of a process is required to prevent defects from happening in the first place.

Your strategic process is very similar to your manufacturing processes. Strategy implementation has a definite flow and steps. But often, implementation is not thought through carefully. Other times, manufacturers separate their strategy process into “*Strategy Development*” and “*Strategy Deployment*,” with a much greater emphasis on the former at the expense of the latter.

A new focus on the flow and steps of deployment enables employees to become engaged and transform inert, strategic documents into Real Work that is aligned with the overall intent. This is Strategic Literacy. “Making” your company *literate* in its own strategy reduces variability throughout your company and inhibits the growth of Fake Work. From our research, we have found that most aftermarket manufacturing employees are *not literate* about their company’s strategy.



The diagram above displays the randomness of activities and initiatives we sometimes find within the second and third tier levels of management. We have witnessed entire divisions hard at “work” on activities that had little or nothing to do with their company’s strategic goals.

“It’s like everyone is doing their own version of God’s work.”
Aftermarket CEO, discussing his employees’ inconsistent translations of strategy

The key to controlling strategic variability and building Strategic Literacy is the individual worker in the company. Each person in a company must have the opportunity to learn the strategy and align his work with the overall intent of the company. When the employee’s work is aligned, she is *Strategically Literate* and doing Real Work. When work is not aligned, employees may inadvertently commit time and resources to doing Fake Work.

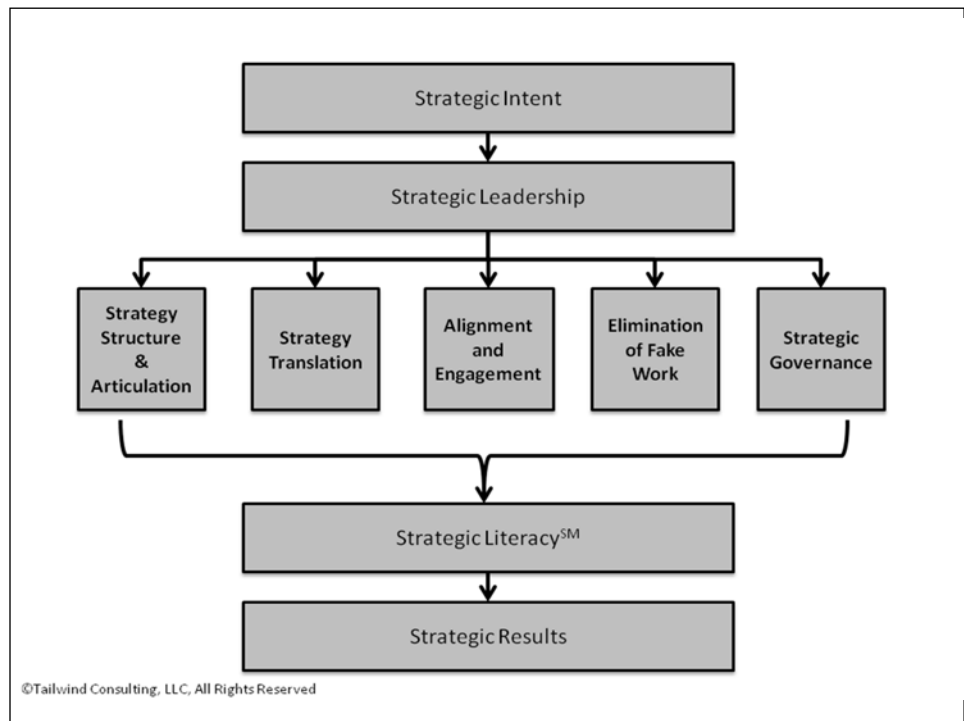
It is up to leadership to provide the framework and culture that enables this positive level of engagement and alignment, so that every employee can contribute to the accomplishment of the strategic intent (See Appendix B for our examples from Springfield Remanufacturing and Southwest Airlines).

