Universal Strategic Framework™ (USF)
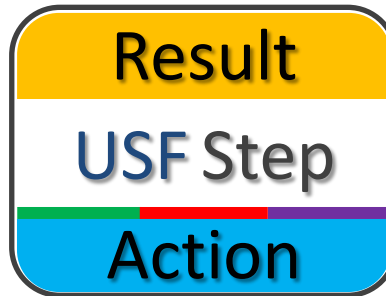
Executive Briefing

The Universal Strategic Framework applies the Strategy & Tactic Tree insights of Dr. Eliyahu M. Goldratt, author of "The Goal", among many other business bestsellers.
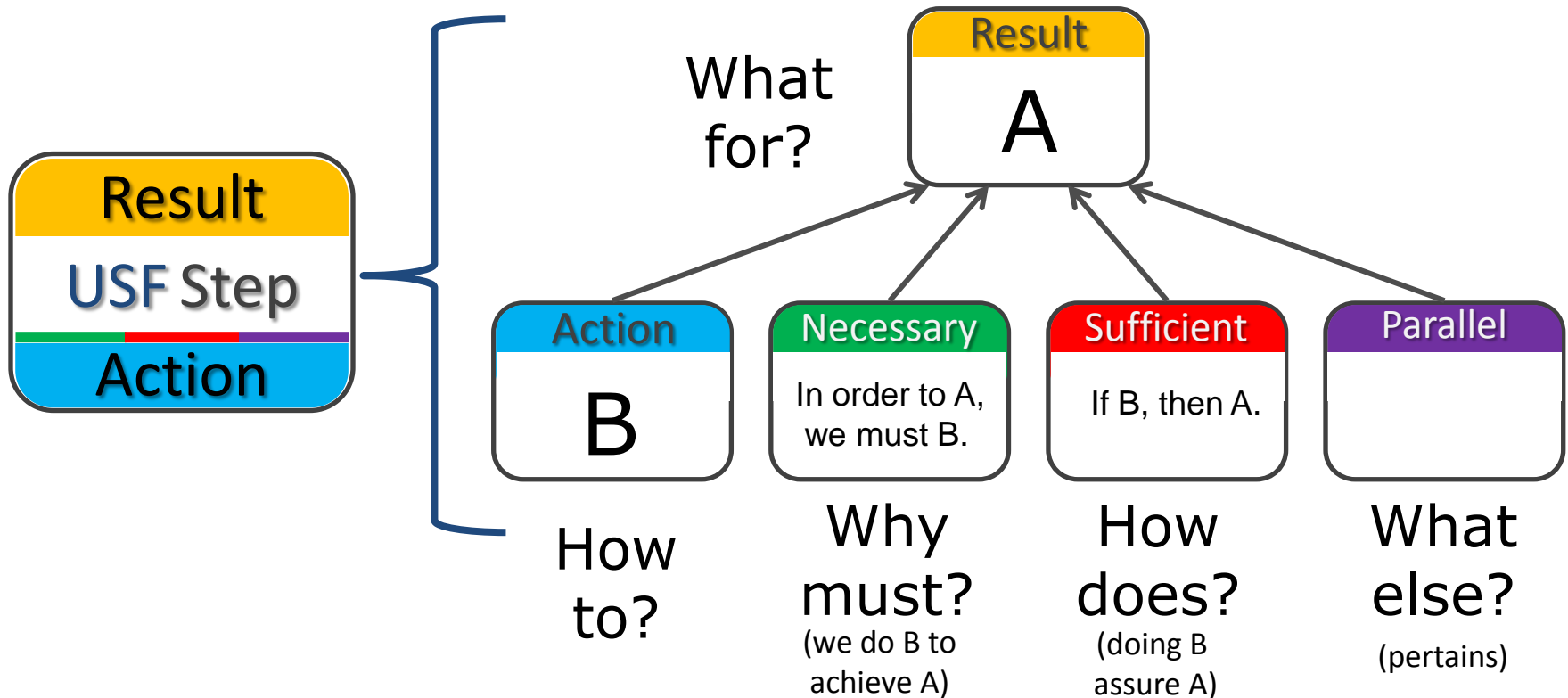
USF – Universal Strategic Framework

- **USF** unambiguously organizes and presents all of the required actions and results of any enterprise strategy.

- **USF** uses "Steps" as building blocks. Each Step comprises one "Result" and one "Action" to achieve that Step's Result.

- **USF** logic governs the formulation and validation of each Step and all of the interconnections between Steps.

USF – Step Composition
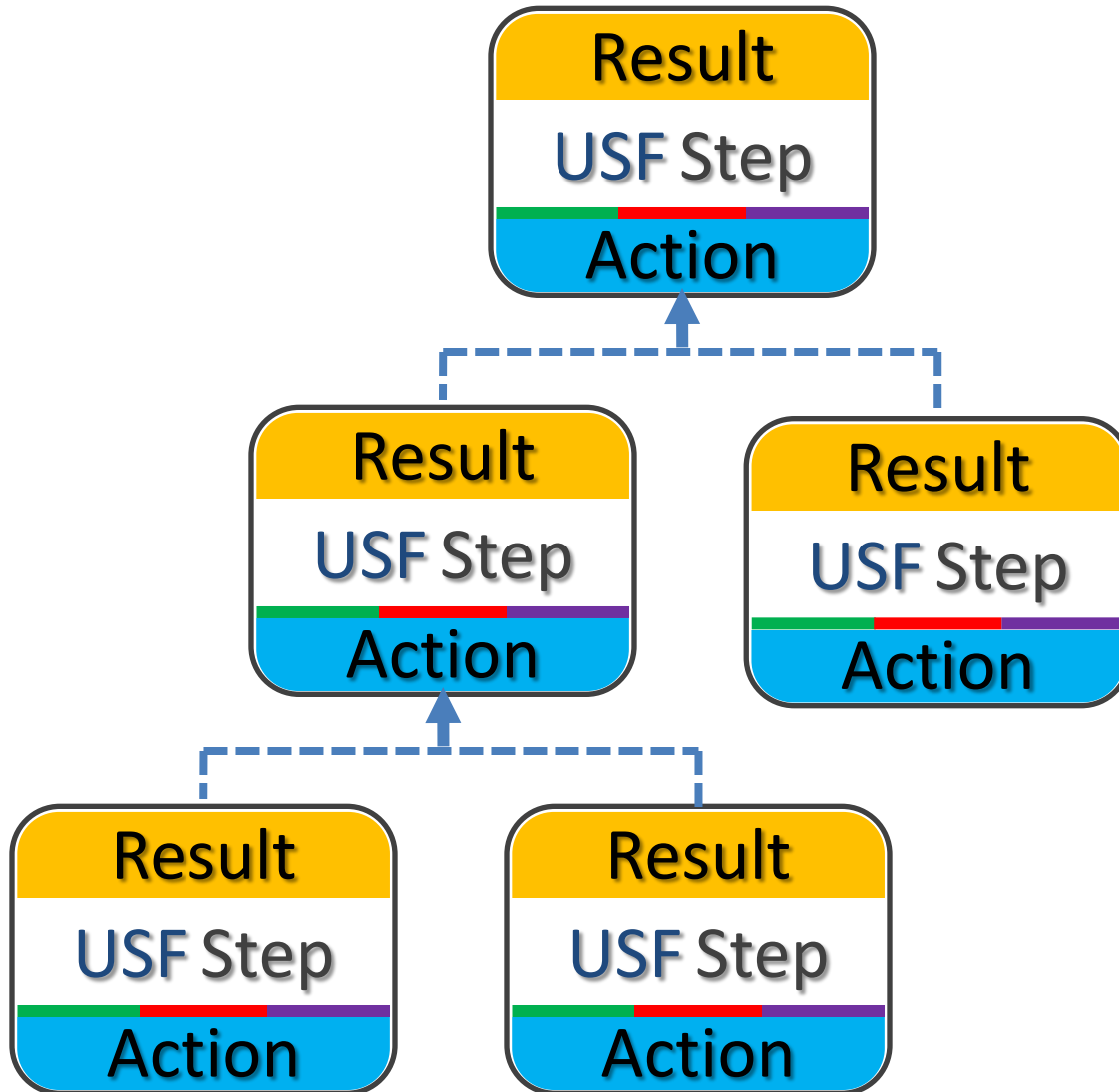

A USF Step pairs a single Result with a single Action, which is both necessary and sufficient to achieve that Result. Visually, the green band depicts the necessity condition and the red band depicts the sufficiency condition. The purple band represents the parallel assumption(s) that underwrite success – i.e. Action achieves intended Result.

USF – Step Composition

Result
A

What for?

Result
USF Step
Action

Action
B

How to?

Necessary
In order to A, we must B.

Why must?
(we do B to achieve A)

Sufficient
If B, then A.

How does?
(doing B assure A)

Parallel

What else?
(pertains)

When complete, each USF Step stands on its own, as a fully validated means to achieve a particular Result, with complete transparency – i.e. all of the associated facts and logic are fully available for inspection.

