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MATTHIAS KOLBUSA

TRANSFORM, BUT DO IT RIGHT

Developing more implementation strength
Case Study thyssenkrupp Steel



TRANSFORM, BUT DO IT RIGHT

Transformation projects always involve a lot of hard work. Thyssenkrupp Steel deliberately set out to take people out of their comfort zone. The change process turned the old culture completely upside down. Employees developed target images, used jigsaw puzzle techniques and set the pace in six-month sprints. A detailed workshop report:

BY MATTHIAS KOLBUSA AND CHRISTOPH MARTIN



When asked in February 2020 whether he really wanted to take the CEO hot seat at thyssenkrupp Steel (Tk Steel), Bernhard Osburg didn't hesitate for a second. "Come on, let's finally change what needs to be changed!" was his answer.

At that point, there had already been a rapid succession of occupants in the top executive position. Two CEOs had come and gone within a very short space of time after a joint venture with Indian steel manufacturer Tata Steel had failed in 2019. Tk Steel found itself operating in an extremely difficult environment – there was a glut of Chinese steel, and there were high US import tariffs on steel as well as overcapacities in the European steel industry. In addition to these factors, manufacturing sites in Europe had

meagre order books, resulting in even more pressure. Tk Steel was making heavy losses. As the corona pandemic began to spread across the world in early 2020, it became clear that the steel industry was facing even more problems.

The parent company, thyssenkrupp, had to decide which option was better – selling the division or drawing on its own resources to carry out further development. The executive board in the German city of Essen, decided not to sell but instead to invest some 800 million euros in the Steel division.

Bernhard Osburg was tasked with making things happen. The former Chief Sales Officer had produced a plan even before he took up the position of CEO, starting work on developing the "20–30 Steel Strategy" with his colleagues the previous year. The aim was to regain leadership of the European steel market by significantly reducing costs, by expanding a high-quality product portfolio and by spearheading a climate-neutral, digital future for steelmaking. In concrete terms, this required Tk Steel to produce more CO₂-reduced steel, to expand e-mobility and lightweight designs for the automotive industry, to optimize the

management of sales and production and much more besides.

Although at first glance all of this appeared new, essentially that was not really the case. The problem was not one of ideas but of long-standing strategies and methods. Namely, classic program and project structures (parallel to the line organization) which include a high level of external support. None of the previous transformation programs had succeeded in genuinely mobilizing the Tk Steel team and giving it a perspective for the future. It was thus now necessary to adopt a radical approach. The challenge was to initiate the necessary steps.

The executive board, comprising CEO Bernhard Osburg, CTO Arnd Köfler and new executives Carsten Evers (CFO) and Markus Grolms (CHRO) were in agreement: "We don't have any problem of knowledge, but we do have a massive implementation problem!" The board members also shared another certainty: the business could do better, if only the employees' energy could be rekindled and they were able to regain their sense of pride.

In this article we – Christoph Martin, Head of Controlling, Accounting & Risk at

Tk Steel, and Matthias Kolbusa as external consultant and expert for implementation management – describe how we approached the transformation task. We not only share our successes but also our set-backs and mistakes, because we are convinced that others can learn from them. We go into a lot of detail to make the way we work readily understandable. Some basic knowledge of Objectives & Key Results (OKR) is helpful for reading this article. The transformation has not yet been completed, but we have made great progress on the path to achieving our goals of regaining leadership of the European steel market and producing climate-neutral steel.

The four principles

The executive board understood that the only way for the new strategy to succeed was to adopt a different, “uncomfortable” approach. Sport is not the only field in which the correlation applies that the more we are willing to step outside our comfort zone and overcome internal and external resistance in order to achieve our goal, the greater will be our subsequent success. For example, if a runner wants to improve his time over ten kilometers, then running the distance three times a week instead of twice a week will not be much help. Instead, he needs to do interval training. This is not enjoyable, just as making changes is not enjoyable. The benefit is, however, clear: – as soon as the first successes have been achieved, the participants have an incredible sense of pride and feel motivated to continue.

The same principle applies to a change process: getting things moving calls for resolve, effort and for staying power. But once the first hurdles have been overcome, increased ambitiousness and confidence in one’s own abilities begin to develop. The top team understood the importance of this. Together with Matthias Kolbusa, the four board members decided to deliberately take themselves and the entire organization out of their comfort zone with the new strategy. There were four principles at the core of this decision:

- **1. Clarity:** All 16 strategic fields of action – the so-called “modules”, would be based on a precisely formulated, emotionally communicable target status. Namely, what exactly would have changed in 2025, after achieving success in production, logistics, the automotive sector, digitalization and so on? What exactly did the target image look like for each of the 16 strategic fields of action? What would Tk Steel be proud of in 2025? What would its competitors be envious of?
- **2. Speed:** The target statuses for 2025 would be achieved by means of projects lasting at most six months – whether classic or OKR. Unlike in the

past, there would be no more long-term projects.