A basic principle for understanding both Fake Work and Strategic Literacy lies in capturing individual thought and mindshare around the overall strategy. Peterson and Nielson point out that, “Organizations can’t align people; people have to align themselves.” People are more *self-determinant*⁸ today, motivated by being connected to and working on something with a clear **purpose**, developing **mastery** and skills in what they’re doing, and having the **autonomy** to manage their own work.⁹

“Organizations can’t align people with the strategy; people have to align themselves.”¹⁰
Peterson & Nielson, authors of Fake Work

For companies seeking to build literacy in their own strategy, more “pushing” of the strategic agenda is not the answer. Ultimate engagement actually comes through creating a “pull” on the part of the workers by enabling them to align themselves (and their workstreams) with the overall strategy.

This “pull” requires translation of the strategy at the individual level – everyone must understand the overall intent, have clarity about their role and set their priorities based upon a consistent thinking framework. This goes well beyond typical goal-setting and/or measurements and engages each individual worker to build and reinforce Strategic Literacy throughout the company.



Several aftermarket manufacturers are performing many of the required steps, but they almost always stop short of tying it all together with an integrated process that builds literacy in their strategy. The model above can assist you in building Strategic Literacy in your company or division (Also see Appendix C: Strategic Literacy Checklist). Building their people’s literacy in their own strategy is what excellent manufacturers do to link their strategic intent and their strategic results. Working with AASA members, we’ve discovered that a significant number of their managers are not connecting the dots between these key leadership areas.

⁹ *Self-Determination Theory and the Facilitation of Motivation, Social Development, and Well-Being*, Richard M. Ryan and Edward L. Deci, University of Rochester, 2000.

¹⁰ *Drive: The Surprising Truth About What Motivates Us*, Daniel Pink, 2010.

¹¹ *Fake Work*, Brent D. Peterson & Gaylan W. Nielson, Simon & Schuster, NY © 2009.

Strategic Leadership

Strategic Leadership requires a complete reframing of what strategy is and how it is implemented. Turning strategy into results is a process, and like any process it can be managed to ensure consistent results. Building literacy in your company's strategy begins with how your strategy is developed and structured for implementation. This phase involves how key players collaborate to supporting the overall intent.

When the strategy is set at the top of the company, the work is just beginning. The second and third tier executives must effectively translate the overall intent **with** their teams.

This initial translation is key –it ensures that the overall strategic intent is properly converted for



the respective departments and functions within the company. It also establishes true consensus and buy-in across the top of the company, creating Strategic Literacy among the key leaders. This level of leaders must learn how to collaborate on building a shared future, instead of continually rearranging the past.

Strategy, Structure and Articulation

This begins with four key ideas:

1. Strategy is not a single thing, but rather a series of integrated layers that include Vision, BHAG (Big Hairy Audacious Goal)¹¹, Strategic Imperatives, Strategic Plans, Strategic Initiatives and Strategic Governance.
2. Strategy should be active versus passive. The strategy is not a book to be written and shelved. The strategy is an active overlay to the whole business that engages everyone. Depending on business conditions, the strategy – and your people's thinking – may need to be updated and addressed regularly versus once a year.

¹¹ *Building Your Company's Vision*; James Collins and Jerry Porras, 1996.

3. Strategy is not simply year-over-year planning where performance metrics are simply extrapolated and updated. Strategy is fresh thinking that creates a new collective intent.
4. A precise articulation of strategy is critical to focus the collective mindset and engage people in its execution. Your strategy should be clear, focused and compelling.

Our experience is that strategies are often not well structured or articulated, making them difficult to understand and translate at the individual level. Structuring strategic intent in a simple, common-sense framework enhances communication and makes a huge difference to the utility of the individual translations. When the strategy is set at the top, there is work still to be done. Second and third tier executives must effectively translate the overall intent for their part of the company.

Strategy Translation

This is the most critical step in building Strategic Literacy. It is the process used to actually translate the strategy at the individual level so that the thinking and work of every person is aligned with it. Individuals must translate the strategy for their teams and themselves in order to execute it. For example, the heads of IT, HR, marketing or sales must assess the overall intent, and then create specific strategic initiatives that effectively translate it for their part of the company. In most companies, this translation process has wide variability, which creates Fake Work and subverts overall execution. We recommend using a consistent process for translating strategy at the individual level. The reality is that your people will translate the strategy for themselves, with or without guidance. So the decision is not whether to translate strategy; it's whether to *manage* the process of translation or to let it occur randomly.