USF – Step Connections

Result

USF Step

Action

Result

USF Step

Action

Result

USF Step

Action

Result

USF Step

Action

Result

USF Step

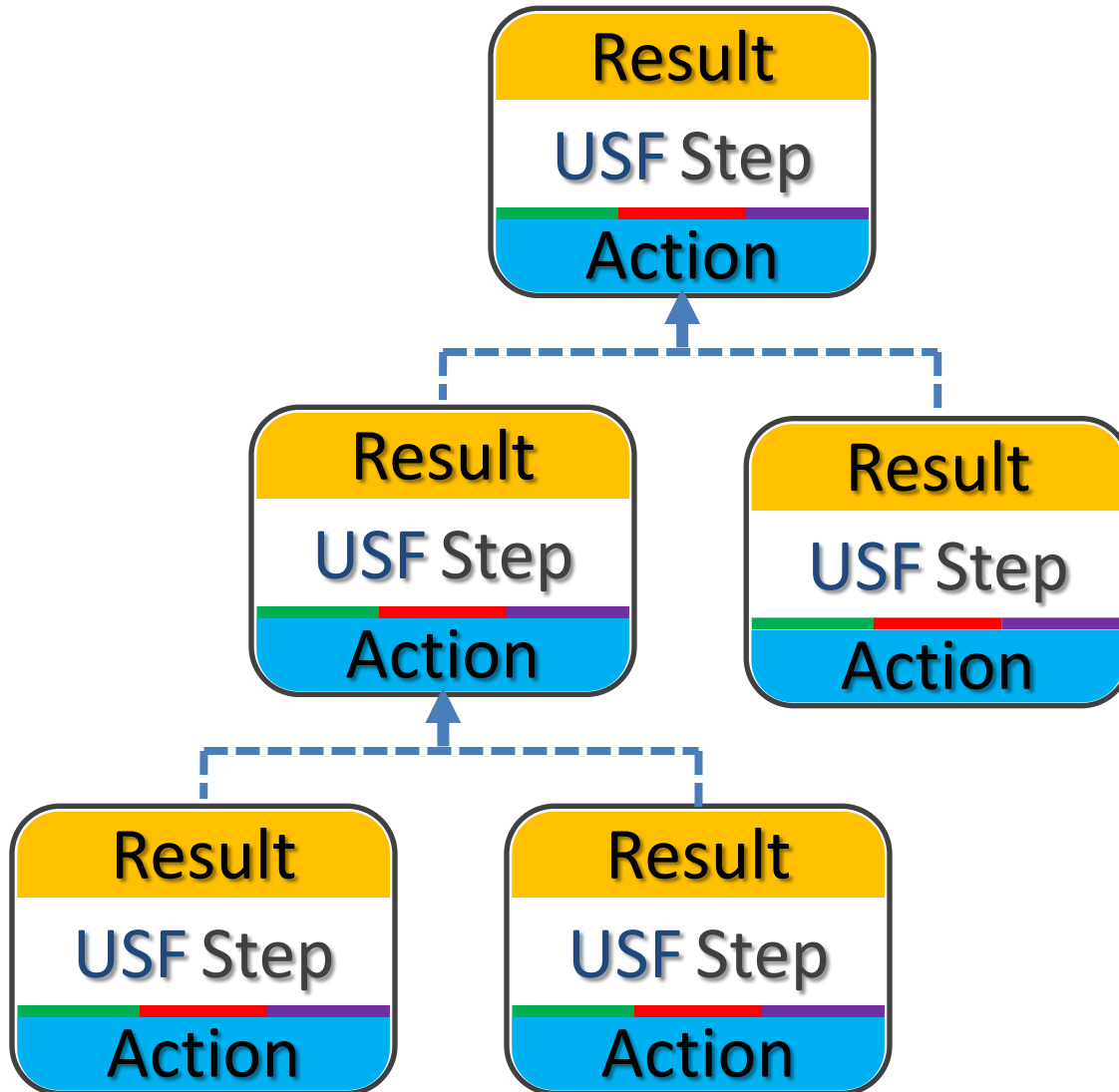**Action**

A USF dashed line indicates the necessity of lower tier Steps to the next higher tier Step. A solid arrow shows the collective sufficiency of the lower Steps to the next higher tier Step.

There is no limit on the number of necessary Steps which may be needed to satisfy the sufficiency condition.

A USF logic diagram always connects all of the Steps of any strategy in exactly this way.

USF – Step Connections

Result

USF Step

Action

Result

USF Step

Action

Result

USF Step

Action

Result

USF Step

Action

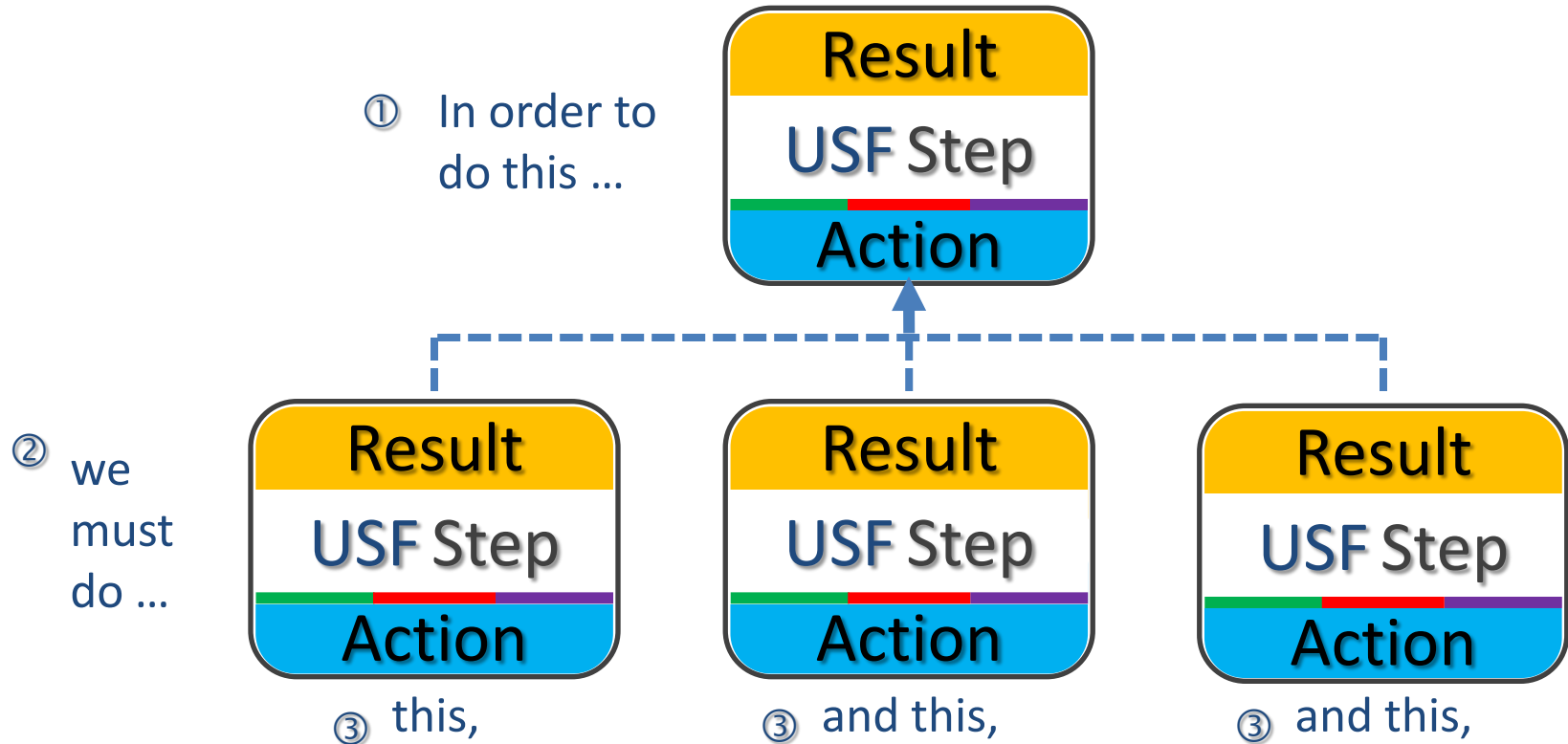**Result**

USF Step

Action

USF Step connections flow upward toward the ultimate enterprise Result (goal or strategic objective).

Step connections also cascade downward into increasing levels of detail that communicate the enterprise strategy and attest to its validity.

The connection paths clearly show how lower tier Steps contribute to achieving the enterprise goal (i.e. line of sight).

USF – Step Connections

① In order to do this …

Result

USF Step

Action

② we must do …

Result

USF Step

Action

③ this,

Result

USF Step

Action

③ and this,

Result

USF Step

Action

③ and this,

USF logic diagrams make it easy to verbalize **necessity** conditions.

USF – Step Connections

③ then we will achieve this.

Result

USF Step

Action

① If we do …

Result

USF Step

Action

② this,

Result

USF Step

Action

② and this,

Result

USF Step

Action

② and this,

USF logic diagrams make it easy to verbalize **sufficiency** conditions.

