

# James A Robertson and Associates Effective Strategic Business Solutions



**Executive Custody  
what is it and  
how do you get it?**

**Live On-line Presentation  
(Webinar)  
18 January 2013**

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The ERP Doctor**

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# Agenda

## Executive Custody -- what is it and how do you get it?

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1. Context and definitions
2. What IS Executive Custody
3. What is NOT Executive Custody
4. Why the CEO MUST be custodian of strategic change (and therefore ERP) projects
5. How to support the CEO to make this practical
6. Some simple techniques
7. Summing up

# Agenda

## Executive Custody -- what is it and how do you get it?

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### 1. Context and definitions

# Failures are increasing The threat and therefore the opportunity is huge



**THE INDEPENDENT** UK

 **STEVE RICHARDS**  
Marriage and  
the limitations  
of government

£ rates  
up to **2.75** %  
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Exclusive

**Labour's computer blunders cost £26bn**

Ministers blamed for 'stupendous incompetence' after taxpayers left with projects

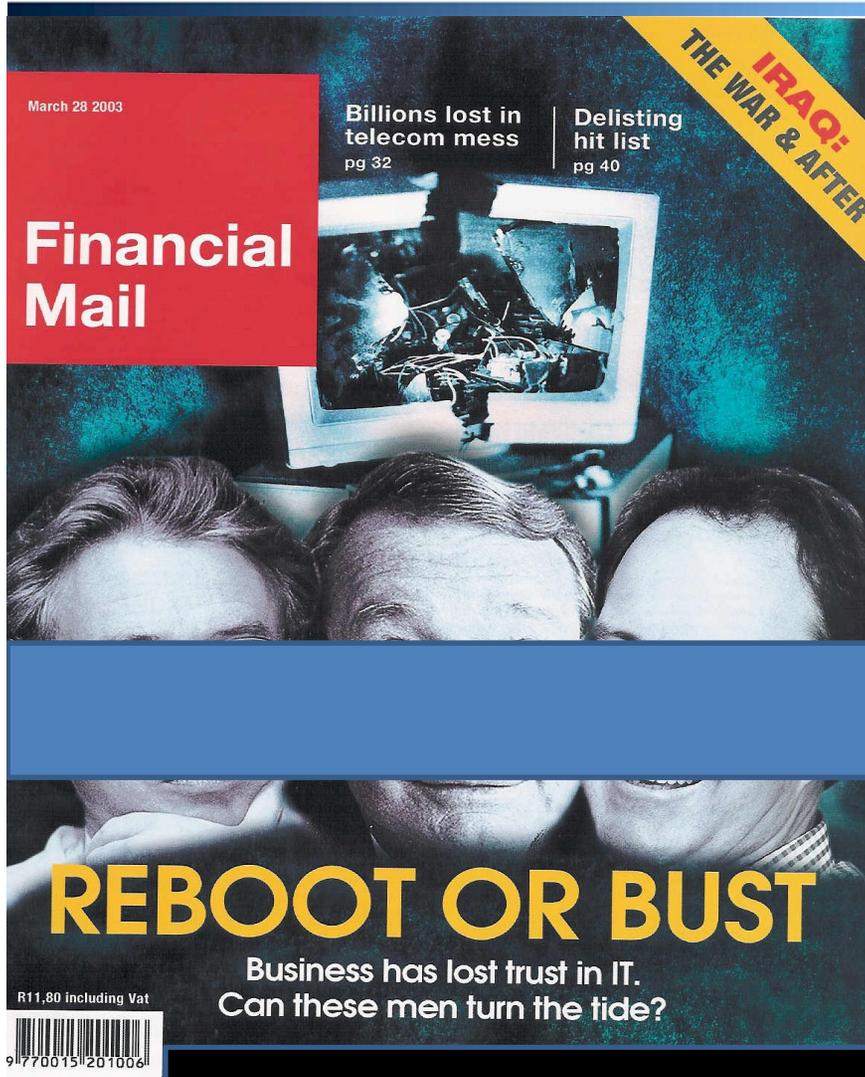
By Michael Savage, Political Correspondent

Tuesday, 19 January 2010



Including clinical integration project

# ERP an industry in crisis Executive Opinion



***"19 out of 20 ERP (integrated business information system) implementations do NOT deliver what was promised"***

# An industry characterized by failure A strategic executive outcome



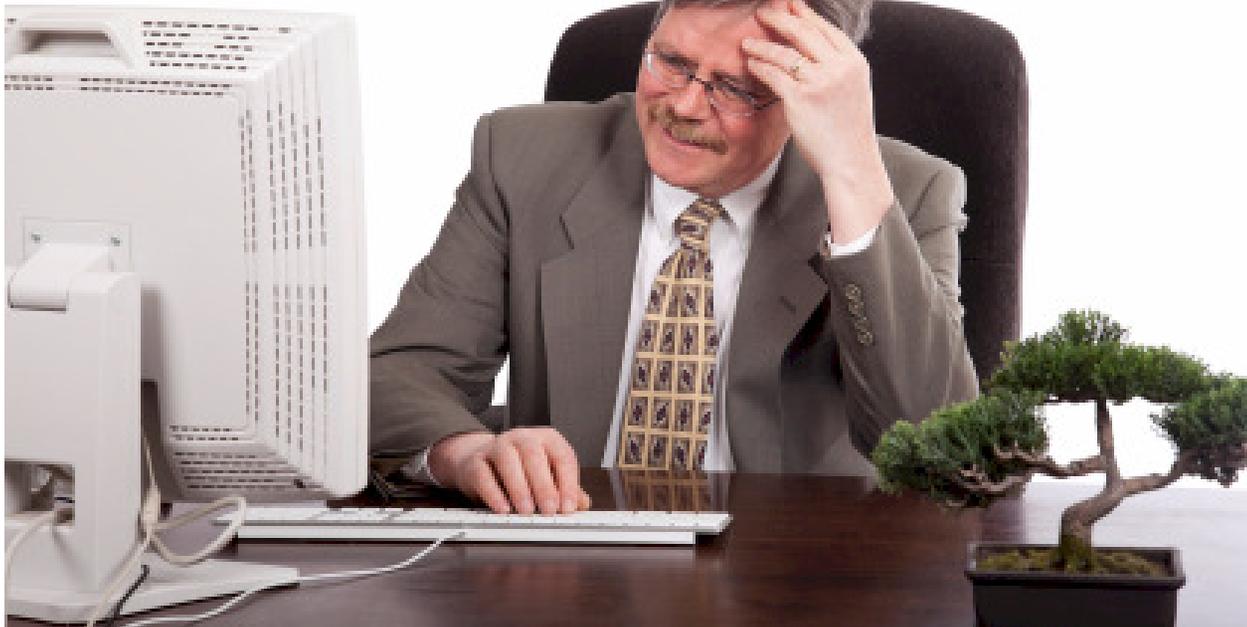
**"Attendees of Gartner's Business Intelligence Summit in London last month were not surprised to hear that most enterprises are still failing to use business intelligence (BI) strategically. Gartner's survey of over 1300 CIOs returned some unimpressive findings about the state of BI implementations: Gartner's vice president of research summed up the situation nicely by saying:**