Alignment and Engagement

New research indicates that people in the 21st century are motivated differently. This thinking is consistent with how to build Strategic Literacy in a company. Strategic Literacy must be built through self-alignment. To accomplish this, **each individual must have the opportunity to think through their role and work outputs within the context of the overall strategy.** Using collaborative processes to cascade the intent and discuss actual work within the framework of the overall strategy builds Strategic Literacy and engages people individually in the overall game plan. These processes strengthen culture as leaders invite their direct reports into a structured conversation about how to produce *the vital few* critical results for their company.

The process for cascading the strategic intent changes and adjusts as it moves down through the company. For example, executives in the top tiers work on translating strategy into plans individually using in-depth thinking frameworks; front line workers then get together in teams to translate those plans and align their individual work streams.

Elimination of Fake Work

Fake Work is the antithesis of Strategic Literacy. When peoples' work is not aligned with the overall intent, the work they produce is not "Real Work." When companies are strategically literate, the thinking and work streams of their people are aligned with the overall strategy. As companies work toward becoming more strategically literate, their employees are empowered to identify, prioritize and eliminate Fake Work *that is already in place*. They also begin to create a culture of awareness that helps everyone in the company avoid the creation of new Fake Work.

There are two ways to think about Fake Work and how to drive it out of your company:

Static Fake Work is already in place and is more easily identified as wasted time or effort (Example: creating a report that no one uses any longer).

Dynamic Fake Work is work that results from the way people do their work on a daily basis. Examples are a supervisor putting a new procedure in place that causes unintended work consequences on the part of other colleagues or a manager giving unclear work instructions to a subordinate. *Dynamic Fake Work* is more difficult to drive out of a company because it is often rooted in people working and communicating ineffectively.

Eliminating Fake Work is a great place to start building Strategic Literacy – thereby increasing worker productivity and generating an immediate ROI. It requires a focused strategy and a structured process so that you can assess the Fake Work and ensure consistent thinking.

Strategic Governance

Strategic Governance is the overall process for the stewardship of your strategic intent. Companies often tell us that they have too many initiatives in play and that many of them are not fully aligned with the overall strategy.

Management teams are not adept at making adjustments to their strategy on the fly, or ensuring that major processes are aligned with the overall intent. In a highly tactical world, executives can view "taking time to think" as a *waste of time*. Often, companies do not look at things like communication, culture, talent and succession within the context of their strategic intent. All of these issues can be resolved by creating a strategic governance process that uncovers and meets the needs of the company. Most companies understand this concept because they have done something similar with IT processes. While strategic governance is different, the underlying principles are similar.

Strategic governance requires establishing an ongoing rhythm around strategy, and actively engaging key executives in a process where they help shape direction. Due to the tactical nature of business, for some executives, this requires a role shift and deeper thinking on their part (which is developmental for the executive and beneficial to the company).

IV. How to Build Strategic Literacy in Your Company

Strategic Literacy is about context – employees understanding the big picture and how they fit into it. Your employees are probably thinking: Where are we headed over the next several years? What are we trying to accomplish as an organization? What are our most important strategic imperatives? What’s my role in executing the strategy? What are my strategic priorities?

Answering these questions at the individual employee level and building literacy around a company’s strategy requires clarity and transparency on the part of leadership. It also requires collaboration at all levels. You can see these attributes in the Southwest and SRC examples included in Appendix B of this paper.

Building your company’s literacy in its strategic intent requires that:

- ✓ Your strategic intent is clear, focused and easy to understand.
- ✓ Your executives across the top of the company are all on the same page.
- ✓ You have a process for managing the translation of strategy at the individual level.
- ✓ You engage your people in understanding the strategy and aligning their work with it.
- ✓ You make executing the strategy an active part of how you manage the business.
- ✓ You build a culture that is focused on its strategic intent and intolerant of Fake Work.

