Execution *focus*

The success of a business/organization depends on its ability to convert its plans into reality. As a series of checklists, our effort is to cover 7 essential leadership skills for strategy implementation and execution.

Leadership responsibility #3
Operational risk management

Operations risks are potential risks from breakdowns in routine operational processes, people and systems that are controllable and can be avoided.

To be competent goal executors, Leader should consider gaining better understanding of their internal operational risk profiles. Effective management of operational risks will aid better decision making and encourage more informed risk taking.

Leaders should build their own internal risk culture where operational risks are openly discussed and individuals in the team are encouraged to identify, evaluate and address their operational risks.

For Leaders, operational risk management is critical in building a sustainable, reliable team that meets customer promise on time all the time. Operational risks are contextual and differ from person to person based on the business, the impact and frequency of occurrence of the risk.

Whether your approach is to avoid risks (Spend a lot of energy to avoid making mistakes) or risk-taking (Are not afraid to make mistakes when the potential payoff is large enough) you need to know what your risks are.

Our effort is to assist Leaders in identifying top 5 operational risks namely People, cultural, collaboration, customer and technology risks.

We have presented this document as a checklist, may not be exhaustive but useful, in pointing you in the right direction while assessing, identifying and mitigating operational risks.

The process of assessing, identifying and mitigating operational risks involves analysis of operational requirements. Operational risks are identified for all the tasks required to be performed to achieve a goal or a strategy. Once the required risk inventory is well-defined, the mitigation can be planned based on the impact and occurrence of the risk.

PHASE 1 – Analysis of operational requirement

• Understanding goals and objectives

Goal clarity as a **directive** to understanding operational requirement to optimally execute.

☐ I have <u>clear</u> understanding of the <u>organisation goals</u> (Specific Objectives).

☐ I have <u>clear</u> understanding of <u>my goals</u> (Specific Objective).

☐ I <u>enable</u> my immediate stakeholders and team members to align to team goals and <u>arrive at their individual</u> measurable goals (Performance criteria for team and individual performance).

• Understanding customer needs (Internal and external)

Understanding and satisfying customer needs and expectations as a **directive** to design operational requirements.

☐ I <u>objectively understand</u> the needs (Service levels, timelines, quality etc.) of <u>my customers.</u>

☐ I have made sure that all my immediate stakeholders and team members <u>objectively understand</u> their <u>customer needs</u> (Service levels, timelines, quality, etc.)

• Objectively defining Initiatives (Strategies) to be pursued

Defining objectively key initiatives that you will pursue (to achieve <u>goal / specific objective while satisfying the identified customer needs</u>)

☐ I am clear and understand objectively the key initiatives (Important things) that I need to do to achieve my goals and satisfy customer needs (Service levels / time lines, etc..)

☐ I encourage immediate stakeholders and team members to come up with key initiatives that <u>they would peruse</u> to assist (in alignment) with my goals.

Note: Identifying operational risk can begin only when the key initiatives are further broken down into processes (activities / actions) required to execute key initiatives are clearly established for the leader and team members.
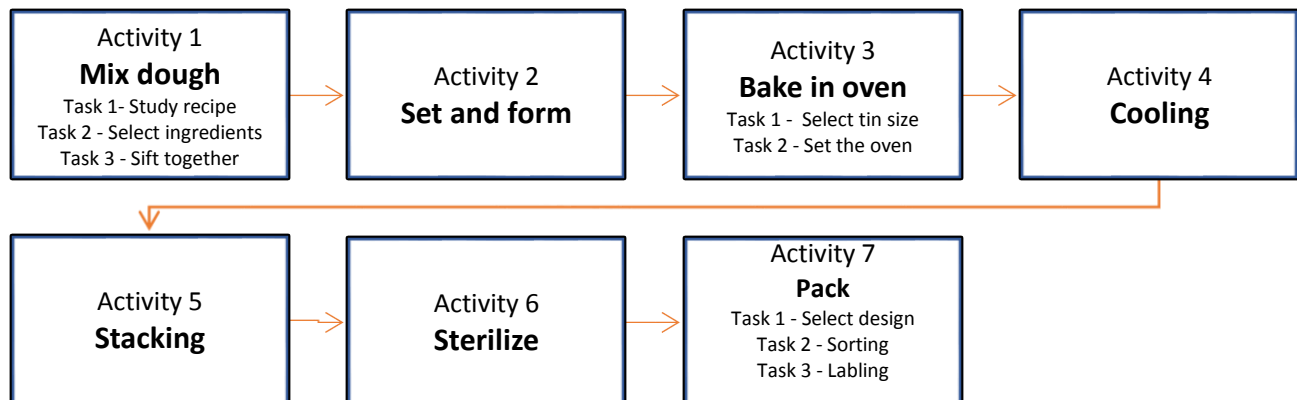
PHASE 2 – Documenting operational requirements