**"Most organisations are not making better decisions than they did five years ago"**

## One of the classic business problems of this age



We have spent a FORTUNE on this computer system and I.T. tell me it will take two years and another few million to get what I want BUT the transactions are being processed already



## Some harsh facts



1. Seventy percent of I.T. investments fail TOTALLY
2. "19 out of 20 E.R.P. implementations "do not deliver what was promised"
3. Seventy percent of B.P.R. investments fail
4. Ninety percent of strategic plans fail



# A classic practical example

## NO CEO Custody



- CEO of very big listed corporation in Johannesburg
- With very big installation
- Of very big brand ERP
- Used in advertising
- "At the executive level I would rate my systems at 1/10"
- "At the operational level I would rate my systems at 7/10"

**BUT even that is being done with smoke and mirrors!**

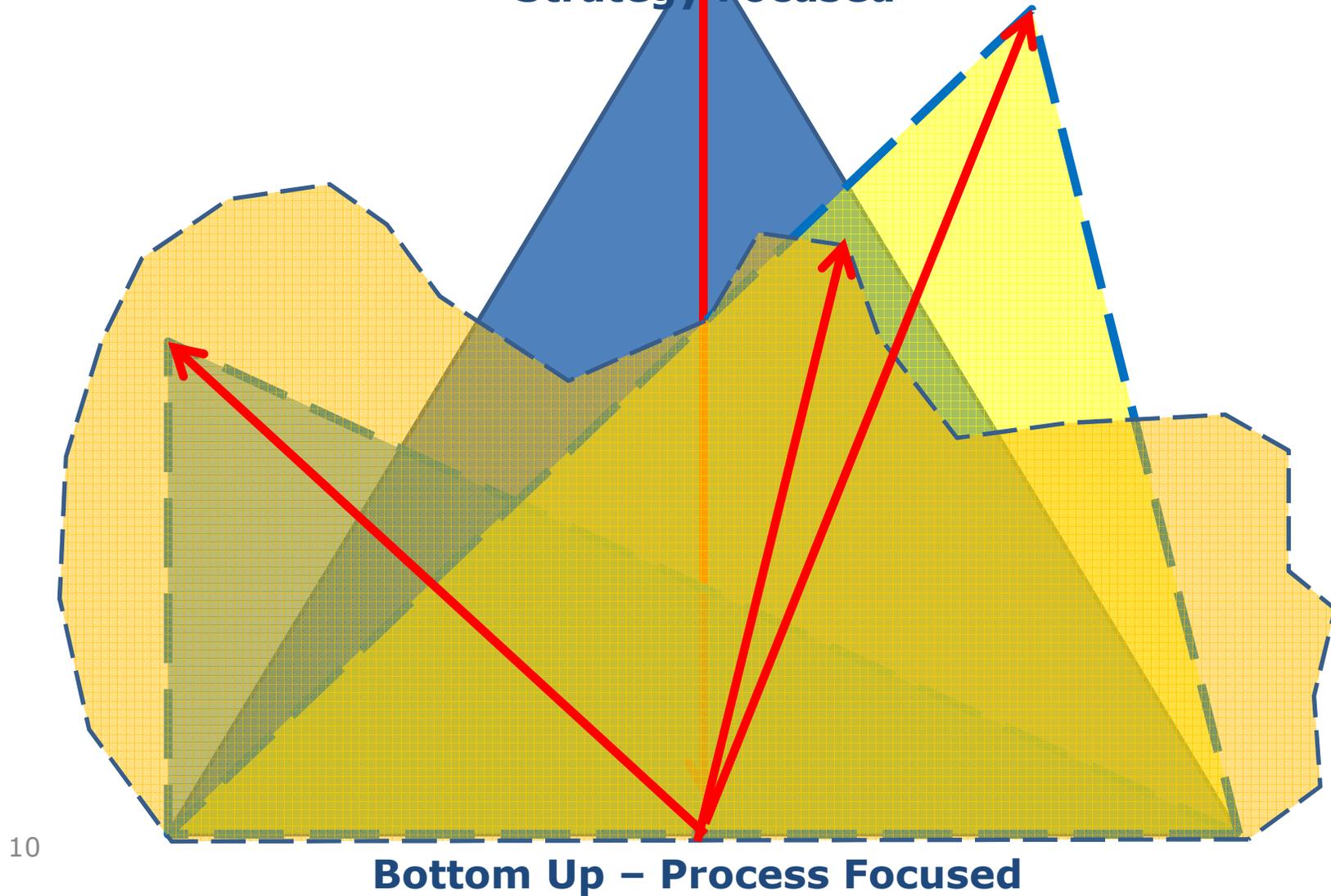
1/10

7/10

# Top down (CEO led) versus bottom up design



Top Down –  
Strategy Focused



# There IS great opportunity ERP can and should add value

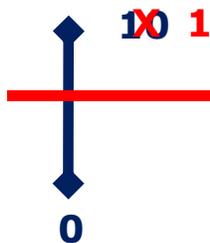


# Three alternative ERP value scenarios

## CEO Custody is VITAL



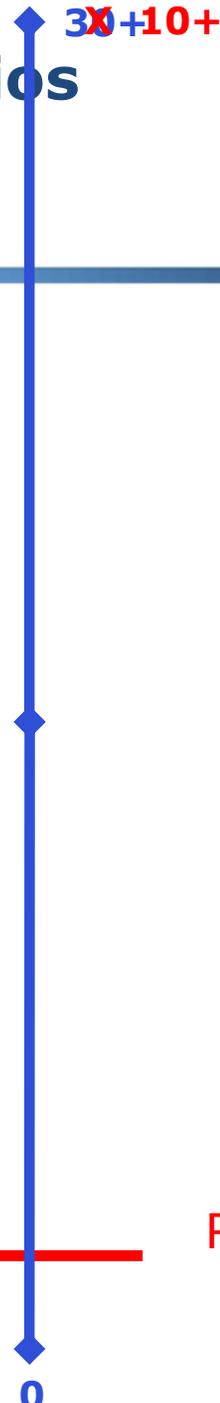
1. Current view of best practice



2. Precision configuration with CEO Executive Custody



3. Strategic customization With CEO Custody