USF – <u>One</u> System, <u>One</u> Goal

The Goal

USF Step

Grow T >> OE

Note: Growing Throughput (T) much faster than Operating Expense (OE) is a Throughput Accounting based metric that serves as a surrogate for value creation (also see final slide).

| Result	Result	Result		Result
USF Step	USF Step	USF Step	• • •	USF Step
Action	Action	Action		Action

USF logic diagrams focus attentions, resources and efforts on <u>The</u> Goal of every business: **Accelerate Purposeful Value Creation** – i.e. "Create more value, now and in the future, in service of the enterprise purpose".

Universal Strategic Framework (USF)

Accelerate Value Creation

USF Goal

Grow T >> OE

- Operate <u>one</u> business system, with <u>one</u> enterprise Goal.
- Unambiguously align all enterprise efforts and initiatives.
- Create customer-centric value, at ever-increasing rates, in order to:
  - assure sustainability;
  - delight essential stakeholders/constituencies; and
  - finance worthy pursuits (with owners' concurrence).
- Focus on "Throughput" (T) – i.e. value created (money generated) by the system. T = Sales less Purely Variable Expenses.
- Manage "Operating Expense" (OE) and "Investment" (I). Grow T much faster than OE.
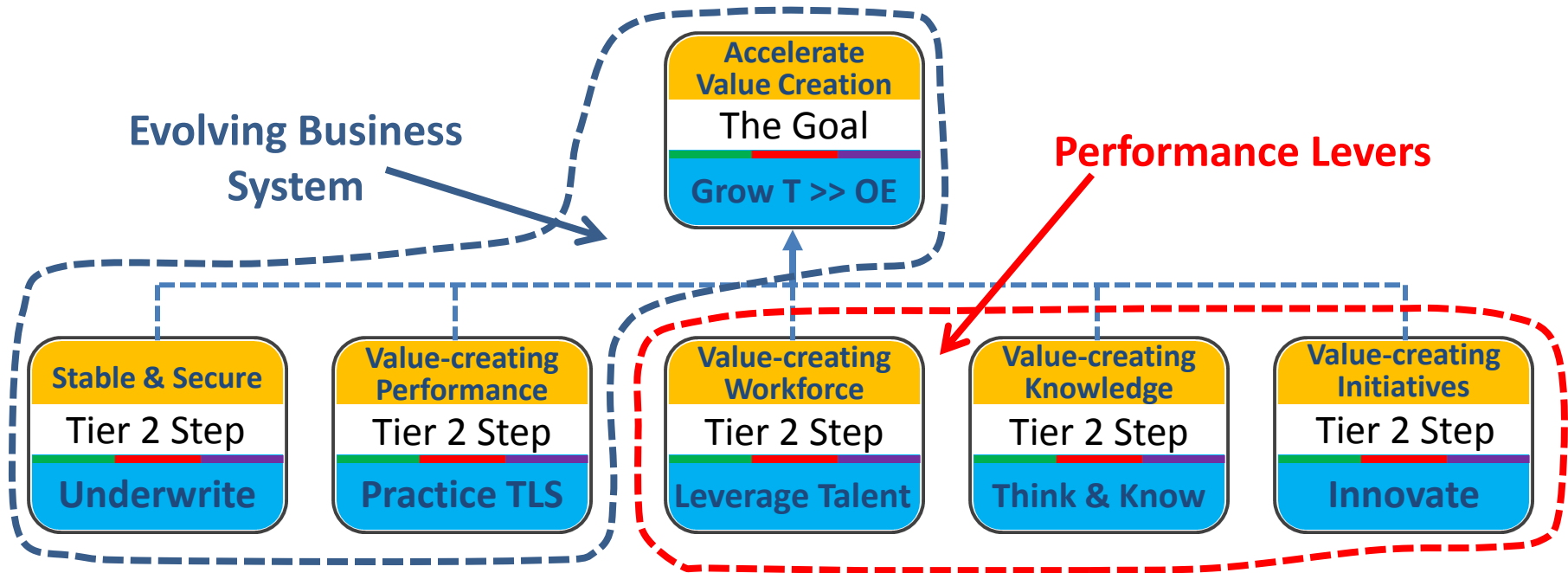- **Accelerate Purposeful Value Creation**.
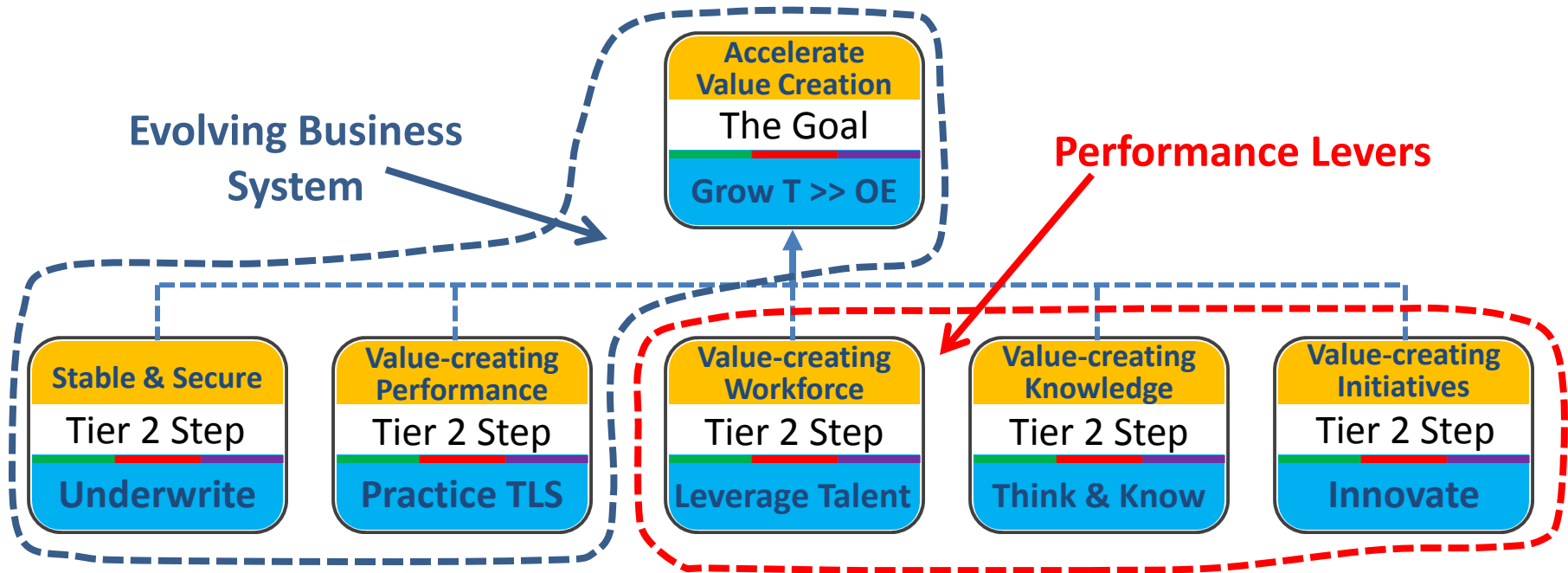
Universal Strategic Framework (USF)

Evolving Business System

Performance Levers

Accelerate Value Creation
The Goal
Grow T >> OE

Stable & Secure	Value-creating Performance	Value-creating Workforce	Value-creating Knowledge	Value-creating Initiatives
Tier 2 Step	Tier 2 Step	Tier 2 Step	Tier 2 Step	Tier 2 Step
Underwrite	Practice TLS	Leverage Talent	Think & Know	Innovate

Most businesses should share the same goal: **Accelerate Purposeful Value Creation**. They should also share generic means for achieving that goal, in the form of a stable, secure, proficient and evolving business system, as well as performance levers capable of systematically conferring value-creating advantage on their business system.

The evolving business system should operate in (and on) the present. The performance levers should operate across three distinct business development time/growth horizons: Core, Emerging and Promising.
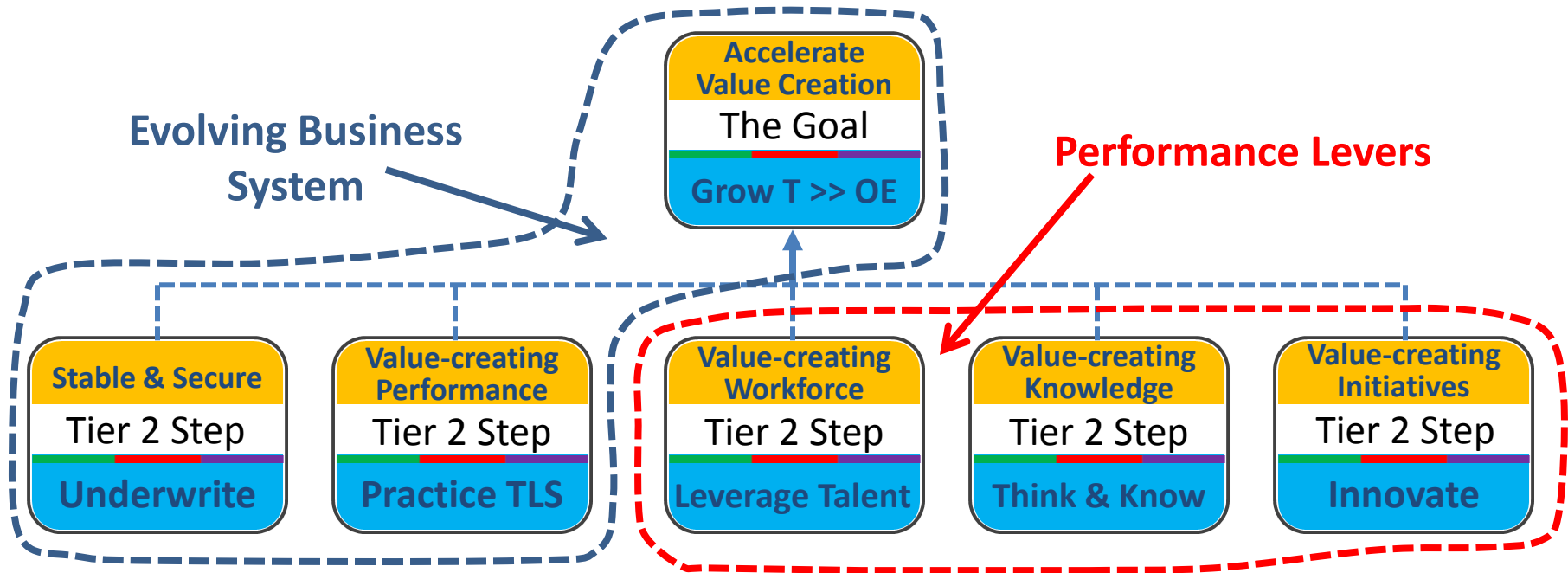
Universal Strategic Framework (USF)