- **Documenting the process to execute key initiatives (Strategy).**
  Creating and documenting the process (actions /activities) to complete on a day to day basis to execute the key initiatives.
  - ☐ I have <u>clearly understood and prepared</u> the <u>process (action/activity)</u> required to execute each of my key initiative/s.
- ☐ I have <u>empowered</u> my <u>team members</u> to understand and document their <u>process (actions/activities)</u>.

Example: If baking a cake is one of the key initiatives then the activities/actions/ process would look like this;

Baking a cake

| Activity 1 **Mix dough**
Task 1- Study recipe
Task 2 - Select ingredients
Task 3 - Sift together | → | Activity 2 **Set and form** | → | Activity 3 **Bake in oven**
Task 1 - Select tin size
Task 2 - Set the oven | → | Activity 4 **Cooling** |

| Activity 5 **Stacking** | → | Activity 6 **Sterilize** | → | Activity 7 **Pack**
Task 1 - Select design
Task 2 - Sorting
Task 3 - Labling |

Process, people, skills and system related risks can be called out documented for each activity / task.

Note: Risks can be identified in relation to the defined operational process, the people, and the systems required to optimally execute. Based on the impact and the occurrence of the risk a mitigation plan can arrived at. To give you a head start, based on our research, here are top 5 operational risks that you should consider while executing your goals/objectives.

PHASE 3 – Identifying the top 5 operational risks

1. <u>People related risks</u>

a) *Risks arising out of skill gaps -* Identifying the skills needed to execute the activities planned (present/upcoming) and building it quickly (right time with the right effort) to avoid any errors, delays and stoppages.

☐ I have identified the skills required to complete each task and made an <u>inventory</u> of <u>skills</u> required for <u>each activity and task</u>.

☐ I have compared and checked to see if <u>I have</u> the required <u>skills</u> to execute each activity effectively and efficiently.

☐ I have made an <u>objective plan</u> (with timelines) to <u>build my skills</u>.

☐ I encourage and enable each of my team members to make an <u>inventory</u> of <u>skill</u> requirement for <u>each of their activity</u>.

☐ I encourage and enable my team members to compare and check to see if they <u>have</u> the required <u>skills</u> to execute each activity effectively.

☐ I <u>encourage</u> my key stake holders to make an <u>objective plan</u> (with timelines) to <u>build their Skills</u>.

b) *Risk arising of not adhering to Process–* Ensuring adherence to process to avoid risks of human error and inefficiency.

☐ I have involved my key stake holders in my team while creating new processes.

☐ I ensure all my team members (New/old) are trained adequately and are aware of usefulness of all process concerning them.

☐ I regularly check for process adherence across my team.

☐ I regularly check for usefulness (for Indented outputs) and ease of use of process across my team.

c) **Business continuity risk in the absence of succession planning** – Investing focused time and effort in building a talent pipeline for key roles to avoid skill vacuums.

☐ I am continuously <u>nurturing potential talent</u> for <u>my role</u> in the organisation
☐ I have identified <u>roles that are critical</u> for optimal execution of strategies in my team.
☐ I have made an <u>inventory of the skills</u> required for each of the <u>identified roles</u>.
☐ I <u>formally assess to identify</u> and have a <u>true development plan</u> to nurture potential talent for the identified critical roles.