This is the ONLY valid scenario but it seldom occurs

Relative value

**Engineers do NOT design bridges to stand up**



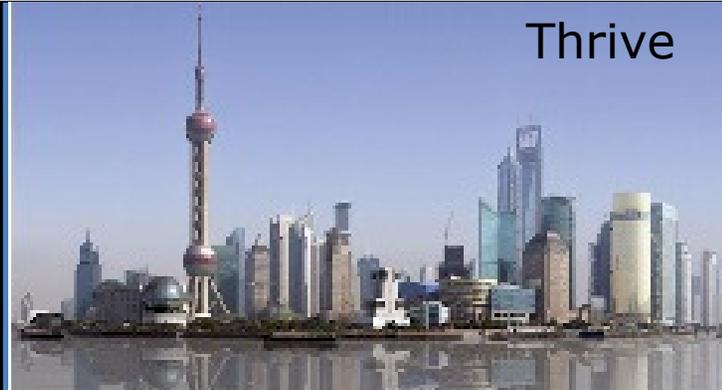
**They design bridges NOT to fall down**



# What is strategy? An executive responsibility



Tactics – Doing things right →



Strategy – Doing the right things →

# What IS Strategy?



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**The Essence of WHY the Organization exists  
and HOW it THRIVES**

# Analysis of the strategic environment

## The CEO owns this view



# Agenda

## Executive Custody -- what is it and how do you get it?

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1. Context and definitions
- 2. What IS Executive Custody**

# How I learned that CEO Executive Custody was critical

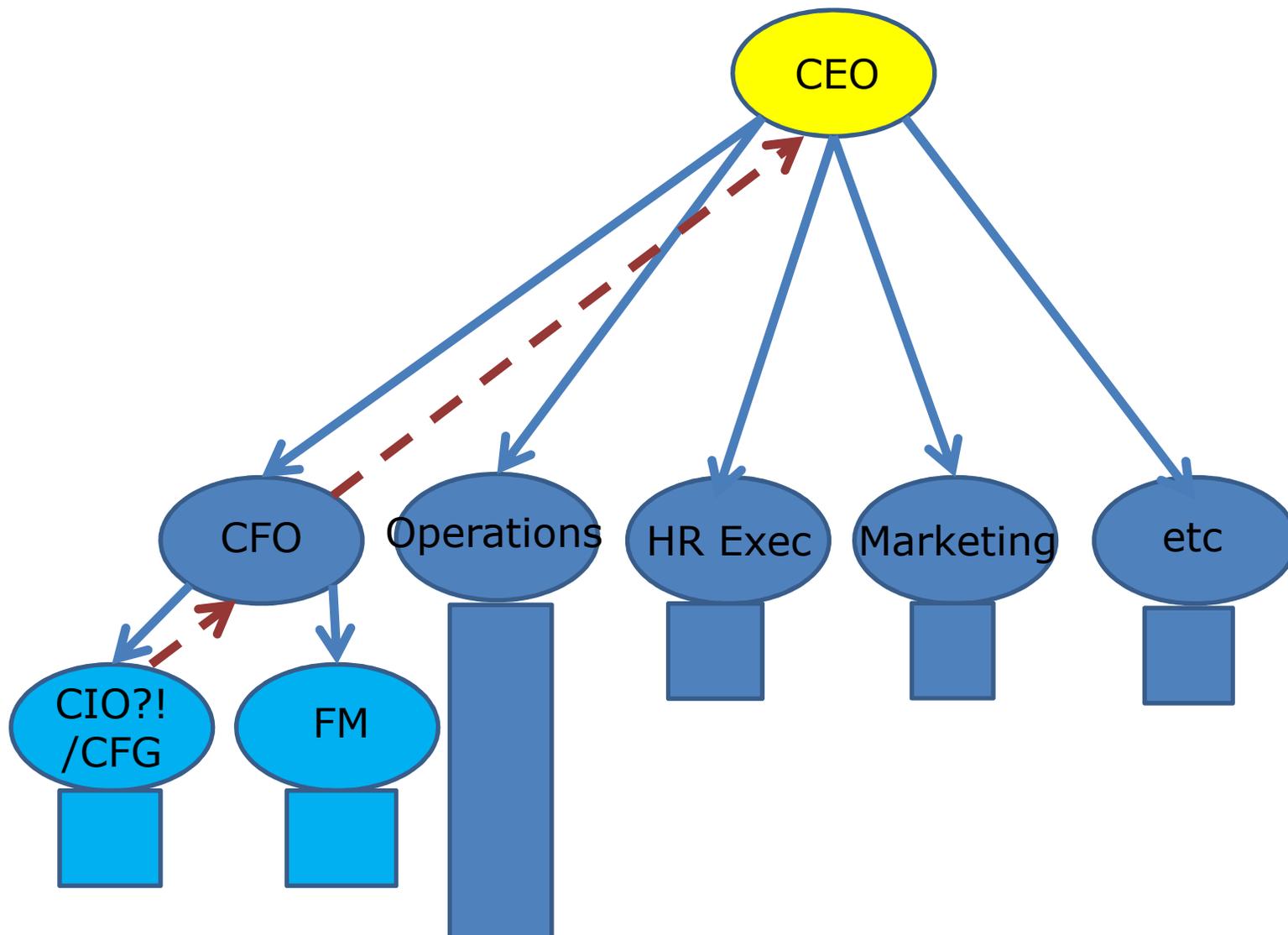
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1. First ERP Project
  1. CEO took custody
  2. Full support to guide and direct the project
  3. Open door to CEO
2. Next two ERP projects NO CEO involvement at all -- disasters
3. Next ERP project – major shareholder, operational executive AND CFO – went very well but STILL problems with the CEO later
4. Various scenarios over many years
5. Investigated many failed and sub-optimal projects
6. Arrived at conclusion that CEO Custody was vital
7. Project with exceptional CEO Custody created platform for 25% increase in turnover