With these thoughts in mind, here are some specific recommendations for making your company strategically literate:

1. **Structure the Strategy** – We recommend structuring your strategy so that it can be easily communicated and understood. Typical questions we like to answer when structuring the strategy include: “Where are you going longer term as a company?” “What are your stretch goals over the next couple of years?” “What are your vital few strategic imperatives as a company?” A clear structure helps everyone understand how the strategy being presented relates to their daily work.
2. **Focus the Company** – Companies today try to do too much and frequently don’t do a quality job of separating their vital few priorities from their trivial many. A few years ago, we were working with an aftermarket CEO on his vital few priorities. We began by listing on a whiteboard what he thought his vital few strategic imperatives were. Our starter list included 26 “imperatives.” When we finished, we had narrowed the vital few down to five Strategic Imperatives. This kind of focus enables companies to know what is the most critical strategically. Typically we find that leaders are comfortable getting down to 11 or 12 priorities; it’s more of a challenge for them to reduce that list to five to seven. However, when they do, they find that they are much clearer and more focused. Setting the top five to seven Strategic Imperatives provides the company with something that it can easily understand, remember and engage in supporting.

3. **Get the Senior Players on the Same Page** – Executives in the top two or three tiers in a company have more latitude to shape direction, commit resources, motivate their people and affect execution results than managers and workers lower in the company. That is why they absolutely need to be on the same page – with the strategy and *with each other*. This requires what we like to call “total consensus.” Each executive not only completely understands the overall strategy so that they can talk about it without notes, but that they publicly agree to support the strategy – not only when they’re together, but when they’re not in the presence of their peers. Senior leaders often manage their executives in a wheel and spoke method – working with each executive individually on their portion of the strategy. This insulates the executives from each other and creates gaps and white space in execution. Engaging executives in sharing and understanding each other’s priorities and focus builds literacy in the strategy.
4. **Manage the Translation of Strategy at the Individual Level** – This is a critical step for building literacy. We use a consistent thinking framework that we call the Strategic GamePlan[®], which produces a laminated single sheet document for each executive and manager. This individual GamePlan[®] is that individual’s translation of the overall strategy. It clarifies their role in executing the strategy and has specific role statements that indicate who that individual must “Be” to implement the strategy. The process also yields each individual’s top 5-7 Strategic Priorities, which is what they must “Do” in order to execute the strategy. The GamePlan[®] process blends organizational thinking with business thinking – in other words, “As a leader, what has to happen within my organization for us to execute the strategy over the next several years, and what help do I need from others that I don’t manage directly?” The key is to align the thinking of these key thought leaders with one collective intent, and manage a consistent translation by each of them. The result is a company that is not only fully engaged, but also aligned both vertically and horizontally.
5. **Cascade the Strategic Intent and Engage Employees in the Strategy** – Take the time to structure a dialogue about strategy with employees at different levels, and provide an opportunity for them to ask questions and learn how their work fits in to the collective intent. Properly prepared, these sessions can be facilitated by your managers. First, we suggest delivering the strategic message in an easy-to-understand format as we mentioned earlier. Along with this, we recommend implementing a process that enables your employees “to align themselves with the strategy.” In our approach, using individual translation as the key, we align management layers and employees utilizing the GamePlanning[®] approach where individuals discuss the strategic intent and openly share and work on their individual priorities. We also utilize a specialized teamwork session, called ***The Work Itself Process™***, which enables each individual in a work team to identify and eliminate Fake Work by developing Real Work tasks related to their company’s strategic goals. Using this work session process, each team member develops their own Real Work tasks through the lens of the work team and according to specific strategic goals. This process allows teams throughout a company to eliminate the Fake Work in their part of the business.