- **3. Focus on outcomes:** This is the central aspect of implementation. The board made it clear that every project, without exception, had to deliver within six months at the latest a business-relevant effect that had a direct impact on P&L or on competitiveness, or at the very least made a contribution to these two (see diagram “Risk of confusion” on Page 5). This point was a cause of some discomfort for the organization and – as subsequently proved to be the case – it was one of the biggest hurdles in the transformation process.
- **4. Discipline:** The rule for all projects would be “No project plans!” Not over longer periods, not for the six months. Instead, there would be an obligation to deliver a monthly progress report. Each month, every project team was required to present evaluated progress parameters which demonstrated how much progress it had made towards achieving its six-monthly target status and thus also its 2025 target status.

The four board members understood that these changes would also make things uncomfortable for them personally. It would be necessary to discard familiar management and steering habits. They would also have to develop new mechanisms to be certain that they were on the right track. Easier said than done.

Concept development

March 2020

All beginnings are difficult – especially when it comes to radical change. The fact that there was no separate project organization for the transformation made many managers skeptical. Many executives also felt insecure, because they felt challenged by the new approach.

In March 2020, the first tier of management was brought on board. During a 45-minute briefing call, some 50 top executives were informed about the basic principles for strategy implementation and which steps would be carried out next. This was a big departure from the way things had been done in the past. There were no detailed presentations on what would be done differently this time and what the details would be like. There were also no “change agents” to prepare the organization for the process which lay ahead.

The art of successful change is not to talk about things; it is to let things talk for themselves. Accordingly, we only outlined the rough roadmap and the implementation principles: clarity, speed, focus on outcomes and discipline.

The board encountered great skepticism during

Compact

THE STARTING POINT

In early 2020 things were not looking good for thyssenkrupp’s Steel division. It was in the red and faced with a glut of Chinese steel, high US import tariffs and over capacities. CEOs had come and gone; merger negotiations had failed. thyssenkrupp decided to restructure the division and take a chance on a new CEO with a new strategy.

THE PLAN

Thyssenkrupp Steel wanted to handle every aspect of this transformation project differently to past projects. The decision was taken not to set up a parallel project organisation which would be focused on one procedure. Instead, all the business units participated in the process, writing so-called “target image stories” which described what would be different after five successful years. Breaking all the issues down into individual target statuses and using the OKR method meant that all those involved were clear on what exactly should be achieved and why.

THE SUCCESSES

After completing three implementation sprints the company was back in the black; internal communications had become much more transparent and employees were once more fired up for their tasks. The company had succeeded in switching from push to pull management.

this meeting. Participants complained that there had been no chance to prepare for this. They asked how the transformation would be able to function at all if there were no sensible plans or milestones? The promise that this strategy would enable the organization to perform better than before resulted in open discontent, because it appeared to imply that prior management had been inadequate. There was, however, no denying that previous transformations employing old, familiar methods had, at best, only been partially successful. At the end of the meeting, Bernhard Osburg stated his unequivocal commitment to the new approach: “We will work consistently with target images and give our all to achieve consistent results in short cycles.” The project had begun.

The timetable was ambitious: The next two months focused on the implementation concept. April was devoted to defining the target statuses; in May, the so-called “target image jigsaw puzzles” were standardised while preparation of the first OKRs was planned for June. Following this, the next step would be to embark on the first six-month implementation sprint, which would last until the end of the year. The corresponding speed of work was defined in line with the statement “What counts is progress, not perfection”.

Another difference to prior programs was that there was no separate project organization, no army of external consultants. The strategy is to be conceived and implemented by line managers and no-one else! An internal team of supporters comprising 20 “young guns” – creative, courageous high potentials who liked the idea of sparing with the silverbacks for the sake of the cause – were recruited to work with Matthias Kolbusa to provide line managers with methodological and procedural support.

Target Images April 2020

In order to promote an intensive discussion of the project, the members of the so-called core teams were called on to describe exactly what will have changed in their respective strategic field of action (module) by 2025 and where the benefits lie. The different target images were then discussed and combined into a single target image for each module.

After being fully briefed, the 50 first-level managers were given full responsibility for the transformation process. They formed the Steel Executive Team (SET) and selected from their ranks people responsible for each of the 16 fields of action (modules) that had emerged from the strategy process. It was crucial to the process that

Successful change consists of letting things speak for them- selves.

each field of action was the responsibility of a core team, which was tasked with the concept and with its subsequent implementation, progress and success.

The three to five members of each core team were recruited by the module leaders from different company divisions in order to counter “silo mentality”. For example, the core team in the Leadership and Performance Culture module did not consist exclusively of HR experts – its membership included a manufacturing manager and a production manager. Their task was to work out the target status of their module for 2025.