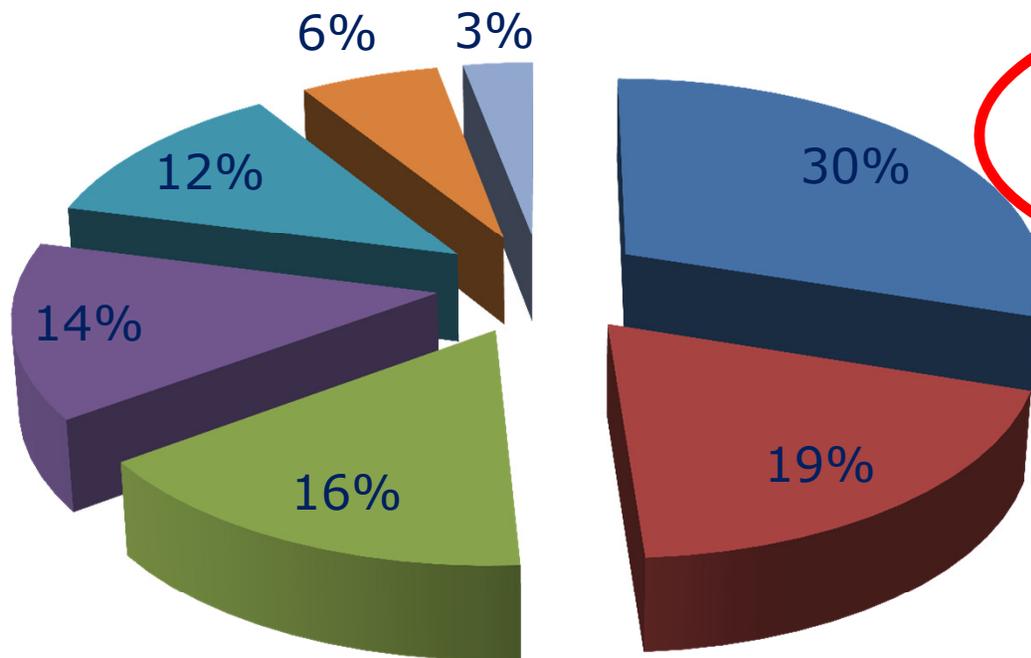
# The essence of WHY CEO Custody is NOT NEGOTIABLE

## Traditional Governance



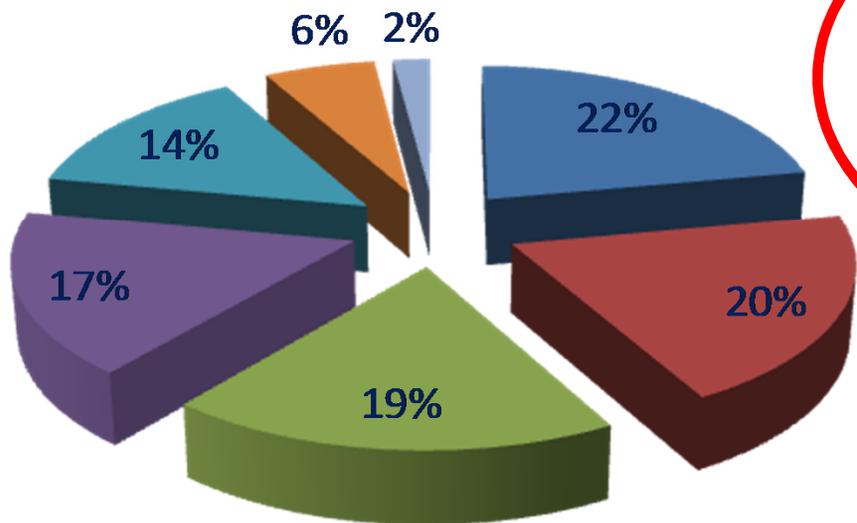


# Factors causing ERP failure



- 1. Mythology, hype & tradition -- 30%
- 2. Lack of executive custody, inappropriate governance and policies -- 19%
- 3. Lack of strategic architecture, alignment, etc -- 16%
- 4. Lack of data engineering and poor configuration -- 14%
- 5. Soft issues and change impacts -- 12%
- 6. Lack of an engineering approach, lack of precision, etc -- 6%
- 7. Technology issues -- 3%

# Factors for ERP reimplementation success



- 1. Executive custody, strategic solution architect, accountability – 22%
- 2. Effective change facilitation – 20%
- 3. Strategic architecture, alignment, etc – 19%
- 4. Data engineering and configuration – 17%
- 5. Engineering approach, design against failure, precision, etc – 14%
- 6. Business integration, training, processes, CBT – 6%
- 7. Technology – 2%