6. **Establish Strategic Governance** – Our earlier delineation of “efficiency versus effectiveness” works here as well. Most aftermarket companies are extremely efficient in their tactical day-to-day execution. Nevertheless, many tell us that they are not getting the bigger, strategic things accomplished. Most executives are running flat-out and do not have time to think. In fact, they tend to view thinking as a waste of time when they feel they could be “doing” something. They share that they are primarily working IN the business and not spending enough time working ON the business. This is why creating a strategic governance process is imperative. Our approach is to build a **Strategic** Internal Board of Directors process that engages key executives in new roles as stewards of the strategy. These meetings have a “stoplight” feature that allows the team to quickly assess where they are on executing each imperative and where they have breakdowns that need to be addressed. To help overcome the tendency to be operational, our clients hold these meetings separately and do not allow operational topics to be discussed. We create specific roles for the executives and help them rethink and reframe themselves as Internal Directors in these sessions. Our clients build a definite rhythm for these strategic governance meetings and find them to be remarkable enablers for advancing the strategic agenda. They are also developmental for the executives as it lifts their thinking to a much higher level.

7. **Align Vendors and Partners with the Strategy (Including Mergers & Acquisitions)** – This one often seems like the forgotten part of organizational strategy. There seems to be an assumption that if we talk about something and agree to it, then it will happen. Yet there are so many counter-acting forces in play that work against what we’re trying to accomplish together – including incentive systems, culture and competing strategic priorities within separate entities. When two entities want to come together around a shared intent, how do they truly align and engage their people to make it happen? This is no different from working to build Strategic Literacy in a single organization. Although the issues are more complex, the approaches are virtually the same. Being clear and focused, structuring the strategy for ease of understanding, getting everyone on the same page, translating strategy at the individual level, etc. are the necessary steps. Bringing disparate organizations together around a shared intent often has mixed results. Using approaches that build Strategic Literacy will greatly enhance your desired outcomes.

For example, aftermarket manufacturers and their warehouse distributor channel partners have a common intent: to profitably move parts through the channel to the ultimate “installed” destination. Recently, we worked with a manufacturer to develop a program to assist retail service providers in the improvement of vehicle inspection processes and skills at the bay level. The result was an increase in preventive maintenance purchases by vehicle owners. The manufacturer, distributor and the retailer all had a common strategic intent and were aligned in this effort.

Most of what we recommend operates along what we call the “cutting edge of common sense.” That is why business leaders appreciate this approach – it just makes sense.

It also builds on what most companies are already doing, but pulls together some new thinking and approaches to build a company’s literacy in its own strategy. The approaches we recommend have been successfully tested and implemented with real clients – some of whom are aftermarket companies.

V. Implications for the Aftermarket Manufacturers:

The AASA study, “Aftermarket Outlook 2020,” published a study in early 2011, is an analysis of the issues that will affect the U.S. automotive aftermarket over the next decade. The conclusion was that aftermarket suppliers will need to adjust their strategies in order to achieve a winning aftermarket model and build a sustainable competitive advantage.

AASA members not only need to ensure that they identify the right strategies for success – they also need to be able to effectively implement these strategies. The health and even the survival of the U.S. automotive aftermarket manufacturer base depend on it.

How do you know if your company has a literacy problem about your company’s strategy? See **Appendix D: Strategic Literacy Gaps and Symptoms** to evaluate your company, and consider using the Fake Word Index in Appendix A to determine how much work is being done in your company that doesn’t advance your strategy.

No one in your company is exempt from working to accomplish the strategic intent. All employees have a responsibility to improve the way they are working and to help their team. Their contributions are an essential part of your company realizing its vision of the future. For your company to “thrive” it needs the ideas and Real Work contributions of all team members.

Look outside and then inside. Strategic achievement at Nike, Apple, Starbucks or Microsoft does not happen by accident. It is enabled by useable strategic plans that are embraced by everyone in the company.

VI. Appendices:

Appendix A: *The Fake Work Index*

Appendix B: *Real World Examples of Strategic Literacy*

Appendix C: *The Strategic Literacy Checklist*

Appendix D: *Strategic Literacy Gaps and Symptoms*

Appendix E: *Author Biographies*

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APPENDIX A: THE FAKE WORK INDEX

To help you begin to evaluate whether you do Fake Work or Real Work, respond to the following statements as honestly and frankly as you can with a rating of 1, 2, 3, 4, or 5, with 1 being the “false” end of the response spectrum and 5 being the “true” end. Respond to all statements in terms of your impressions concerning your company.