The supporters’ first job, scheduled for the month of April 2020, was to help the core teams develop clear, precise, vivid, attractive target image “stories” for their modules. The core teams took the guiding questions for the vision of the future and broke them down into elements for the various areas:

- What exactly would the target status in 2025 be like, after a successful, relevant contribution to results had been made in the e-mobility market?
- What exactly would have changed in production, logistics or sales by 2025 to enable Tk Steel’s supplier reliability to set benchmarks for the industry?
- What exactly would a digitalized steel mill be like?

The difference to earlier transformation projects was clear – module participants should not think about which measures needed to be taken to achieve goals or about the methods which had been used. Instead, the focus was on the “What?” (i.e. what is different) and the “Why?” (i.e. the purpose or target).

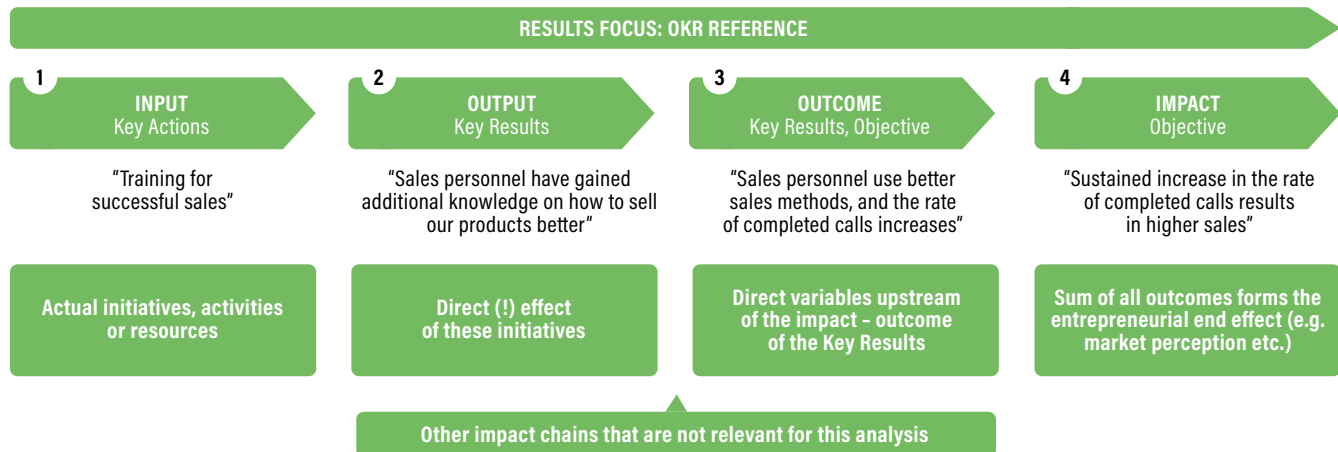
Why was this important? Because two things are required to generate exceptional ability to get things done. Firstly, a clear, shared image of what will be different after success has been achieved. All those involved must see the same vision in their mind’s eye. This cannot be achieved using the customary, abstract, non-committal platitudes (e.g. “optimized process and new delivery structures will make logistics much more productive”).

Secondly, the core team at minimum and later large areas of the organization must be perceptibly “fired up” for the target status, for the vision of the future. Generating a high level of implementation ability is more an emotional than a rational challenge. The target statuses must be attractive enough to make it possible to switch from the usual “push” to the significantly more efficient “pull” management system.

To achieve this, the core teams for all 16 mod-

Risk of confusion

The method: The OKR method (Objectives & Key Results) is ideal for making success readily measurable. However, the terminology often gets mixed up. An OKR consists only of “outcome” or “impact”. It must therefore either deliver an effect (impact) that has a direct impact on P&L or competitiveness, or at least an upstream effect (outcome).



ules were tasked with imagining that they were journalists and had climbed aboard a time machine to travel five years into the future. Once there, they would write an article for the company magazine describing what had changed in this time and what the impact had been. This article should take the form of a two- to three-page essay, because having to put pen to paper forces people to think.

Not everyone was enthusiastic about the task, but once the team members had got down to work, they found that they were actually enjoying the challenge. It goes without saying that the first versions of the essays were not exactly what we needed. Instead of providing us with clear images in our mind's eye, we, the readers, were presented with a mish-mash of abstract, relative statements. We encountered wording such as "...and by integrating our customers into new product development we not only improved acceptance and customer loyalty but also increased our cross-selling rate and turnover". This was, at best, a vague image full of abstract and, in the final instance, meaningless statements. Who had been integrated, into what and how? Into the development of which products? What acceptance had improved, for what and by how much? By how much had which cross-selling rate to which other products increased?

The supporters provided the authors with clear feedback, including school-

style grading. Following this, the essays had to be re-written for as long as it took for all of them to reach at least a Grade 2 (equivalent to an English Grade B). The process of delivering really good content was sometimes an excruciating struggle, while other authors found it frustrating. And that made the core teams all the prouder of the final results. Their target image stories were bursting with facts, figures, data and examples from the future. It was obvious that the teams were now on fire for the transformation program and had begun to think about it in great detail.