Evolving Business System

Performance Levers

Accelerate Value Creation
The Goal
Grow T >> OE

Stable & Secure	Value-creating Performance	Value-creating Workforce	Value-creating Knowledge	Value-creating Initiatives
Tier 2 Step	Tier 2 Step	Tier 2 Step	Tier 2 Step	Tier 2 Step
Underwrite	**Practice TLS**	**Leverage Talent**	**Think & Know**	**Innovate**

Each business must identify the conditions, which are necessary and sufficient to **grow T >> OE**. For most businesses, those conditions include a stable and secure foundation, together with a core business that delivers customer-centric value and continuously improves.

Beyond that, most businesses share a set of performance levers that include: workforce capabilities, enterprise knowledge creation and game-changing initiatives.

Universal Strategic Framework (USF)

Evolving Business System

Accelerate Value Creation
The Goal
Grow T >> OE

Performance Levers

Stable & Secure	**Value-creating Performance**	**Value-creating Workforce**	**Value-creating Knowledge**	**Value-creating Initiatives**
Tier 2 Step	Tier 2 Step	Tier 2 Step	Tier 2 Step	Tier 2 Step
Underwrite	**Practice TLS**	**Leverage Talent**	**Think & Know**	**Innovate**

Why is stability and security <u>necessary</u>?
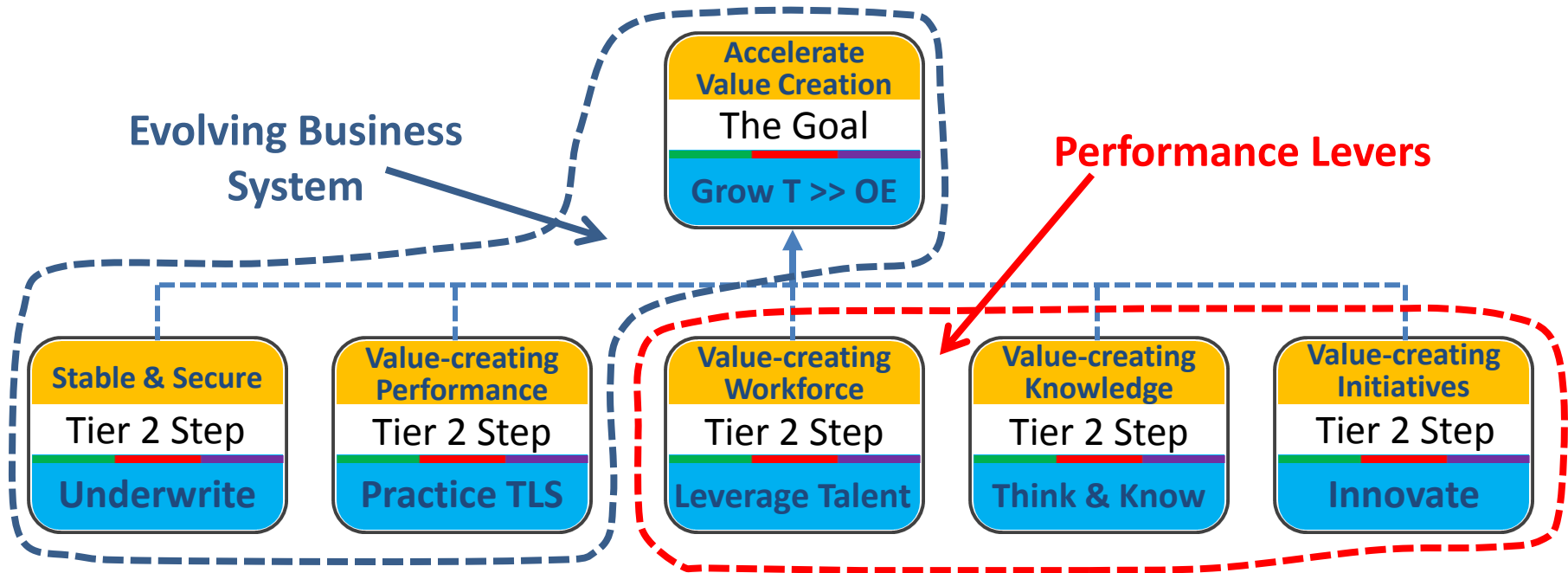Why is a capable and continuously improving business system necessary?
Why is a competent and engaged workforce necessary?
Why are enterprise thinking skills and knowledge creation necessary?
Why is innovative business development necessary?

Are these five conditions, in combination, <u>sufficient</u> to **Accelerate Purposeful Value Creation**? If, not what else <u>is</u> necessary?
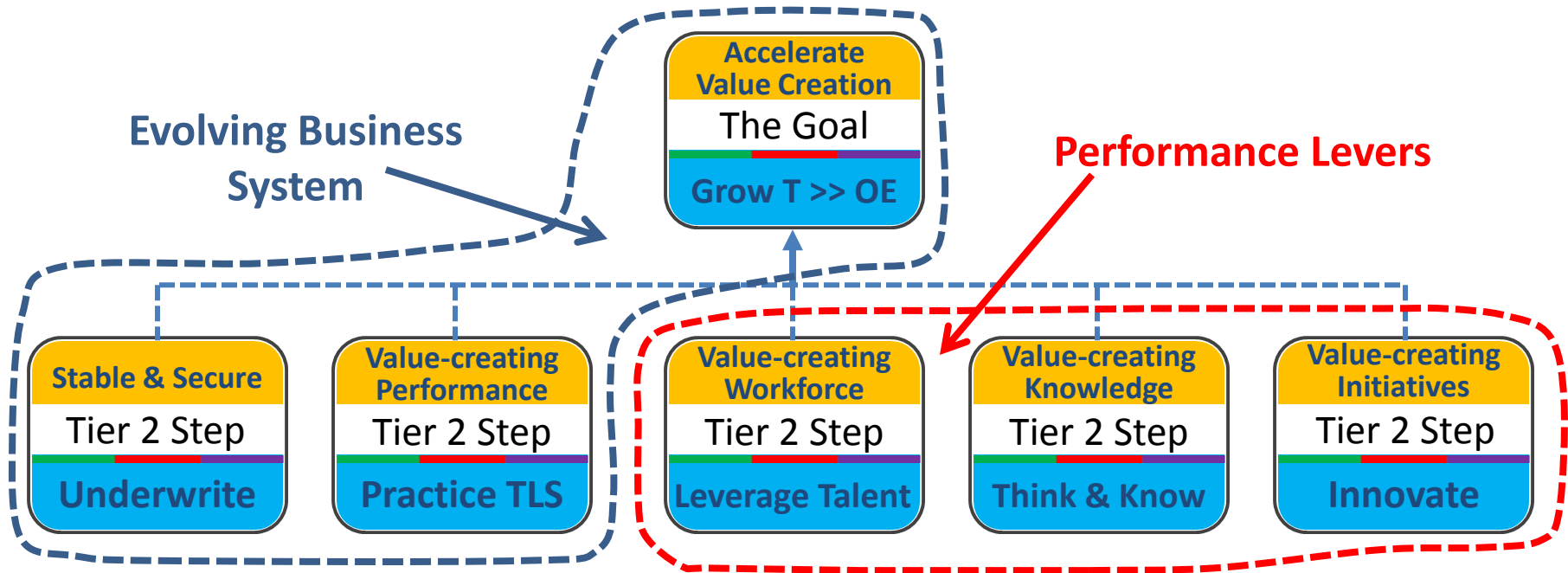
Universal Strategic Framework (USF)

Evolving Business System

Performance Levers

Accelerate Value Creation
The Goal
Grow T >> OE

Stable & Secure	Value-creating Performance	Value-creating Workforce	Value-creating Knowledge	Value-creating Initiatives
Tier 2 Step	Tier 2 Step	Tier 2 Step	Tier 2 Step	Tier 2 Step
Underwrite	**Practice TLS**	**Leverage Talent**	**Think & Know**	**Innovate**

Since every enterprise should share the same Goal and since every enterprise has equal access to the same generic Tier 2 Steps, it becomes apparent why winning firms must excel at value delivery, with respect to their own evolving spectrum of relevant buyer utilities.