Statement	Select Only One				
	False				True
1. My daily work is aligned with my company’s mission, vision, strategy and goals.	1	2	3	4	5
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. I know the strategic goals of my company.	1	2	3	4	5
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. I feel a strong level of commitment to my company’s top priorities.	1	2	3	4	5
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. I can state the mission and vision of my company.	1	2	3	4	5
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. A proper percentage of my work time is spent on Real Work tasks that clearly support my company’s strategic goals.	1	2	3	4	5
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. I can describe how my work supports my company’s strategy.	1	2	3	4	5
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. All employees in my company know the strategy.	1	2	3	4	5
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. I spend 100 percent of my time doing strategically-based, Real Work tasks.	1	2	3	4	5
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. The work I do each day helps the company a great deal.	1	2	3	4	5
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Fake Work Index Score Sheet

Strategy Score

Item Number	Your Score
2	
4	
7	
Sum→	

Alignment Score

Item Number	Your Score
1	
5	
6	
Sum→	

Execution Score

Item Number	Your Score
3	
8	
9	
Sum→	

The lowest score you could have is 9 and the highest score is 45.

- ✓ The most common scores fall between 18 and 27 suggesting that most people spend about half their time doing Fake Work.
- ✓ A score of 18 or lower suggests that much of your time could be spent doing Fake Work.
- ✓ A score of 27 or above suggests that you work in an environment that does very little Fake Work.

The Fake Work Index Data

This data was collected from thousands of respondents over the past five years.

Strategy

Statement Number	Statement	False 1	2	3	4	True 5
2	I know the strategic goals of my company.	44%	12%	11%	8%	25%
4	I can state the mission and vision of my company.	51%	16%	16%	9%	8%
7	All employees in my company know the strategy.	54%	16%	10%	11%	9%

Alignment

Statement Number	Statement	False 1	2	3	4	True 5
3	My daily work is aligned with my company's mission, vision, strategies and goals.	51%	16%	8%	6%	9%
8	A proper percentage of my work time is spent on <i>Real Work</i> tasks that clearly support my company's strategic goals.	54%	23%	11%	7%	5%
9	I can describe how my work supports my company's strategies.	58%	13%	8%	10%	11%

Execution

Statement Number	Statement	False 1	2	3	4	True 5
6	I feel a strong level of commitment to my company's top priorities.	60%	21%	10%	5%	4%
18	I spend 100 percent of my time doing strategically based <i>Real Work</i> tasks.	53%	19%	6%	18%	4%
20	The work I do each day helps the company a great deal.	39%	14%	22%	13%	12%

APPENDIX B: REAL-WORLD EXAMPLES OF STRATEGIC LITERACY

Let's look at two companies where Strategic Literacy is driven by alignment and engagement of team members through all levels of their companies. Remember that *Strategic Literacy is where the people in an organization completely understand the overall strategy and their role so that they have aligned their personal work streams with strategy and are fully engaged in making it happen.*

The first company is **Southwest Airlines**. Many people flying Southwest Airlines are still amazed by several unique aspects of their service and people. One aspect is their ability to turn an airplane around quickly. We have often asked Southwest gate agents, flight attendants and baggage handlers why they can turn a plane around quicker than other airlines. The answer they consistently give is that turning planes quickly keeps them flying, increases seat-miles flown for that plane, decreases costs and in turn grows profits. Seat-miles are equal to the number of seats available multiplied by the number of miles flown. Southwest employees understand this economic engine of maximizing seat miles and why it is a very important metric. Why is that?