In the next step, the core teams discussed the different target image stories. Every individual had to study their team colleagues' essays in detail. With the help of the supporters' moderation, the three to five different visions for the future were merged into one single consolidated target image story for each module.

The last stage of this four-week process was a meeting with the executive board to go over the 16 modules' consolidated target image stories. The four board members split up into two teams, acting as board-level "godfathers" for their modules from then on. When preparing for the concluding target image discussion, the board members had to complete exactly the same task as the core team members before them, namely to analyse the essays according to four criteria: 1.) What were the genuine highlights? 2.)

What didn't I understand? 3.) What did I feel was missing? and 4.) What aspects of the vision for the future didn't I share?

Having defined the target image stories and thus also the strategic target statuses, all that was left to do was to make a systematic comparison. Could the corporate goals regarding EBIT, market share and supplier reliability be achieved via the target statuses? In some cases, the strategic business cases for each module had to be used to adapt the targets and target statuses accordingly. The key task was to create a cohesive overall system which everyone could support wholeheartedly.

Target image jigsaw puzzles May 2020

Two of the four core principles for exceptional implementation performance had been met after the first four weeks: It was clear to all participants which target states (What?) and which target (Why?) were to be achieved. But what were the central themes of the respective target picture story?

Which individual target states (also called puzzle pieces) were required for this? This was precisely what the core teams were to work out in the next step. The desired result: a puzzle composed of all relevant individual target states for each of the 16 fields of action. In addition, a decision was to be made as to which of the 30 to 50 puzzle pieces created per module would be tackled in the first six-month

implementation sprint. This was no easy task, because it was clear from the outset that more than a handful would hardly be possible.

The target for the next four weeks was to generate focus and discipline – the two other preconditions for genuine implementation strength. To achieve this, a structure which clearly identified priorities and answered the question of what the teams should focus on during the coming implementation sprints was required.

TkSteel employed the so-called “target image jigsaw puzzle” method for this purpose. Each module broke its target image story down into 30 to 50 individual target statuses described for emotional impact – so-called “target image puzzle pieces”. Working with their supporters the core teams asked themselves “What are the key issues around which our target image revolves?” For example, in the case of the “Climate Strategy” module, which was concerned with CO₂-neutral steel, these issues included energy & reduction agents, technology and financing. In the case of the “Automotive” module, they included e-mobility, lightweight engineering and Sales 4.0. These issues, the so-called “cornerstones” of each module, provided the basic structure for the target image jigsaw puzzle. Copy & paste was used to comment on the target image story’s cornerstones and the relevant text passages. The latter were then used to identify the central individual target statuses for 2025 – the puzzle pieces! A maximum of five puzzle pieces could be selected for each cornerstone. (See the illustration on Page 8).

In this context, it was crucial that each individual puzzle piece had an outcome and impact quality to ensure that the subsequent six-month implementation sprints were genuinely productive. If you already use OKR, you will know that an OKR consists only of “outcome” or “impact”. In fact, the puzzle pieces had to show both. They were required to deliver an effect (impact) that was made a direct contribution to the profit and loss account or business competitiveness and to describe upstream effects consistent with the objective (outcome). There could be no input (“How?”), no abstract or

unclear statements and, wherever possible, no relative statements.

A well-defined puzzle piece always includes the desired status change (the “What?”) and the resulting effect (the “Why?”). For example, one of the puzzle pieces created for the Technology as Enabler cornerstone of the “Digitalization” module was the use of cloud computing to achieve more standardization (50 percent fewer interfaces) and the reduction of IT costs by 20 percent. In this context, the following rule applies: Concise target statuses (“What?”) must always be combined with a business-relevant effect (“Why?”) for every puzzle piece.

The core teams clearly enjoyed working on the puzzle pieces. Taking their good target stories as the starting point and working together with the supporters, they had no difficulty in developing a clear jigsaw puzzle structure. As a result, everyone felt extremely satisfied when the task had been completed, with many participants commenting: “How cool! We can see right away exactly what we want to achieve in the coming years and the reason why. There will be no battles with vague presentation slides because there is just one single sheet!” A clear, simple structure had been created which nevertheless included all the necessary content (Implementation principle of Clarity).

Following this, the board members turned their attention to the target jigsaw puzzle. They noted potential priorities, identified puzzle pieces which they didn’t completely understand, highlighted the pieces which they considered less relevant and made additions to others. Both the core teams and the board members viewed these meetings, chaired by the relevant module supporters, as beneficial, clearly structured and focused. The focus this time was again on the “What?” and the “Why?” rather than the “How?”, which normally tends to be the case.