**The value of technology is determined by the person using the technology**



# The problem of different perspectives BUT the CEO owns the helicopter view



Everyone sees the problem and the solution differently



# The problem of different perspectives

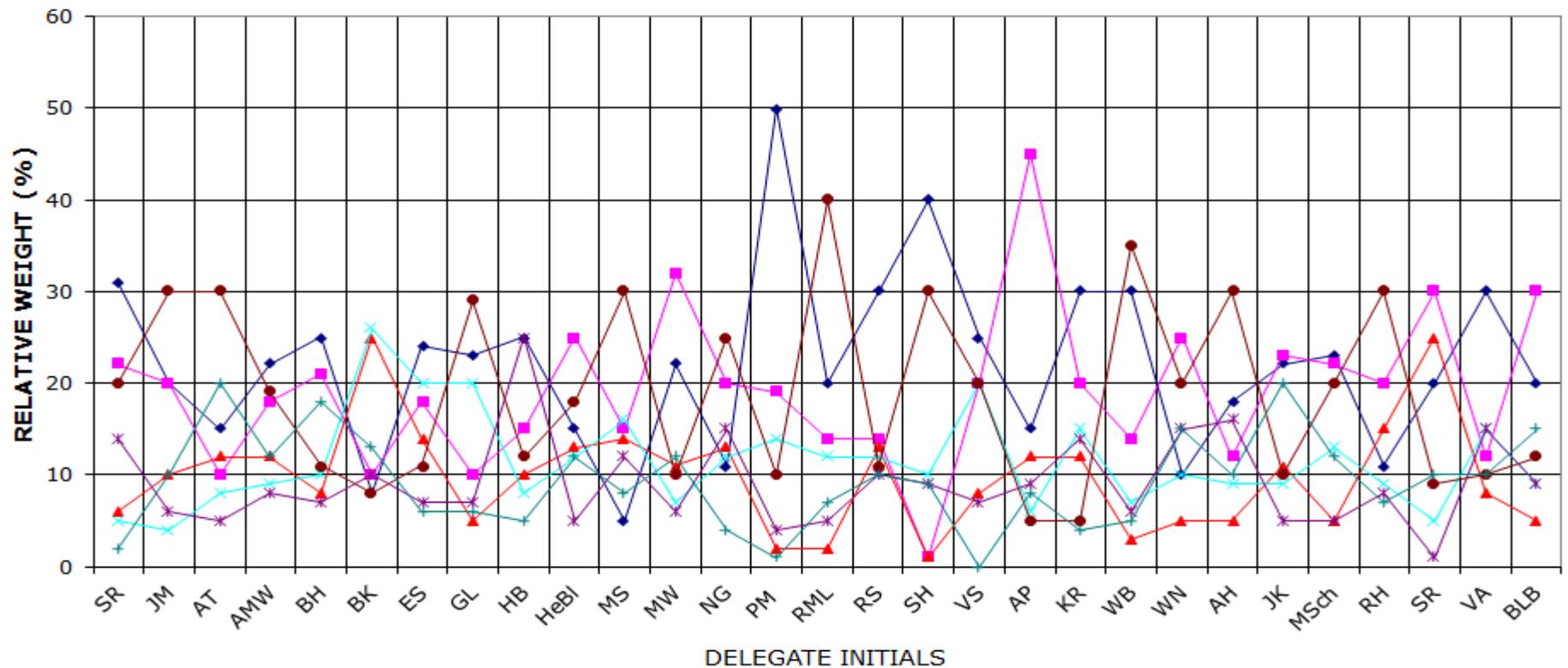


<b>FACTOR WEIGHTING</b>																		
<i>Client</i> : A NOT FOR PROFIT ORGANISATION																		
<i>Session</i> : 3 StratSnap Critical Concerns																		
<i>Focus Question</i> : What are the critical concerns with regard to ...																		
No	Factor	19	20	21	22	23	24	25	26	27	28	29	WEIGHT					
		AP	KR	WB	WN	AH	JK	MSch	RH	SR	VA	BLB	Avg	Max	Min	Std	Range	
3.1	LEADERSHIP: Leadership / management / governance - includes visioning and setting strategic goals	15	30	30	10	18	22	23	11	20	30	20	22	50	5	9.5	45	
3.2	MARKETING AND PUBLIC RELATIONS: Marketing and public relations and customer (graduates) service - in	45	20	14	25	12	23	22	20	30	12	30	19	45	1	8.4	44	
3.3	FINANCIAL MANAGEMENT	12	12	3	5	5	11	5	15	25	8	5	10	25	1	5.9	24	
3.4	ADMINISTRATION AND SYSTEMS: Admin / systems / information management / legal	6	15	7	10	9	9	13	9	5	15	9	11	26	4	5.2	22	
3.5	OPERATIONS / PRODUCTION: everything that is necessary to ensure that courses and events are planned	9	14	6	15	16	5	5	8	1	15	9	9	25	1	5.0	24	
3.6	HUMAN RESOURCES: Human resources management and development includes effective support and developme	5	5	35	20	30	10	20	30	9	10	12	19	40	5	10.0	35	
3.7	LONG TERM PLANNING: Long term (strategic ) planning and plan implementation and monitoring - this is	8	4	5	15	10	20	12	7	10	10	15	10	20	1	5.0	19	
<b>TOTAL</b>		100	100	100	100	100	100	100	100	100	100	100	100	33	2.57	7.0	30.4	
STRATSNAP® Strategic SnapShot Tool		0	0	0	0	0	0	0	0	0	0	0						

# Developing a robust strategic design



**CRITICAL FACTOR WEIGHTS BY DELEGATE  
MATRIX DIMENSION 1 (WHAT WE DO)**



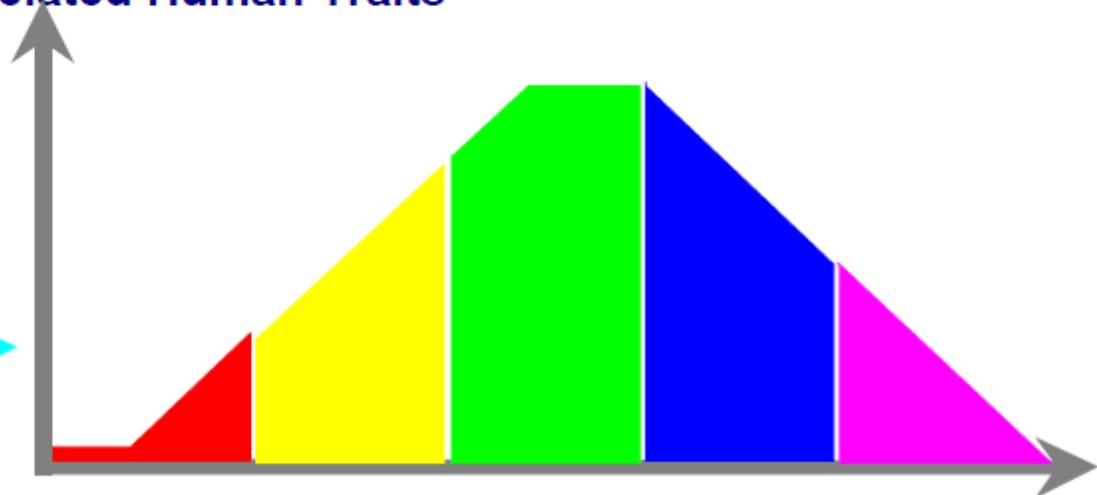
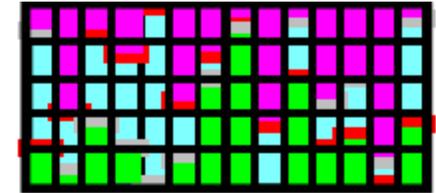
- ◆ LEADERSHIP
- ◆ MARKETING AND PUBLIC RELATIONS
- ◆ FINANCIAL MANAGEMENT
- ◆ ADMINISTRATION AND SYSTEMS
- ◆ OPERATIONS / PRODUCTION
- ◆ HUMAN RESOURCES
- ◆ LONG TERM PLANNING

# The critical human foundation

## The CEO owns the integrated view



1. Business Competence (Knowledge and Experience)
2. Technology Competence (Knowledge and Experience)
3. Personality Profiles and Related Human Traits
4. Solution Knowledge
5. Solution Experience
6. Communication →
7. Other Human Factors



# The components of achieving Executive Custody

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Engagement	-- 30%
Leadership	-- 50%
Prove it works	-- 5%
Make it work	-- 15%

# Leadership = enthusiasm through appreciation and encouragement



*"I consider my ability to arouse enthusiasm among my people," said Schwab, "the greatest asset I possess, and the way to develop the best that is in a person is by appreciation and encouragement."*

*"There is nothing else that so kills the ambitions of a person as criticisms from superiors. I never criticize anyone. I believe in giving a person incentive to work. So I am anxious to praise but loath to find fault..."*

**Charles Schwab, one of the first American executives to earn US\$1 million per annum as first President of the newly formed United States Steel Company in 1921**

**-- cited by Dale Carnegie in "How to Win Friends and Influence People"**

## EXECUTIVE INVOLVEMENT



How involved should executive management be in I.T. strategy?

How involved should executive management be in business strategy?