Today, very few enterprises excel at all five of these Tier 2 Steps. That spells profound leadership opportunities, in practically every industry.
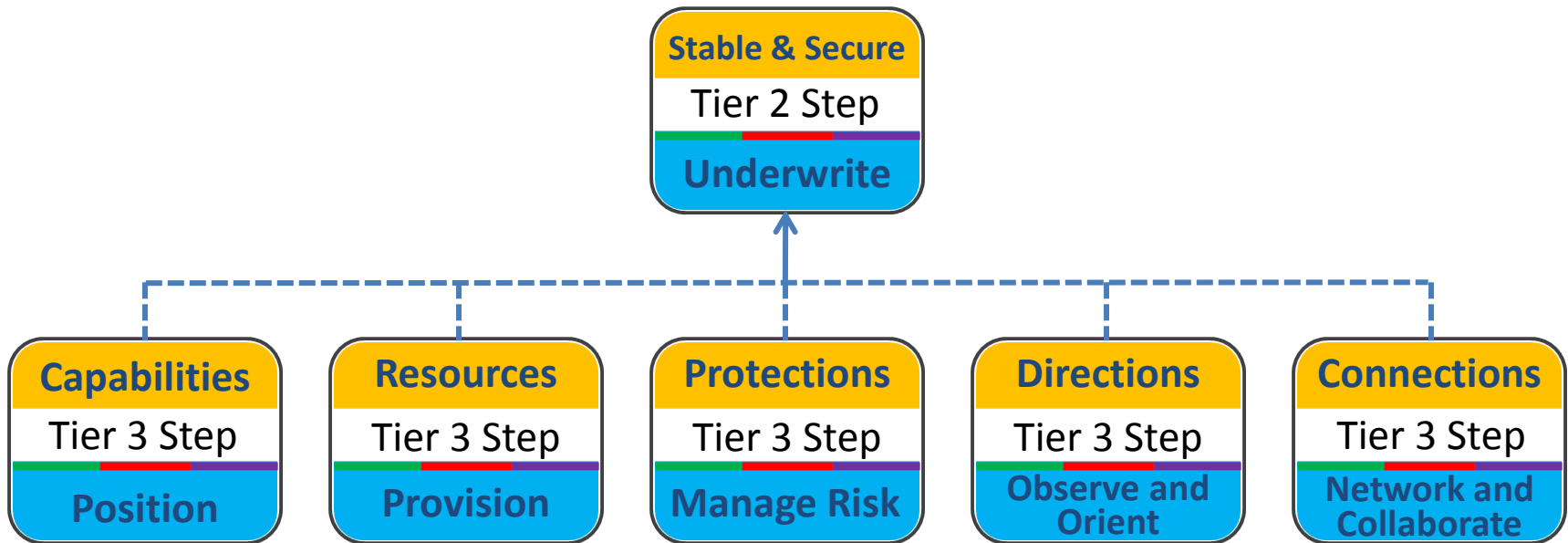
Universal Strategic Framework (USF)

Evolving Business System

Accelerate Value Creation
The Goal
Grow T >> OE

Performance Levers

Stable & Secure
Tier 2 Step
Underwrite

Value-creating Performance
Tier 2 Step
Practice TLS

Value-creating Workforce
Tier 2 Step
Leverage Talent

Value-creating Knowledge
Tier 2 Step
Think & Know

Value-creating Initiatives
Tier 2 Step
Innovate

Whether an airline, automobile retailer, enterprise consulting firm, consumer packaged goods producer or oil company, the same five generic Tier 2 steps can capably serve <u>the</u> enterprise Goal: **Accelerate Purposeful Value Creation**.

To generate the next level of Steps (i.e. Tier 3), businesses need only ask: "What exactly must we do in order to, for example, underwrite a stable and secure platform for business development?"
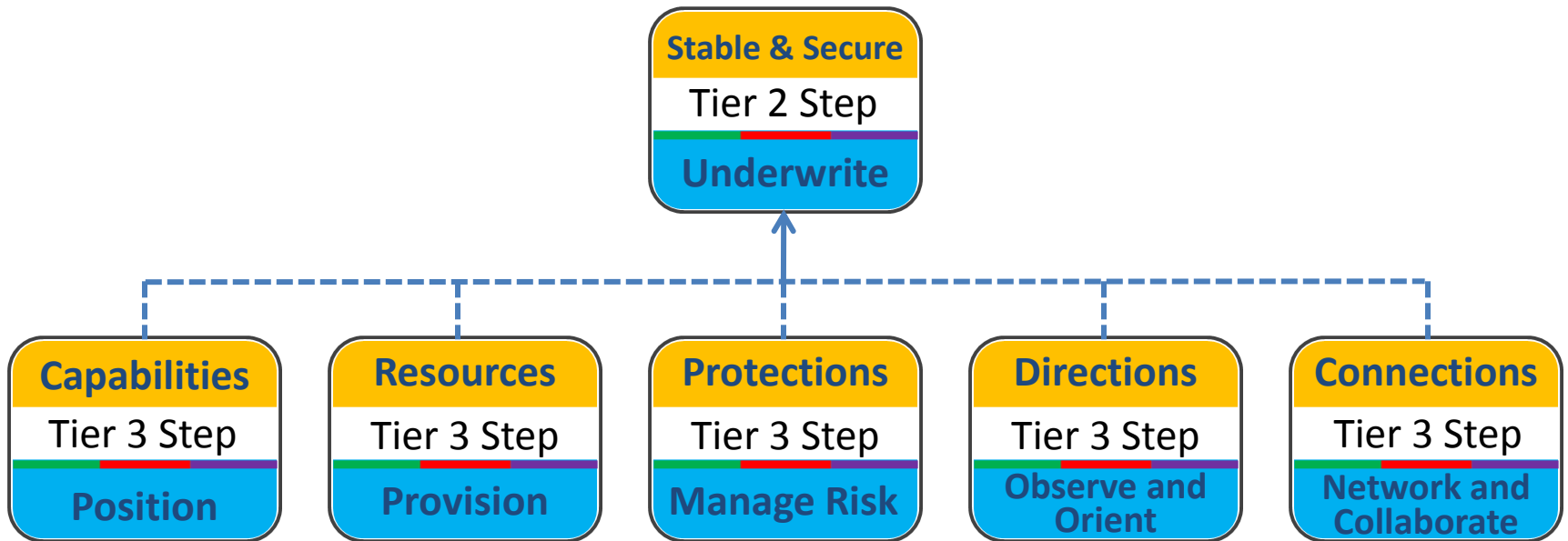
Universal Strategic Framework (USF)

```
                        ┌─────────────────┐
                        │ Stable & Secure │
                        │   Tier 2 Step   │
                        │    Underwrite   │
                        └─────────────────┘
```

Capabilities	Resources	Protections	Directions	Connections
Tier 3 Step	Tier 3 Step	Tier 3 Step	Tier 3 Step	Tier 3 Step
Position	Provision	Manage Risk	Observe and Orient	Network and Collaborate

"What exactly must we do in order to underwrite a stable and secure platform for business development?"