The discussions with the board members, combined with the core teams’ prioritization work, provided an initial indication of the issues which the first implementation sprint, scheduled to begin in July 2020, should focus on. The question was, which five puzzle pieces should be prioritized with the objective of

achieving a relevant partial target status by the end of 2020 and what effect (outcome or impact) should these pieces generate?

Only a handful of the puzzle pieces for each module – on average 30 to 50 – could be chosen. The rationale behind this was that it was better to make one kilometre of progress on five issues rather than just a few metres on 50. In conventional implementation management, it is difficult to prioritize goals and the major projects associated with them; nothing really has priority. The reason for this is structural: the projects are geared toward a major benefit in the long term, but quite a few hurdles have to be jumped over before this can be delivered. The thinking behind the target image jigsaw puzzle is very different. Absolutely every single puzzle piece has an autonomous status (the “What?”) combined with a resulting business benefit (the “Why?”).

Identifying interdependencies

May and June 2020

The core teams analyzed the target picture stories and target picture puzzles of the other fields of action: Where were there overlaps, where were there dependencies? For related cases, some pieces of the puzzle might need to be relocated and fine-tuned in terms of content. The target picture puzzles revised in this way formed the basis for prioritization: For which four to seven puzzle pieces of each module did we want to make a leap forward in the next six months?

To make progress, cross-module interdependencies had to be taken into consideration when setting priorities. For example, the e-mobility target of the Automotive module could only be achieved if certain target statuses (puzzle pieces) in the Digitalization, Innovation Management or Production Network modules were also achieved. Consequently, the next step focused on identifying interdependencies. If one piece of the puzzle is missing, the whole thing won’t fit together.

Each core team first examined where it saw interdependencies between its own puzzle pieces and those of other teams, and vice versa. This made it clear who required what from whom in order to be

able to successfully achieve their target.

During this phase, all the teams had to study the other modules' target image stories and target image jigsaw puzzles in detail. Never before had a Tk Steel Automotive manager explicitly considered production strategy, let alone someone from logistics having to spend a significant period of time examining the digitalization strategy in detail. This was where the clear, simple, standardized structure of the target image jigsaw puzzle for all modules paid off. Everyone was able to familiarize themselves with the other modules' strategies and target image jigsaw puzzles very quickly. For this purpose, they used ProgressMaker, a web tool developed together with Matthias Kolbusa.

Because all modules in the web tool were systematically edited in the same simple structure, this enhanced their accessibility. For example, employees from the Digitalization team were able to quickly and easily find out about the Automotive strategy. A single glance at the target image puzzle sufficed, because the eight central themes were edited and structured in exactly the same way as their own in the Digitalization module.

The most pronounced interdependencies that were identified related to interdisciplinary issues such as "leadership and performance culture", "digitalization" and "e-mobility". The core teams for all the modules came together for two days to discuss these interdependencies, ensuring that all interrelationships could be understood, confirmed, corrected and/or added to.

The discussions had two effects: firstly, the teams began to feel that they were working together to achieve a common goal and that they truly understood each other; secondly, by exploring all the modules the participants were able to identify which priorities they might need to change in their own jigsaw puzzles. This was the first time that such in-depth, cross-organisational consideration of key issues had taken place. Initially perceived as a nuisance, it was now seen by all as extremely helpful that there was no discussion about the "How?" and thus the individual measures (input).

After three months of strenuous conceptual work, all the target statuses, including priorities, had finally been defined for the first six-month sprint. In addition to this achievement, clear and transparent communications between all employees had been established almost as a by-product. No PowerPoint battles had to be waged before each core team was able to present a clearly understandable vision of the essence of its target image and target image jigsaw puzzle to the company's 3,000 executives. Subsequent employee surveys

revealed that responses to the questions "Do you understand the corporate strategy?" and "Do you know what your contribution is to the corporate strategy and thyssenkrupp Steel's success?" had shot up from 1.5 for the first and 2 for the second to over 4 in both cases (on a scale of 1 to 5, with 5 the best).

The teams' collaborative work had been used to compile a "Tk Steel Strategy Booklet" which drew on the target image story for each issue. By means of a mission statement and jigsaw puzzle, the booklet presented the plans for what was to be achieved and what had priority in the coming six months to all the employees in an understandable way. Everyone had access to Progress Maker and could view its content. The only issues with restricted access were those requiring worker co-determination and/or which were sensitive, such as the Restructuring module.

It was now June. The prioritised puzzle pieces needed to be prepared for the upcoming six-month implementation sprint. To do this, the same principle was applied as for the target image stories and jigsaw puzzles – the teams took a mini six-month journey forwards in time for each prioritised puzzle piece. And the question they had to answer was also the same: "What exactly will have changed in six months compared to now, and what will the impact have been?"

OKRs

June and July 2020

The end of the first and decisive phase for subsequent implementation was in sight: the target states of the prioritized puzzle pieces still had to be clearly systematized for the subsequent six-month implementation sprint and consistently adapted for outcome and impact. The goal was to get the approximately 140 OKRs onto the starting blocks and begin the sprint.

