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

Live On-line Presentation
(Webinar)
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The ERP Doctor

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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
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?

1. Context and definitions
Failures are increasing
The threat and therefore the opportunity is huge

Labour's computer blunders cost £26bn
Ministers blamed for 'stupendous incompetence' after taxpayers left with failed 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”
"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!
Top down (CEO led) versus bottom up design

Top Down – Strategy Focused

Bottom Up – Process Focused
There IS great opportunity ERP can and should add value
Three alternative ERP value scenarios:

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

Strategy – Doing the right things

Tactics – Doing things right

Die fast

Thrive

Die slowly

Survive

Professor Malcolm McDonald.
What IS Strategy?

The Essence of WHY the Organization exists and HOW it THRIVES
Analysis of the strategic environment
The CEO owns this view

1. OWNER CSF'S
   - Maximize value creation
   - Minimize value destruction

2. MARKET AND PRODUCT FACT
   - MAF, CSF, product fact
   - Market portfolio, etc
   - Countered by alienators

3. SUPPLIER FACTORS
   - Supplier relationship and other supplier factors

4. EXTERNAL STRATEGIC ENV
   - Horizon, medium term, short term, immediate incl threats, opp's, etc

5. INTERNAL STRATEGIC ENV
   - Strengths, weaknesses
   - Operation, Systems, Managers, Staff, Workers

6. STRAT CAPABILITY
   - (The Solution Map)
   - Ess Q's, realisation (value), StratProc, Crit Fct Success
   - Mgmt of failure factors, etc

7. CORPORATE STRATEGIC GOVERNANCE
1. Context and definitions

2. What IS Executive Custody
How I learned that CEO Executive Custody was critical

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
The essence of WHY CEO Custody is NOT NEGOTIABLE
Recommended Governance

CEO

CIO
CFO
Operations
HR Exec
Marketing
etc

FM

Strategic Advisor / Solution Architect
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

A few challenges but nothing insurmountable!

Impossible!!

Easy!!

What a deep gorge!

Objective

Hard but we will make it!
### The problem of different perspectives

**FACTOR WEIGHTING**

**Client**: A NOT FOR PROFIT ORGANISATION  
**Session**: 3 StratSnap Critical Concerns  
**Focus Question**: What are the critical concerns with regard to ...

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Developing a robust strategic design

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

- 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
There is great opportunity ERP can and should add value

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!
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
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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!
The time dependency of strategy

Not a forecast

Today

+ n Years

Forecast

Professor Malcolm McDonald
The time dependency of strategy

Not an objective

Today

+ n Years

Objective

Professor Malcolm McDonald
The time dependency of strategy: CEO is the Pilot to steer the journey.

Strategic plan -- the path to competitive advantage.

A realistic trajectory of continuous improvement within business constraints.

Professor Malcolm McDonald
The time dependency of strategy from good to GREAT
The CEO’s Triumph

*From Good to Great* by Jim Collins page 24
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
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
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**

5%?
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?

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?

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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Executive Custody
How to support the CEO
For a project – similar for operations

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 OWN’s 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
Questions?
We will email you my book, hand-outs and link to the recording of this presentation.

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

JAR&A are available to assist in applying these principles.

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Assisting clients to thrive through the effective application of IT and ERP