Executive Custody is an attitude, a state of mind, NOT a large amount of work

## THE HARSHEST JUDGE OF GOVERNANCE CONCLUSION



1. Bad I.T. decisions can wreck your business
2. I.T. Strategy is a BUSINESS responsibility
3. I.T. Strategy is NOT about technology policy it is about business initiative
4. Definition of strategy should be a concise, high intensity, business executive activity
5. I.T. is a collection of tools and tools should work all the time
6. I.T. will harshly judge executives who abdicate responsibility
7. There is a huge opportunity for creative thinking to define concise ways for I.T. to add REAL VALUE in your organization!

## EXECUTIVE CUSTODY

### Role of executives in Strategic Leadership



*A key responsibility of executives is innovation that will generate high bottom line value outcomes*

*that is Strategic outcomes*

*Executives therefore define the role of information technology in creating sustainable competitive advantage*

**Strategy is the essence of why an organization exists and how it thrives**

# Agenda

## Executive Custody -- what is it and how do you get it?

---



1. Context and definitions
2. What IS Executive Custody
- 3. What is NOT Executive Custody**

# What is NOT Executive Custody?



1. Joe (the IT Manager) understands technology, I do NOT, so I trust him to run with this
2. Pete (the CFO) understands IT, I do NOT, so I trust him to run with this
3. John (the Legal Affairs Director) has a knack with computers, so I trust him to run with this
4. I am going get down and dirty and SHOW you all how this is done (no delegation)
5. Sit in the chair and constantly bounce issues to others in the room
6. etc

# What IS Executive Custody?



1. Clear helicopter view of the desired solution in terms of business outcome
2. Clear understanding that ONLY he owns this view
3. Realization that CEO requires an expert to advise in this area and appoints such an expert
4. Realization that CEO needs a DOER to run the project / ERP operations and that this person needs to sit on EXCO, even if not a full peer
5. Engage daily to a limited extent to keep in touch and give guidance
6. Engage weekly enough to have a robust view of where things are going and give clear direction
7. Take full responsibility for the business outcome and hold others to account too

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# ESSENTIAL BUSINESS KNOWLEDGE

## ESSENTIAL COMPONENTS OF STRATEGY



1. Core economic driver
2. Core human resource driver
3. Core market differentiator / value proposition / sales or marketing method
4. Core customer / market / user
5. Core asset / product / natural resource / size / growth
6. Core technology / capability / know-how / distribution
7. Essential reason the organisation exists (generally NOT profit)
8. Core values
9. Other

## I.T. GOVERNANCE CONCLUSION



1. Business determines value proposition = requirement
2. Analyse strategic environment based on business objectives and opportunities
3. Determine value delivery opportunities
4. Determine opportunities to minimize value destruction  
*Avoid change for the sake of change*
5. Specify what the business must do in order to deliver
6. Take decision
7. Develop I.T. requirements

**I.T. IS ALL about  
PEOPLE!**

**Business case  
drives I.T. specification**

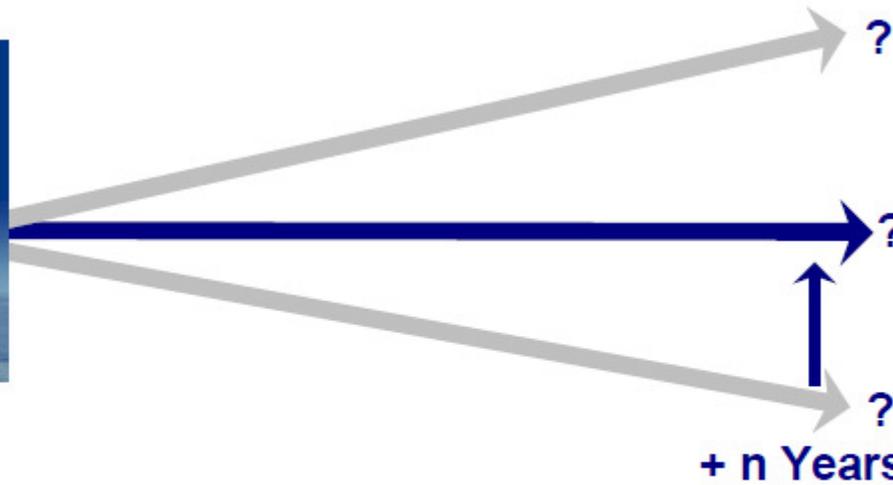
# The time dependency of strategy



Not a forecast



Today



Forecast



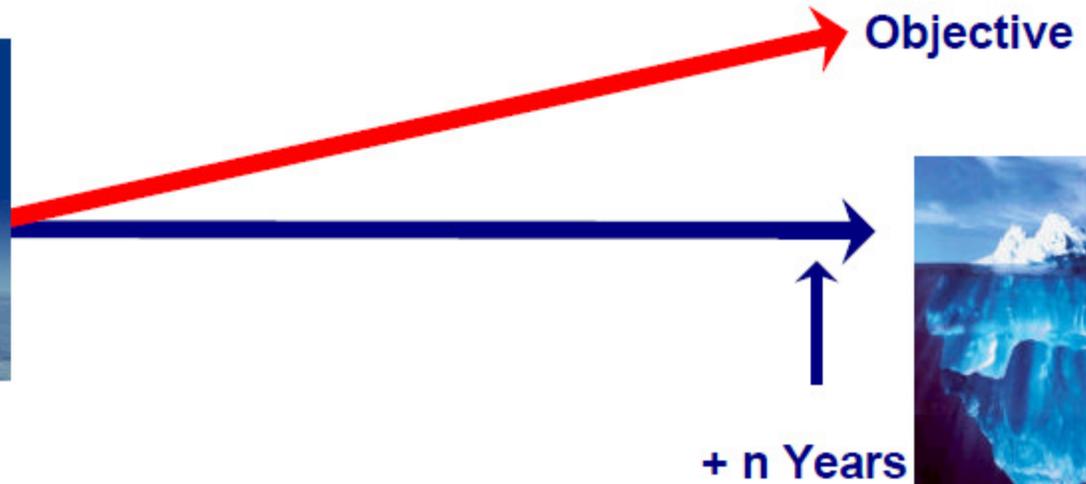
# The time dependency of strategy



Not an objective



Today



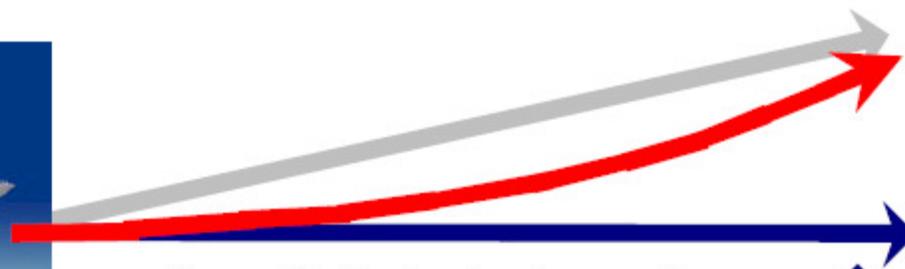
# The time dependency of strategy CEO is the Pilot to steer the journey