Tk Steel employed OKR methods (Objectives & Key Results) to enable progress over the coming months to be measured. This method uses clear target statuses which are formulated in two to four sentences (objectives) and defines two to three progress parameters (key results) to show each month how much progress has been made towards achieving the target status. An OKR always refers to the individual target status of a puzzle piece.

This phase was critical to success: the aim was to prevent at all costs a relapse into old habits. The company was not allowed to fall back into thinking in terms of processes, milestones and activities. A considerable source of friction was the non-negotiable requirement that every OKR had to deliver at least one outcome (i.e. an upstream effect) after

Book

On methodology:

John Doerr
OKR
Objectives & Key Results
Vahlen 2018,
254 Pages, 24.90 Euro

If you are looking for an introduction to the subject, it is worth reading John Doerr's book "OKR". Doerr is one of the stars of the investor scene. The chairman of the venture capitalist Kleiner Perkins helped companies like Amazon, Google or Twitter to make money, generate ideas and achieve success. Several of the companies he financed use the OKR management system (Objectives and Key Results). In his book "OKR", Doerr provides a vivid description of how the system works in practice.

All-round transparency

The target image puzzle: What are the central themes of the respective target image story? Which of them are so important that they form the cornerstones of the modules? What do the puzzle pieces making up the target image look like? And, very importantly: Are we making progress with the transformation process? At Tk Steel, anyone and everyone in the company can visualize all of this by means of a web tool (here's an example).



six months, or even better, an impact (i.e. an effect that has a direct impact on profit and loss or on competitiveness). Consultant Matthias Kolbusa and the supporters clashed with the module leaders and their teams. The supporters' task was to enforce this principle with the responsible core team leaders and the OKR owners appointed by them.

It was crucial not to deviate here. The first golden rule of progress states that an OKR may only consist of outcome or impact. This is the only way to achieve the

desired ability to get things done.

The second golden rule of progress that Tk Steel imposed on itself states: In order to apply the second golden rule of progress (progress which can be assessed on a monthly basis) every OKR must include two to three key results which firstly demonstrate an output or an outcome, and secondly grow each month. For every key result!

What appears to be obvious from a theoretical point of view is much harder to implement in practice because it is

one of the biggest changes in terms of all the participants' thought processes and actions in comparison to the past. The objective was that, at the end of the sprint, all participants should see that not only had a great deal been achieved (input orientation), but also that progress had really been made in an assessable way (output/outcome orientation).

A helpful and decisive factor for Tk Steel in this regard was that the OKR teams were not given any instructions on what they had to achieve by December –

neither by the executive board nor by the module managers. Management's only task was to prioritise the puzzle pieces. The OKR teams bore sole responsibility for deciding which aspects of the puzzle piece's target status (which often lay two to four years in the future) should be achieved as an objective by December.

To ensure that both these demands were met, the supporters embarked on a massive moderation marathon in June and July 2020. They had to ensure that the 16 modules, each with their four to seven prioritised puzzle pieces and corresponding OKRs (in total around 140 items), had all reached this level. On no account should team members relapse into a long-term project mentality, where it would be years before business-relevant contributions were made.

The executive board only became involved in the process after the supporters had given methodological approval for the OKR reviewing progress. The OKR was then placed on the launch platform for the first six-month implementation sprint.

Implementation

July till December 2020

In the first six-month sprint for implementation, some things were still unfamiliar and felt non-standard. In particular, employees were used to working through milestones and long-term, detailed planning. Instead, everything now revolved around progress, which had to be recorded and checked month by month.

Phase Two, the actual implementation management process, could now begin. Good implementation management comprises two cascading cycles – one long, one short. The six-month implementation sprint is the long cycle. Every six months, the modules, their target statuses and the puzzle pieces are reviewed, corrected, restructured and, where required, reinforced. This ensures that the strategy – in other words the target statuses to be achieved – is always up to date. Every six months, any insights which have been gained and any basic conditions which have changed are systematically reviewed. Strategy thus becomes a continuous process instead of a recurring, flurryburst of frenzied activity. The short cycle revolves inside the long cycle. Its goal is to generate small-scale progress month on month within the scope of the six-month cycle, namely for all the key results of all the OKRs.

For Tk Steel, this was a completely different form of program and project steering, both for the executive board and also for the individual project teams. For decades, steering committees and deep dives had conditioned them all to focus on plans

Speed was defined by the maxim: "It's about progress, not perfection"

consisting of activities and milestones: "Where do we stand in relation to the plan?"; "Where are there deviations?"; "Why are there deviations?"; "How can we counteract them?"; "How does this impact the overall plan?"