The Southwest Airlines culture focuses on profitability, hard work and low cost. As a part of this culture, the Southwest executive team, mostly home grown, ensures that all employees – no matter their level in the company – understand how critical it is to maximize seat-miles flown per plane and minimize cost per seat-mile. In addition, Southwest executives are required to spend time working the field as baggage handlers, gate agents and other front line positions. By walking in the shoes of their team members, they are able to understand what can get in the way of them being able to maximize seat miles flown and what employee practices help to better achieve this goal. In addition to ensuring that all team members understand the importance of seat-miles flown, this significantly helps Southwest maintain points of differentiation from other airlines. Southwest is a strategically literate company.

The second company, **Springfield Remanufacturing Company (SRC)** ensures that all its team members understand how they contribute to profitability. SRC management's goal is to create passion and excitement as well as create wealth for all of their team members.

One significant reason that this goal is accomplished is that their leaders insists on open book management – where *everyone* in the company not only sees financial results (income statement, balance sheet and cash flow), they also are taught management, accounting and finance so that they understand how these numbers are determined. This training includes what drives the numbers as well as how each team member personally contributes to financial success. They know the financial impact for every action they take in carrying out their responsibilities and how it relates to the big picture. The people who create the numbers through their work also understand the numbers.

All team members at SRC understand how their bonus is determined and everyone is on a bonus plan driven by cash flow and other metrics. These metrics change each year based on the direction and goals of senior management. For example, several years ago the SRC warehouse plan was based on cash flow and the amount of false warranty claims that were processed by SRC. At SRC, the warehouse people learned that if they were careless and dropped boxes containing merchandise, then the box became dented or smeared. There was (and is) then an increased chance that the customer will look at the dented box, believe the product inside also is defective, and send it back to SRC. The entire warehouse staff knows that when a product is returned for a warranty claim (even if it is false), the company loses money.

When team members understand how their actions impact results and these results are tied to strategy, Fake Work is minimized and enduring strategic results are produced.

APPENDIX C: STRATEGIC LITERACY CHECKLIST

Strategic Literacy Checklist		
1.	Our strategy is clear and focused.	✓
2.	Our people fully understand our direction.	✓
3.	Our executives totally support the strategy.	✓
4.	Our strategy has been translated for each person.	✓
5.	Each person's work perfectly aligns with the strategy.	✓
6.	Our company is working to eliminate Fake Work.	✓
7.	Our initiatives are perfectly aligned with the strategy.	✓
8.	Our people are engaged and committed to their roles in executing the strategy.	✓
9.	We have an ongoing process for working ON the business.	✓
10.	Our partners and vendors are on the same page with us.	✓

APPENDIX D: STRATEGIC LITERACY GAPS AND SYMPTOMS



APPENDIX E: AUTHOR BIOGRAPHIES

Brent D Peterson, Ph.D. is a partner and co-founder of The Work Itself Group Inc. He serves as board chairman of two learning and change companies: Integrative Learning Corp., headquartered in Singapore, and True North Corp., a U.S.-based learning company. As a senior vice president for the Franklin Covey co., he directed its Center for Research Assessment.

Peterson has authored and co-authored more than 20 books. His *Communication Probes* has been used by over 1,000,000 students. His popular *People at Work: Human Behavior in Organizations* is now published in its fifth edition. His recent best seller, *Fake Work: Why People Are Working Harder Than Ever but Accomplishing Less, and How to Fix the Problem* was co-authored with Gaylan Nielson.

He earned his Ph.D. in organizational behavior at Ohio University. Peterson has a rich history as an educator in such institutions as the Marriott School of Management at Brigham Young University (professor emeritus), director of the Center for Entrepreneurship, and as a professor of Human Resource Development at the University of Puget Sound, University of Montana, University of Utah and Ohio University.

He is a sought-after keynote speaker and advisor on strategy, alignment and execution as well as an advocate for education and training that makes a difference to people and organizations. Peterson speaks and consults with companies and audiences around the world and has facilitated more than 3,000 corporate workshops and learning interventions. He is a trusted business partner with many Fortune 500 companies including Nike, Alaska Pipeline, British Petroleum, Volvo, Fuji Film and NASA. (Brent@fakework.com or 801-362-5643)

Ron Cox is founder and CEO of Tailwind Consulting. After working as a CEO for several well-known companies and looking at the challenges of execution, he formed Tailwind to help leaders set clear direction and align their organizations around executing their strategy. Cox has a strong background in strategic problem-solving and is often sought out as a thinking partner and executive coach by CEOs. He also is a creative solutions architect who develops innovative solutions to complex organizational problems.