The answer might look something like this: (i) position to establish capabilities, (ii) provision to secure resources (iii) manage risk to provide protections, (iv) observe and orient to set directions and (v) network and collaborate to make connections. **Are these are individually necessary and collectively sufficient steps to underwrite a secure and stable business development platform? What, if anything, is missing?**
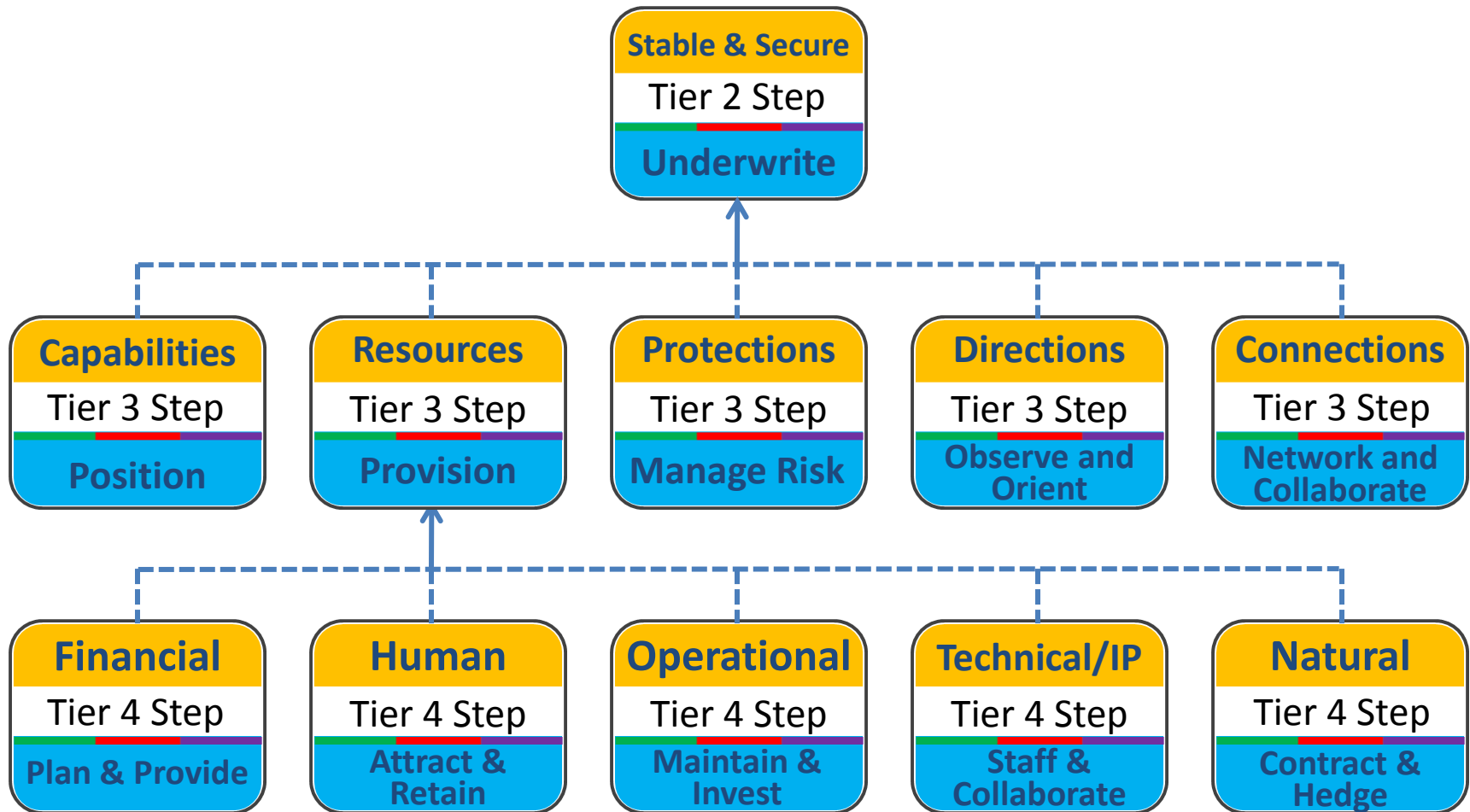
Universal Strategic Framework (USF)

Stable & Secure
Tier 2 Step
Underwrite

Capabilities	**Resources**	**Protections**	**Directions**	**Connections**
Tier 3 Step	Tier 3 Step	Tier 3 Step	Tier 3 Step	Tier 3 Step
Position	**Provision**	**Manage Risk**	**Observe and Orient**	**Network and Collaborate**

Each set of answers (identified Steps) generates another set of questions to aid in generating the next lower tier of Steps, and so on.

At each level of questioning, repeatedly asking "What else?" helps to identify all of the necessary underlying Steps. Then ask "If we achieve all of those Results, will we secure the higher-level objective?" An unequivocal "Yes" indicates the collective sufficiency of the identified Steps.

Universal Strategic Framework (USF)

Stable & Secure
Tier 2 Step
Underwrite

Capabilities	**Resources**	**Protections**	**Directions**	**Connections**
Tier 3 Step	Tier 3 Step	Tier 3 Step	Tier 3 Step	Tier 3 Step
Position	**Provision**	**Manage Risk**	**Observe and Orient**	**Network and Collaborate**

Financial	**Human**	**Operational**	**Technical/IP**	**Natural**
Tier 4 Step	Tier 4 Step	Tier 4 Step	Tier 4 Step	Tier 4 Step
Plan & Provide	**Attract & Retain**	**Maintain & Invest**	**Staff & Collaborate**	**Contract & Hedge**

Here, we "drill down" through **Resources** to identify the Tier 4 necessary and sufficient Steps for "Resource-related Stability & Security", in support of the enterprise Goal: **Accelerate Purposeful Value Creation**.

Universal Strategic Framework (USF)

The farther we drill down, the more detailed and more closely tailored the strategy becomes for a particular enterprise purpose.

The drill down process ends on any given branch when either (i) the organization agrees that they have developed enough detail to implement without compromise or (ii) drilling down does not produce at least two lower tier necessary Steps.

If questioning does not surface any lower tier necessary Steps, then the current level of detail is complete (exhaustive), on that branch.

If questioning generates only one necessary lower tier Step, then proper rephrasing of the higher tier Step can always subsume that one condition and eliminate the need for adding a lower tier Step on that branch.

When all of the branches have been fully "fathomed", the resulting framework rigorously, robustly and unambiguously documents the enterprise strategy in terms of all the Steps, and the relationships between Steps, necessary and sufficient to **Accelerate Purposeful Value Creation** .

Universal Strategic Framework (USF)

The span of Steps beneath a higher tier Step results from the number of collectively sufficient lower tier, single-action, single-result Steps that are necessary and sufficient to secure the result of that higher Step.

In addition to the logical relationships (necessity and sufficiency) between Steps, each Step has its own internal logical structure.

Each Step explicitly states the singular result of that Step and the <u>one</u> specific action intended to accomplish that <u>one</u> result.

Additionally, each Step provides the necessity logic: "in order to accomplish this Step result we <u>must</u> take this Step action", along with the sufficiency logic "if we take this Step action, then we <u>will</u> achieve this Step result".

Each Step also includes the parallel assumptions that provide the relevant information for assuring that the intended action does indeed accomplish the Step result. For example: the result might be to "protect a home's wooden shutters"; the action might be "apply exterior latex paint"; the parallel assumptions might include: (i) "proper surface preparation" and (ii) "painting on warm and sunny day".

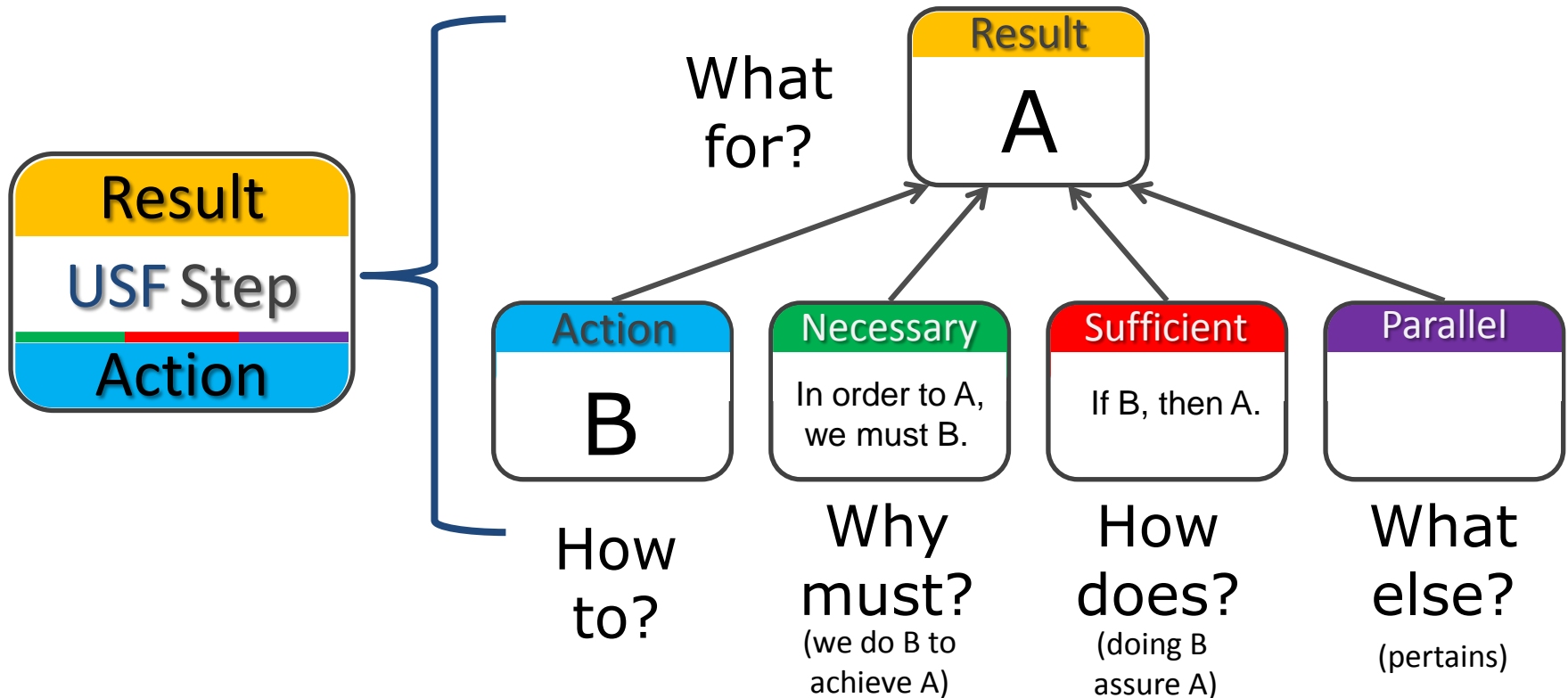# Universal Strategic Framework (USF)