Such questions were no longer relevant for the monthly progress meetings each module team had with the executive board. All four board members scheduled three hours a week to meet each other to discuss four of the 16 modules in detail. Each module was assigned its own fixed monthly slot. Something else was also new – networking and transparency. Modules with a high level of inter-dependency were discussed at the same meeting. Portfolio modules such as Automotive or Industry were thus grouped together with modules such as Sales/ Production Steering, whereas Digitalisation was grouped with Logistics because of the large overlap.

Mutual understanding increased, as did the cross-departmental desire to work together to solve issues. Another additional feature of this new transparency was that every one of the company's 3,000 executives could take part in the weekly video-call meetings if they so wished. Within the scope of the monthly sprint, this enabled them to obtain information directly from source on the modules, their priorities, progress, problems and the decisions required. This not only proved to be popular with the executives but also generated a stronger team spirit and resulted in more open dialogue between them. "No How" became a watchword in these progress meetings. There were to be no more discussions on the "How?". Instead, the focus was to be on the "What?" and the "Why?".

Relearning for leaders

Planning took place within the OKR team, no longer at management level. This initially caused difficulties for both the board and the management level directly below it.

Bernhard Osburg still remembers well having to continuously suppress the urge to ask about the plan for the next six months. And instead to go through the same three questions for every module every month:

- Will you be able to achieve the desired target status by the end of the sprint (objectives)?
- Is progress being made everywhere, in other words are all the key results growing?
- What conditions for further progress and decisions are required in the coming months which we as the company's management board need to take care of?
- What decisions do we have to make for this?



Matthias Kolbusa

Matthias likes to go outside his comfort zone. The consultant for strategy and change processes regularly travels to the USA for Navy Seal training. This is discomfort at its most extreme: merciless physical exercise in the cold sea for days on end, including dragging logs ashore. Why does he do this to himself? As Kolbusa writes in his book 'Management beyond Ego', it's about "confronting one's own ego ... and developing to a higher personal level". He also expects maximum discomfort from the companies he advises. Thyssenkrupp Steel is his latest case, and he traces its development path he in this issue of our magazine.

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Transform, but do it right

Previously, an extensive system of plans had given the executive board the feeling that everything had been taken into account. However, the detailed planning had a flip side: No one knew exactly what to do when success was delayed due to unforeseen developments, costs got out of hand and the fear of failure grew ever greater. Plans convey only apparent security. They create enormous complexity that does not add value. It is wiser to approach things in such a way that there must be progress-based success after six months at the latest. This is where the crucial difference lies compared to previous attempts to get Tk Steel back on its feet. And perhaps it is even the secret of good implementation management: sprinting from mini-success to mini-success and making regular progress on all initiatives.

As here in this article, the meetings at Tk Steel were repeatedly told that a success by definition can only consist of an outcome or impact. All that matters is effects that can be measured. Not activities that get done (input), nor concepts (output). This is a subtle but hugely relevant distinction that is often disregarded when companies use OKR. Many are only superficially agile and, in reality, are usually even more sluggish than before. Contrary to their initial ideas, the Automotive team at Tk Steel decided not to limit their OKR to one concept for handling the market outside of Europe at the end of the six-month sprint. Additionally, their target was to obtain at least two promises of letters of intent – i.e. the outcome.

The new structure provided more transparency and clarity. But it was time to end an era in which important activities took place behind closed doors and information was only shared if it was considered worthy of this. Everyone at Tk Steel was now allowed an insight into the process – what happened where and what progress was being made. From this point on, it became more difficult to conceal any lack or paucity of performance. Despite this – or perhaps because of it – the organization struggled with the innovation and its rules. For some top executives, transparency was simply annoying.

The biggest challenges

Not only did many people have difficulty coming to terms with the new transparency, but also with the strict principle of progress: Some participants in progress meetings expressed surprise when asked by the board members or program controllers why no progress had been measured for a specific key result. For example, there was a certain

head of division who, within the scope of one of his OKRs, aimed to increase process performance in a certain area by 10 to 15 percent. When faced with this question at his second monthly sprint meeting near the end of the year, he responded: "What do you mean!? We've identified 25 items in comparison to last month for our 'Number of identified process potentials' key result?!" "And that's great!" was the answer, "but your other two key results for this issue haven't improved."

This example was not an isolated case. During the first implementation sprint, many managers also had to be reminded of the second golden rule of progress (generate progress for all key results), only to then respond "But that's not possible! We have to complete our analysis before we can begin with realisation." The supporters had to stop the old hands in particular from producing a detailed project plan for the next six months!

As was only to be expected, the first monthly sprint proved to be a mix of learning experiences and successful implementation. After the first three monthly meetings, everyone started to have their first positive experiences and give positive feedback. For example, the senior procurement manager at Tk Steel, who said with a smile: "It's actually pretty cool to be able see how much progress we're making each month and not just in terms of completing tasks but by using those annoying output and outcome parameters."

**The sprint changeover
January till June 2021**

The first implementation sprint didn't go at all badly. To ensure that the second sprint would go even better, the experience gained in the first phase would be evaluated and taken into account.