Strategic plan -- the path to competitive advantage



Today

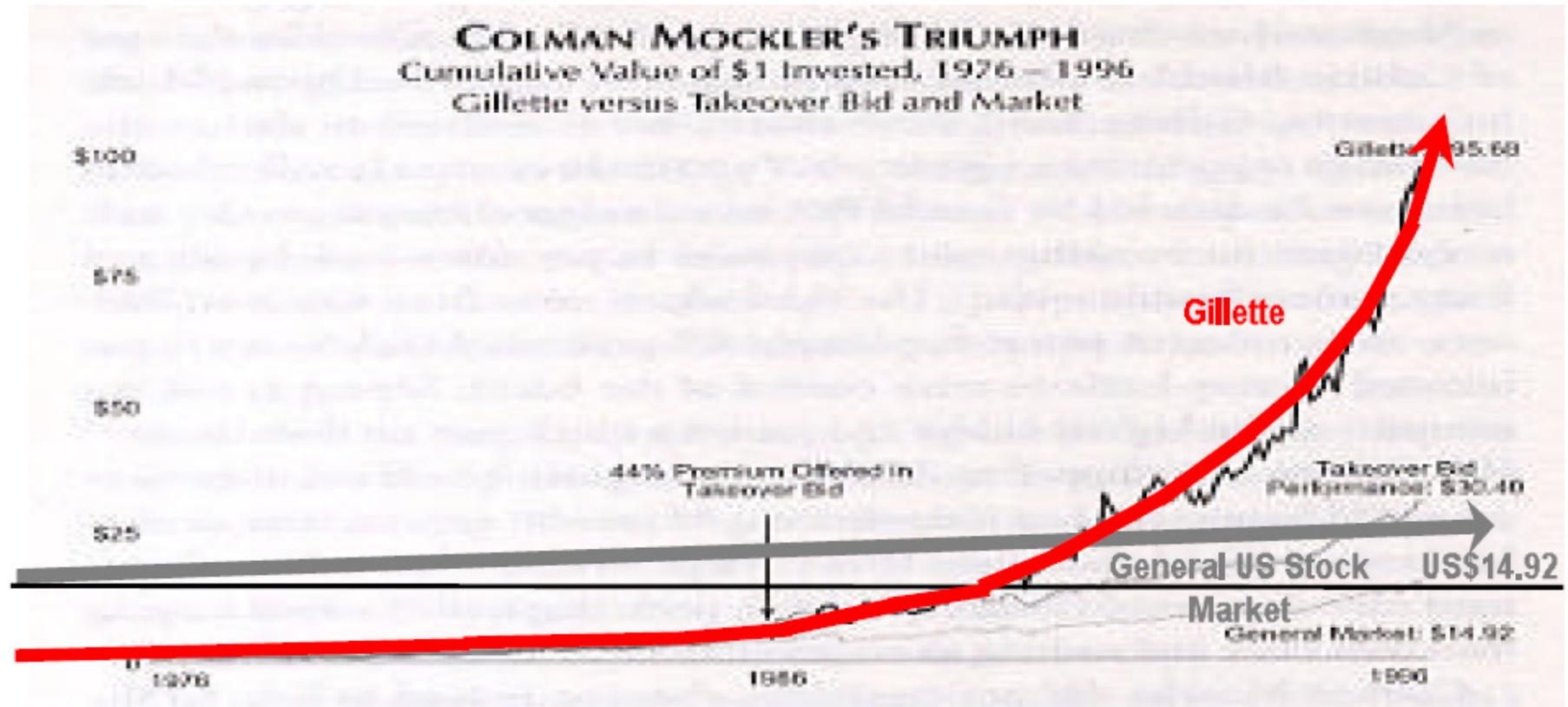


A realistic trajectory of  
continuous improvement  
within business  
constraints

+ n Years



# The time dependency of strategy from good to GREAT The CEO's Triumph



↑  
1975  
Colman Mockler Appointed  
CEO

↑  
1986  
Hostile takeover thwarted

↑  
1991  
Mockler  
retires

↑  
1996  
End Study

## THE CORE OBJECTIVE -- DIFFERENTIATION

Create Competitive Advantage



### THE CHALLENGE FOR BUSINESS

*Getting the right information, to the right people,  
at the right time and in the right place  
in order to make the  
right decision!*

**A major requirement for business  
information systems**



# EXECUTIVE CUSTODY

## Role of executives in Strategic Leadership



1. *"The greatest barriers to strategy are often self imposed and many are internal. Strong leadership by the chief executive officer is almost a necessity if strategy is to be created and implemented"* Professor Michael Porter
2. Executive management who are seeking to use information technology as a competitive tool must have an intimate business relationship with the tool and the data it contains
3. Custody in the sense of a custodian parent in a divorce - FULL responsibility and accountability - this is MY business system - at a comparable level to - this is MY factory / warehouse / mine / etc

## MANAGING FOR SUCCESS CRITICAL COMPONENTS OF EXECUTIVE CUSTODY



1. CEO leadership, clarity, purposefulness, empowerment of subordinates, etc
2. Availability, effectiveness and efficiency of executives
3. Executive team role clarity, commitment, team work, constancy of purpose, etc
4. Business optimization executive
5. Strategic solution architect
6. Technology / technical team leader / executive
7. Other aspects required to achieve executive custody = ownership "plus"

## MANAGING FOR SUCCESS

### AVAILABILITY, EFFECTIVENESS & EFFICIENCY OF EXECS



1. Subordinates at all levels motivated, empowered to act, supported in event of sincere mistakes, leadership by example, facilitation to achieve NOT domination, clear hierarchy and respect for hierarchy, teams NOT committees
2. Effective strategic analysis, design and execution methods, standards, practices, etc
3. Executives have equipped, motivated, trained, loyal, long term personal assistants
4. Effective time management tools, methods, training and practical day to day implementation -- NOT about computer based technology
5. Filing and document management standards consistently applied throughout the organization -- this is about standards, practices, training, etc and NOT about technology

## MANAGING FOR SUCCESS

### AVAILABILITY, EFFECTIVENESS & EFFICIENCY OF EXECES



6. Executives focus their attention on activities which create sustainable value relative to:
  - Customers
  - Personnel
  - Suppliers
  - Shareholders
  
7. Executives equipped to think and act strategically and take effective strategic decisions on a continuous basis -- includes knowledge, method, systems, training, etc

**ALL these factors are vital for success in terms of executive availability, effectiveness and efficiency, the items with higher weight are necessary for the items with lower weight to be effectively achieved -- specifically so that executives are freed up to focus on items 6 and 7 which is where executive effectiveness is attained**

## CRITICAL FOCUS AREAS OF EXECUTIVE CUSTODY



1. Creating and delivering value to customers
2. Differentiating from competitors
3. Motivating and leading personnel
4. Meeting and exceeding owner expectations
5. Building exceptional partnerships with suppliers
6. Integrating and optimizing the business
7. Day to day operational efficiency and effectiveness



# ESSENTIAL EXECUTIVE QUESTIONS

Questions every executive should answer before saying "YES"



1. Do I have a clear definition of the value proposition that I own now and can communicate to the rest of the organization?