2. <u>**Risks arising out of collaborative working**</u> – Lack of consistency and clarity on roles and responsibilities leads to non-collaboration risks hindering execution.

a) *Internal collaboration*

☐ I have clearly and <u>objectively understood</u> what is <u>expected of me.</u> (What others in the chain need from me with timelines). I have planned to adhere to the identified timelines
☐ I have clearly and <u>objectively expressed</u> my <u>expectations</u> (What I need and at what time from the supply chain to complete my work). I have shared this formally to all involved stakeholders.
☐ I encourage my team members to <u>objectively identify</u> their <u>internal collaborative needs</u> and provide on-the-job support in building bringing collaborative clarity.

b) *External Collaboration*

☐ I have clearly and <u>objectively</u> expressed <u>my expectations</u> from all my <u>vendors and partners</u> (What I need and at what time from the supply chain to complete my work). I have shared this formally with all involved stakeholders.
☐ I have clearly and <u>objectively</u> understood the work <u>expected of me</u> to support Vendors and partners. (What my Vendors and partners need and at what time for them to complete their work). I have planned to adhere to the identified timelines
☐ I encourage my team members to <u>objectively identify</u> their <u>external collaborative needs</u> and provide on-the-job support in building bringing collaborative clarity.

3. Risks arising out of Technology supporting operations

☐ I have clearly understood and prepared the process/action/activity required to execute each of my key initiative/s.

☐ I have clearly understood (With the help of the technology team) the right technology and systems that is required for me to execute the process/actions/activities.

☐ I have identified and put in place the right tools that will assist me and my team in optimally executing the planned process/action/activity.

☐ I am clear about the maintenance schedules for all systems and tools in my department and ensure adherence to these schedules.

☐ I continuously and on a very regular basis check for performance of our current systems and plan for scale in advance.

4. Cultural Risks – Risk of not having a culture that supports execution will hinder free exchange of ideas and information effecting execution.

☐ I encourage my team members to openly debate / question while deciding on a point.

☐ I ensure operational discipline by ensuring adhering to process & systems and me doing the right thing, the right way, every time and ensure other in my team do the same.

☐ I have a well thought out plan to recruit the right cultural fit and to build diversity in my team.

☐ I involve all my team members while discussing change and take inputs from them on change management.

5. Customer risks – Risk of rework and stoppages from not completely understanding your customer (Internal/external) needs and by overcommitting. Customer articulates only 60% on his requirement the remaining 40% needs to be got by asking questions.

☐ I listen carefully to understand customer requirements and ask questions (prepared question bank) until I understand the requirement completely.

☐ I understand clearly how my work impacts my customer (Internal/external) life cycle and my team also know how their work impacts the customers (Internal/external) life cycle.

☐ I make sure I critically analyse the capability and strengths of my team and commit work schedules and timelines to customers (Internal/External) accordingly.

☐ I regularly update customers (Internal/external) on the progress and get affirmations and feedbacks.

- **Leaders commitment and responsibilities to mitigate operational risks** -Taking responsibility to identify and mitigate internal operational risks.

  - ☐ I demonstrate through <u>my actions</u> that operational risk accountability is a <u>core value</u> of the team.
  - ☐ I have <u>developed</u> the required capability to <u>train my team</u> and <u>reinforce</u> the importance of operational risk management and its <u>impact on business</u>.
  - ☐ I have involved all <u>my stakeholders</u> in creating an operational <u>risk management framework</u> for the team to <u>use</u>.
  - ☐ I <u>involve</u> all key stakeholders while <u>addressing changes</u>.

Metis has developed an **online assessment tool** to assess leaders on 20 essential execution skills. The assessment tool is based on situational judgment inventories and direct questioning techniques. This tool can be customised to your specific requirement and can be used to assess and develop execution skills in incumbent/potential leaders and also used while recruiting leaders. Do write in to us on rajesh@metisindia.com or enquiry@metisindia.com for more details or call us on **+91 9535566588.**