One of the experiences gained during the sprint phase was that many participants were unable to achieve their goals. The target status aspired to for numerous OKRs (i.e. the objective) was too ambitious. And that was intentional, because if you are taking part in the high jump and your target is to achieve 2.5 meters, 2.5 meters is all you will jump. If your aim is to jump four meters, you may achieve three!

Not everything went smoothly, especially at the beginning. But as it turned out, the teams had every reason to be proud of their achievements in the first sprint: Instead, having achieved just under 80 percent of the OKRs, they could be more than satisfied with the outcomes and impacts which they had achieved in just six months. The OKR team for the Automotive module, for example, not only obtained two letters of intent from

non-European partners but also binding nominations, while Logistics had already been able to achieve a significant improvement in process efficiency in some areas.

In addition to this, the very first impacts for financial indicators had been achieved – after a long period of being in the red, the months of October and November 2020 closed with a positive EBIT.

As 2020 drew to a close, attention turned to reflecting on what had been learned from the first implementation sprint and what should be taken into account when planning the second (from January to June 2021). The target images of the modules were systematically reviewed and refocused. When reviewing raw materials procurement, for example, it was ascertained that the target status which was aspired to, namely procurement partnerships, no longer made sense or that the funding mechanisms for “green steel” within the scope of EU climate strategy deviated from the assumptions which had been made in the previous summer.

Good strategy work means regularly adjusting target statuses every six months. Thanks to the clear structure which had been created, this was a simple task. The target statuses for some puzzle pieces had to be corrected; others had to be deleted or amended. Once this had been completed, it was time to get started on the tasks of modelling and discussing cross-module interdependencies; setting the related jigsaw puzzle priorities and formulating the target statuses (OKRs) for the prioritized puzzle pieces with their outcomes and impacts for summer 2021.

Although continuing to be ambitious, the OKRs were also better in terms of their methodology, while, in accordance with the second golden rule of progress, the key results became better and better. All of them actually grew month on month, becoming the linchpin for all thought processes and actions. The teams now felt pride in their achievements, which motivated them to become even better in the coming six months. Progress Maker filled up with corresponding entries and, at the beginning of 2021, the second sprint was embarked upon with more routine and energy than the first.

Having now arrived at the end of the year 2021, the third implementation sprint is coming to an end and key productivity and results indicators show that this new form of strategy implementation is enabling Tk Steel to address issues faster and more efficiently. In any case, the development is clearly pointing in the right direction.

Conclusion

The process described here has been designed solely for the purpose of achieving thyssenkrupp Steel's key corporate targets more consistently and quickly. Having regained its position as the European steel market leader with an output of 11.5 million tonnes of steel, the company now aims to produce an increasing quantity of climate-neutral steel and to generate reasonable profits in doing so.

To achieve this ambitious goal, 16 core teams first drafted a target image and organized it using target picture puzzles. The core question was: “What will be different in 2025 so that we achieve our three top goals?”

Board members and executives focused on the “What?” and the “Why?”, rather than on how certain processes and measures should look. The new target statuses were transparent and backed up with precise figures. Every employee in the company could see where the team or company stood, down to the exact percentage point.

Such an approach deliberately avoids large-scale and long-running projects. Instead, the management team at Tk Steel now consistently focused on six-month projects that were geared to the outcome. During the process, silo behavior was broken down in many places and gave way to networked thinking and action.

The realization that success in six-month cycles can only be achieved with the help of a new focus on results, discipline and mutual support also contributed to this. The systematic and transparent presentation of mutual dependencies and the resulting joint roadmaps also supported strong collaboration within the company at all levels.

Tk Steel has its sights firmly set on its target images – but the year 2025 has not yet arrived. When it eventually comes around, even that point in time will only be a stopover. After the first three six-month implementation sprints, it is clear that Tk Steel has managed to shake off inertia and is transforming itself into a company geared to progress. The team is more motivated and focused.

Things are also progressing on the economic side, as evidenced by the improved EBIT in October and November 2020. The successful market launch of CO₂-reduced steel will have an additional positive impact on results. Until the targets of 2025 or even 2050 – when steel is to be produced in a completely climate-neutral and highly profitable way – are reached, it will take quite a bit more in the way of implementation sprints. All the structures and processes are now in place to achieve this goal. ♥ © HBM 2021

Authors

MATTHIAS KOLBUSA

Is a strategy and change expert, author of management books and a keynote speaker. In his professional capacity as a consultant, he assists multinationals and leading SMEs to address issues relating to the implementation management of strategies and transformations. He has published numerous books, most recently “Management beyond Ego“ (Ariston 2020).

CHRISTOPH MARTIN

Is Head of Controlling, Accounting & Risk (CAR) at Tk Steel. In 2019 he became Head of the Strategy Department with responsibility for the 20-30 Strategy.

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