Review of Highlights
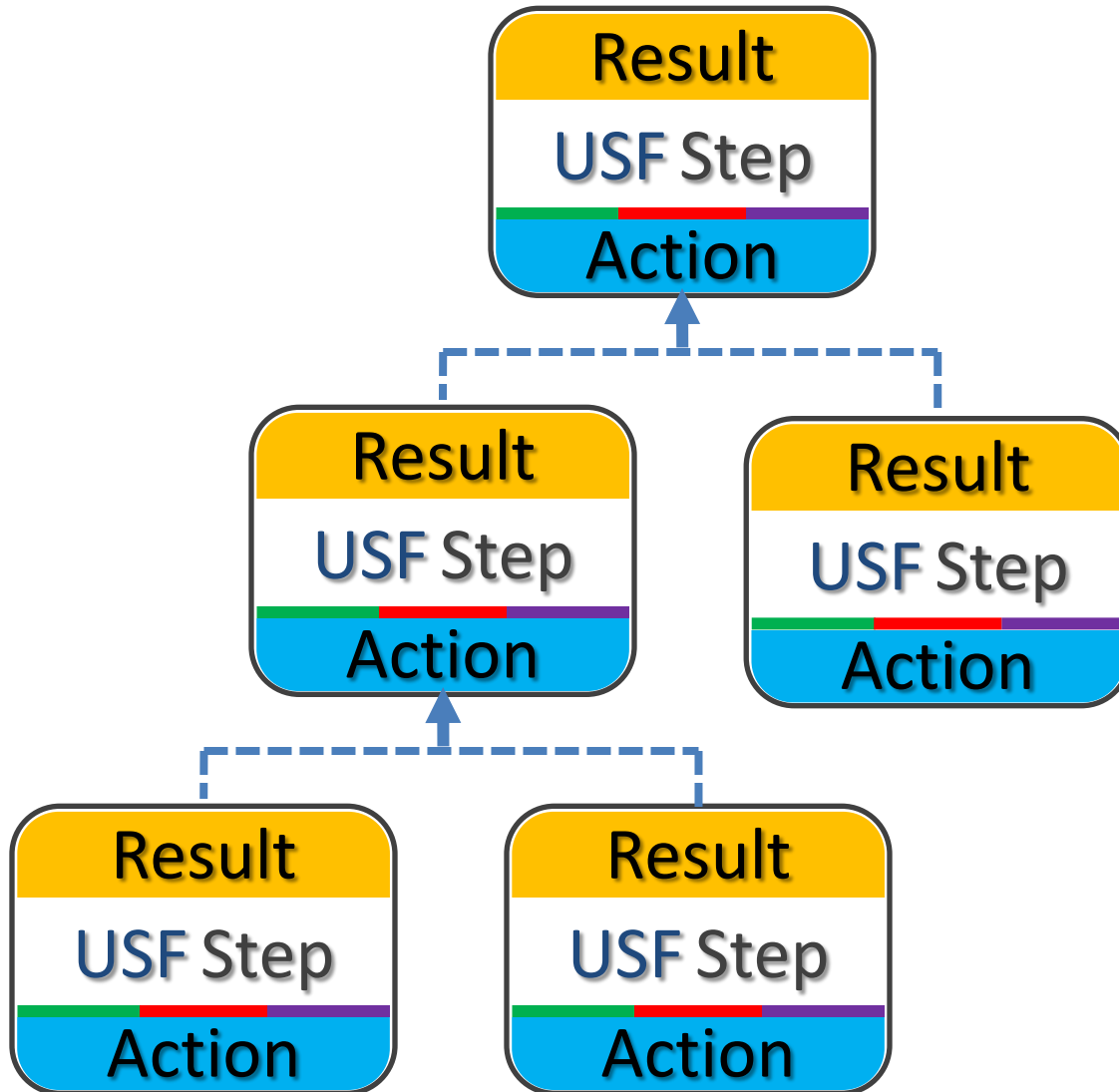
USF – Step Composition

Result
USF Step
Action

A USF Step pairs a single Result with a single Action which is both necessary and sufficient to achieve that Result. Visually, the green band depicts the necessity condition and the red band depicts the sufficiency condition. The purple band represents the parallel assumption(s) that underwrite success – i.e. Action achieves intended Result.

USF – Step Composition

Result
A

What for?

Result
USF Step
Action

Action	Necessary	Sufficient	Parallel
B	In order to A, we must B.	If B, then A.	

How to?

Why must?
(we do B to achieve A)

How does?
(doing B assure A)

What else?
(pertains)

When complete, each USF Step stands on its own, as a fully validated means to achieve a particular Result, with complete transparency – i.e. all of the associated facts and logic are fully available for inspection.