2. Do I have a clear definition of how the outcome will be accomplished?

3. Is there real acceptance of the real effort and investment required?

4. Is there real business commitment?



5. Am I (CEO / sponsoring executive) willing to be held accountable?

6. Am I willing and able to hold the responsible executive / manager accountable?



7. Am I willing and able to hold the service providers and vendors accountable?

# **BENEFICIAL BUSINESS IMPACT WHAT SHOULD A SOLUTION DELIVER?**

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1. Start with a concise problem statement
  - Required business performance
  - REAL problem
  - NO PROBLEM, NO PROJECT
  
2. Support the business in terms of one or more of:
  - increased competitiveness
  - increased market share
  - increased turnover
  - increased profit margins
  - increased earnings
  - increased shareholder value

**What are the components of an I.T. solution required to deliver this?**

## ON WHAT BASIS DOES ONE ASSESS WHETHER THERE IS A HIGH VALUE OUTCOME?

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1. Comprehensive data engineering (4%)
2. Appropriate fully integrated systems at data level (1%)
3. High system operational efficiency and precision (2%)
4. Strategic alignment of all operational systems (5%)
5. Integrated, holistic business operations (3%)
6. Comprehensive management information with full drill-down (6%)
7. Comprehensive strategic analysis and decision support capability (79%)

1 to 6 are necessary in order to achieve 7 = World Class

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- 5. How to support the CEO to make this practical**

# Executive Custody

## How to support the CEO

### For a project – similar for operations

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1. Senior trusted advisor, may be part time
2. DOER to run the project – project leader or contract manager
3. Effective strategically focused (essence of the business) procurement that maximizes shedding of risk to the implementer through tough contractual terms including a legally binding fixed price
4. CEO must ask questions till he understands and, if necessary, bring in further advisors until he has answers that MAKE SENSE and that he understands and that correlate with the REAL world
5. Implementer team leader is a director – can talk to CEO at a peer level
6. Effective communication

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# Executive Custody

## Simple techniques



1. Project leader – head round the door start and end of the day
2. Phone if head round the door is not possible
3. Copy CEO with ALL emails – does NOT have to read, scan subject lines and drill down as necessary – few minutes a day
4. Weekly one on one briefing for one hour
5. Nominally chairs weekly project meeting, may delegate to Project Leader BUT still in the room – project leader draws authority from mandate
6. CEO Chairs monthly Project Board meetings
7. Periodic detailed walkthroughs of the configuration with ALL relevant executives and managers

**If this is too much then you probably do NOT require a new ERP**

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# The fundamental requirements for an ERP ONLY possible if the CEO takes custody



- The answers to questions I have not yet thought to ask
- Enable me to run the business MY way
- Accurately model every aspect of my business
- Totally integrated solution
- Entirely reliable and dependable
- Fundamentally support the essence of the business and how it thrives (strategy)
- Fully support my day to day operational functions

# Summing up



1. The CEO OWNS the strategic “helicopter view” of the business – CEO custody is therefore NOT NEGOTIABLE
2. Only the CEO can “kick butt” to get executives and their silo’s to work together
3. To get executive intelligence OUT you must put executive intelligence IN – only the CEO has the complete picture
4. This is NOT a LOT of work, it is working clever
5. The magnitude of the investment warrants the time investment
6. The scale of the downside risk warrants the time investment
7. A significant opportunity to get more out of your current systems

**If you do not act within 48 hours you probably never will – act TODAY! 😊**



What is your single most important insight from this presentation?

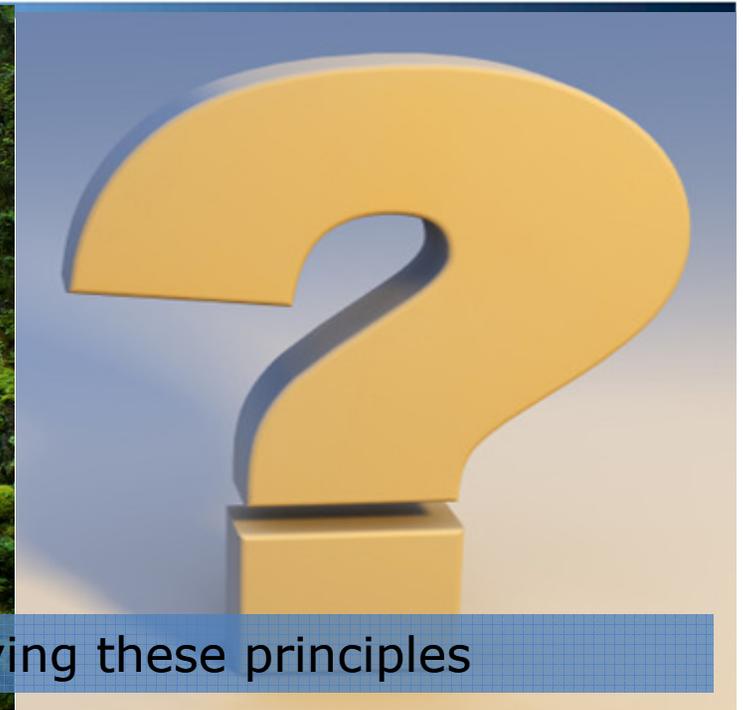
What is the single most practical action that you can take tomorrow to apply ERP more effectively?

**Please write down your thoughts NOW**

[James@Webinars-at-JARA.com](mailto:James@Webinars-at-JARA.com)

# Questions?

We will email you my book, hand-outs and link to the recording of this presentation



JAR&A are available to assist in applying these principles

*"To Him who by wisdom made the heavens, for His mercy endures forever;"*

**Dr James Robertson PrEng – The ERP Doctor -- Mobile: +27-(0)83-251-6644**

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