Earlier in his career, Cox was an industrial engineer responsible for planning and designing new manufacturing plants for Xerox Corp. As his career progressed, he was identified as a high-potential executive and rotated through a number of key assignments. While at Xerox, Cox was directly involved in driving key initiatives and changing the culture for the Xerox Business Group that won the Malcolm Baldrige Award.

Throughout his career, Cox has been a thought leader who creates and shapes critical new thinking. Over the past several years, he has pioneered a new area of study – the literacy of people in their organization’s strategy. His focus is on aligning individuals with the overall strategy – and each other – by aligning their thinking. He has developed models, processes, tools and solutions – then partnered with well-known clients to test and prove them. The result is a unique and proprietary approach that redefines what is possible for aligning individuals and their work. Cox received his MBA from the Simon Graduate School of Business at the University of Rochester. He received his BS in management from the Rochester Institute of Technology. (Ron.cox@tailwindconsulting.com or 813-903-9509)

Chuck Udell, MAAP, is a senior partner with the Essential Action Design Group. His primary areas of concentration are implementation of sales and operational performance improvement

initiatives, learner research, content development and implementation of training investment reduction initiatives. Udell speaks and consults with companies and audiences around the world.

He is the former president of University of the Aftermarket – an operating division of Northwood University. Before the formation of the University of the Aftermarket, he was president of AWDA University, the education division of the Automotive Warehouse Distributors Association (AWDA). He is currently the chairman of the Automotive Parts and Service Association, G.C. Morris/Paul Rupp Educational Trust Committee and serves on the APSA Board of Directors. He is an active member on the Education Committee of the Automotive Aftermarket Industry Association. He continues to donate his time and talents to the Global Automotive Aftermarket Symposium (GAAS) Scholarship Committee. Udell also serves as a reviewer on the national panel for “Best Practices Awards” bestowed by the American Society of Training & Development.

Udell received his MBA in finance and marketing from the University of Rochester. He received his BS in engineering at the University of Virginia. He was an Air Force officer, and spent more than a decade as an analyst in the consumer products division of Marion Merrill Dow Pharmaceuticals. At Mobil Oil, Udell spent five years as the channel analyst for their consumer product Hefty Trash Bags. He is Kirkpatrick Four Levels Evaluation Certified.

He is the 2010 recipient of the AAIA Mort Schwartz Excellence in Education Award. He received his Master Automotive Aftermarket Professional (MAAP) designation in 2004. Udell is the former recipient of the AWDA Memorial Education Scholarship Award and its Pursuit of Excellence Award. Udell resides in Kansas City and has the unique attribute of being one of only two Chiefs fans. (chuckudell@msn.com or 913-908-3672)

Tom Easton, AAP, is a senior partner at the Essential Action Design Group. His primary areas of concentration are project management, strategy development, brand equity enhancement, strategic channel sales, complex instructional design and the planning, delivery and implementation of performance improvement initiatives.

A vehicle aftermarket industry veteran, Easton is an a former board member of ASE and served on the board of trustees for the Automotive Service Association Management Institute. He has held various management positions and senior level positions with two aftermarket companies. His positions with P&L responsibility led him to the realization of the essential purpose of any business.

As a purveyor of performance improvement, Easton has authored more than 50 employee training programs. As an instructional designer, he has created 80 successful models for the transfer of skills or knowledge for workers at all echelons within manufacturing, distributing, and retailing. His training programs have received every award bestowed by the Automotive Training Manager Council (ATMC). Easton is a former recipient of Northwood University’s “Automotive Educator of the Year” award. As a writer and director, he received an International Telly award for best non-broadcast video. (tomeeaston@comcast.net or 704-756-5532)