USF – Step Connections

Result
USF Step
Action

Result
USF Step
Action

Result
USF Step
Action

Result
USF Step
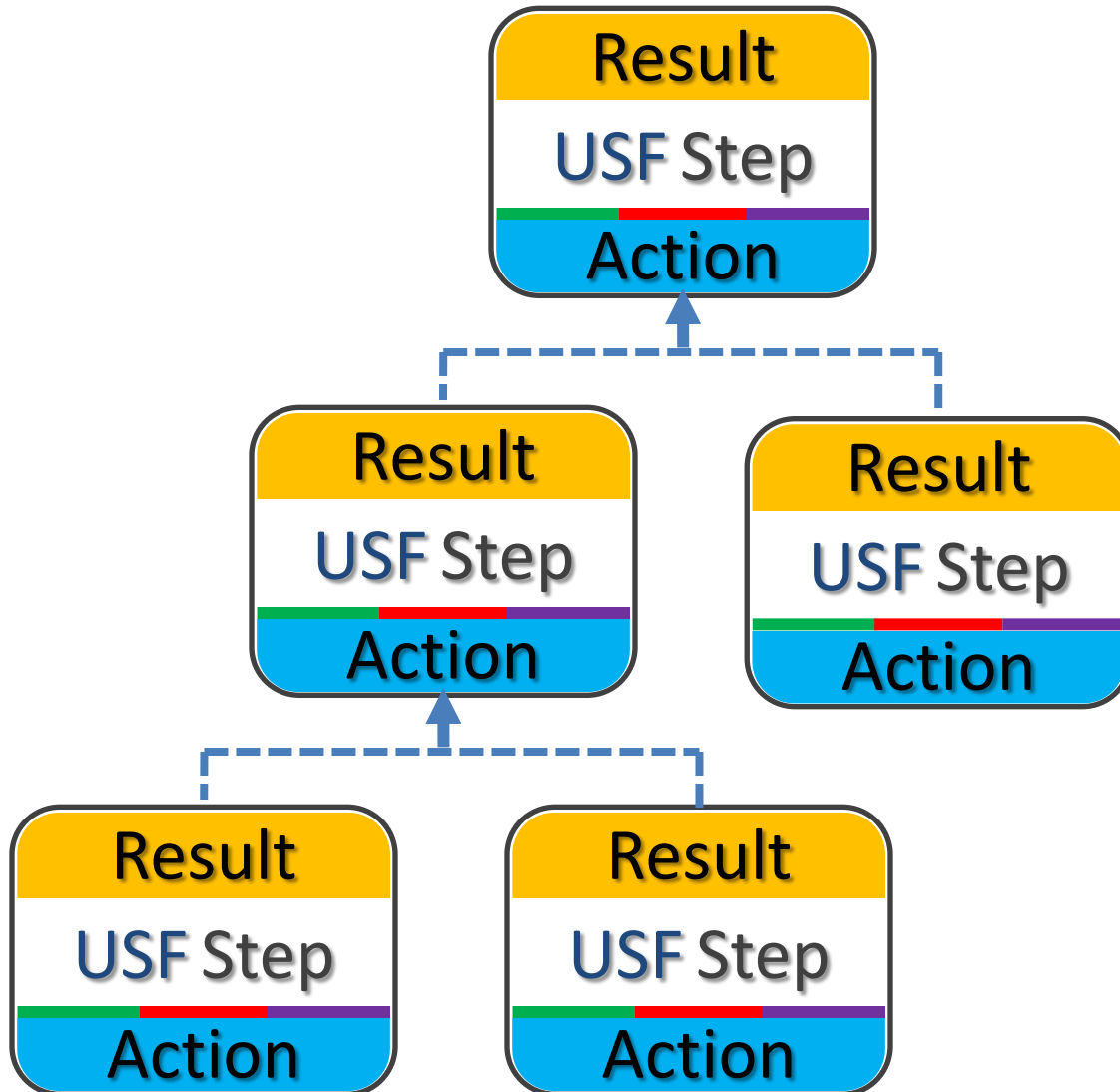**Action**

Result
USF Step
Action

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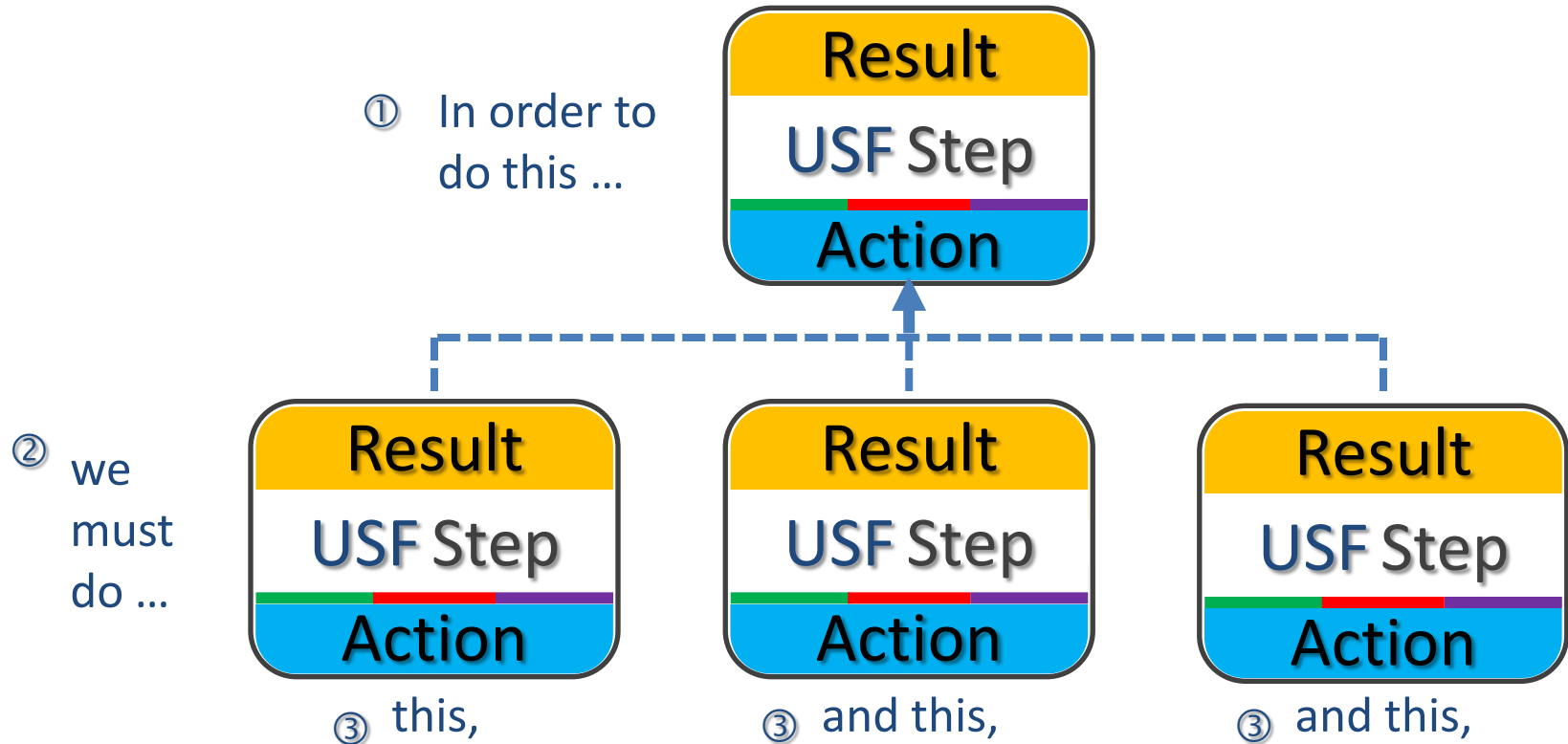
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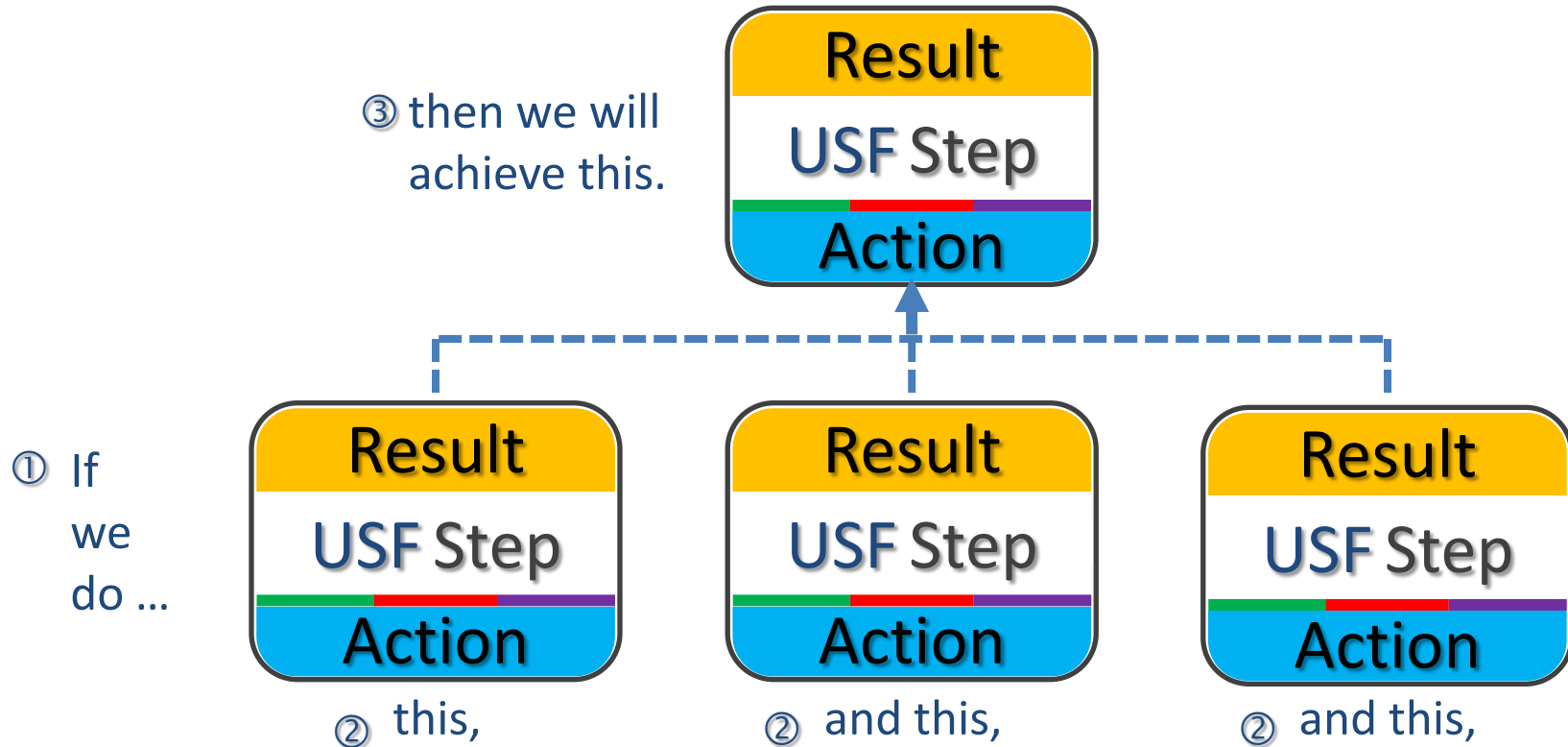
The connection paths clearly show how lower tier Steps contribute to achieving the enterprise goal (i.e. line of sight).

USF – Step Connections

① In order to do this …

Result
USF Step
Action

② we must do …

Result
USF Step
Action
③ this,

Result
USF Step
Action
③ and this,

Result
USF Step
Action
③ and this,

USF logic diagrams make it easy to verbalize **necessity** conditions.

USF – Step Connections

③ then we will achieve this.

Result

USF Step

Action

① If we do …

Result

USF Step

Action

② this,

Result

USF Step

Action

② and this,

Result

USF Step

Action

② and this,

USF logic diagrams make it easy to verbalize **sufficiency** conditions.

USF – <u>One</u> System, <u>One</u> Goal

The Goal

USF Step

Grow T >> OE

Note: Growing Throughput (T) much faster than Operating Expense (OE) is a Throughput Accounting based metric that serves as a surrogate for value creation (also see final slide).

Result

USF Step

Action

Result

USF Step

Action

Result

USF Step

Action

Result

USF Step

Action

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Universal Strategic Framework (USF)

Evolving Business System

Performance Levers

Accelerate Value Creation
The Goal
Grow T >> OE

Stable & Secure	Value-creating Performance	Value-creating Workforce	Value-creating Knowledge	Value-creating Initiatives
Tier 2 Step	Tier 2 Step	Tier 2 Step	Tier 2 Step	Tier 2 Step
Underwrite	Practice TLS	Leverage Talent	Think & Know	Innovate

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Universal Strategic Framework (USF)

One Business System

Accelerate
Value Creation

USF Goal

Grow T >> OE

One Enterprise Goal

Customers buy utility and they perceive comparative value on distinctly individual terms. That makes customer-centric value hard to gauge, with precision.

Only through the aggregation of customer purchases, over time, can enterprises discern trends in customer-centric value delivery. Yet, while aggregation may reveal trends, it also tends to blur distinctions between customers and their underlying choices.

Throughput (T) provides a precisely measurable surrogate for value creation. Moreover, focusing on Throughput, while managing Operating Expense (OE) and Investment (I), helps firms make sound business decisions that respect vital interests in <u>addition</u> to delighting customers.