

The Gartner logo is positioned in the top left corner of the page. It consists of the word "Gartner" in a white, sans-serif font, with a registered trademark symbol (®) to its upper right. The background of the entire page is a photograph of a modern architectural interior, featuring a large, curved concrete wall on the left and a series of concrete steps leading up on the right. The ceiling is a complex, curved structure with a grid of perforated panels, through which natural light is streaming, creating a dramatic play of light and shadow. Two vertical orange bars are placed on either side of the main title, framing the text.

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Gartner Strategy Leadership Council

Strategy Execution: A Practical, Proven Example

An Interview With Jabil's Vice President of
Strategic Planning

When client after client asked Jabil to hold on to inventory because of market constraints they faced, executives at Jabil were happy to oblige. They kept the old mantra in mind: The customer is always right. On its own, each accommodation seemed like a small favor. But in the aggregate, the extra products piled up, causing Jabil to fall short of its working capital target and constraining its ability to invest in other areas.

This is just one example of a too-frequent phenomenon: Outside noise that drives teams to take steps that limit their companies' ability to achieve strategic goals. And now, with companies pushing away from their core business and pursuing enterprisewide initiatives that rely on greater connectivity, there are even more chances for execution to go wrong.

In the past, firms relied on regular performance reviews to get back on track after making bad trade-offs. But in a fast-changing world, these reviews often come too late. Dave Miller, Jabil's vice president of strategic planning, decided to take a new approach. Instead of addressing the outside forces that threatened corporate goals, Miller chose to focus on the reactions within.

Miller had an epiphany: While the range of things that can happen outside the company is effectively endless, the number of mistakes the company might make in response is limited. Miller interviewed senior executives, analyzed historical performance and worked with the board to compile an inventory of all the trade-offs that were repeatedly impeding his organization. In the end, he had a list of 20 decisions that derail execution at Jabil.

With that list in hand, Miller developed early warning signs and response plans to keep execution on course.

About Jabil Inc.

An electronics manufacturing services firm headquartered in the Gateway area of St. Petersburg, Florida. Jabil has 100 plants in 28 countries, and 170,000 employees worldwide.



Dave Miller
VP, Strategic Planning

Photo Courtesy of Dave Miller

Inventory of Potential Trade-Offs

While exploring all the different trade-offs senior leaders made at Jabil, Miller separated critical trade-offs into two categories (see Figure 1).

Strategic decisions involve sacrificing the plan outcomes. These can land a hard blow to the company's progress but are also typically well understood and well evaluated.

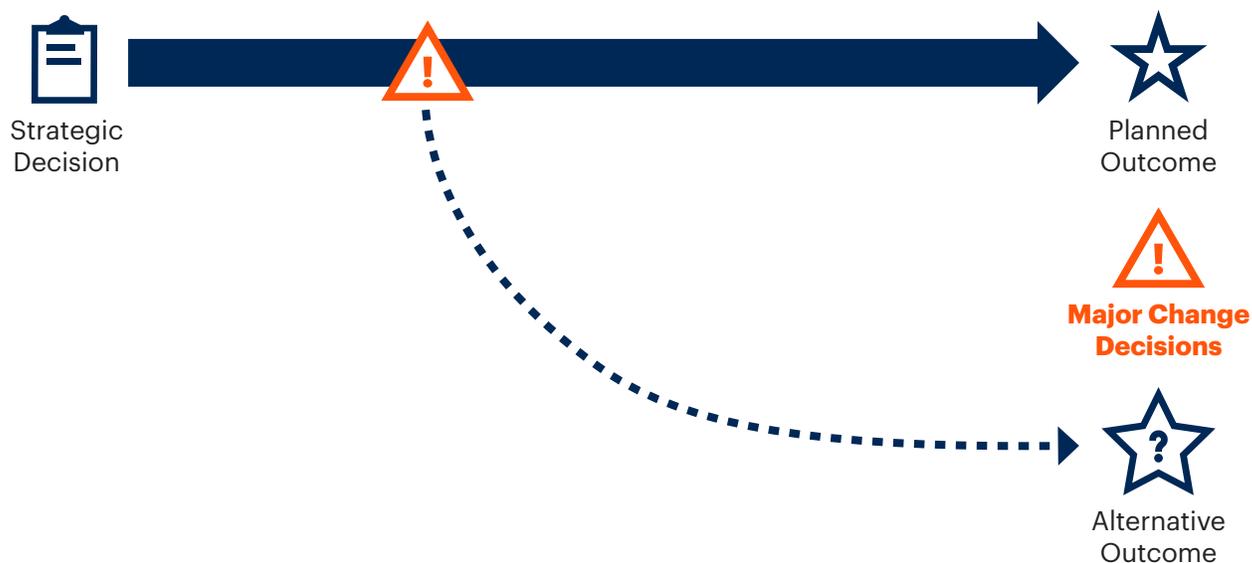
Major change decisions are actions that would take the business beyond guardrails established (or implicit) in strategic decisions. While strategic decisions represent a shift in what the organization is trying to do, major change decisions reflect a shift in how to get there.

In the end, major change decisions can pose the greater threat, as few stakeholders recognize or prepare for the fallout.

To address the threat, Jabil shifts executives' focus to address trade-offs that occur earlier in the execution process and to explicitly consider what outcomes major change decisions can affect.

Throughout the process, Miller also identified a number of operational decisions that may not harm strategy on their own but can add up to trigger a major change decision. Instead of ignoring these smaller actions — such as holding additional customer inventory — Jabil sees them as potential leading indicators of a bad trade-off to come.

Figure 1: Types of Trade-Offs Made During Execution



Source: Adapted from Jabil

Behavioral Scenario Planning

While uncovering potential trade-offs is straightforward, changing executives' behavior during execution is not. To help achieve this, Miller took two activities from strategy's traditional toolkit and applied them in a new context:

Assumption testing — Miller met with senior executives to uncover some of the key assumptions they had about execution plans. This practice is commonplace enough in strategic planning but can be new and uncomfortable for executives who have never participated.

Scenario planning — Scenario planning is typically reserved to forecast the external landscape, but to make the scenarios more tangible, Miller asks executives to examine their own behaviors. The executives consider what could happen that would lead them to

make either positive or negative changes to the plan. In doing so, they establish the most important metrics and then isolate and monitor the most important drivers of trade-offs. Most importantly, they develop mitigation proposals, and Jabil gets assurances from executives on how they will handle each scenario (see Figure 2).

An Early Warning System for Trade-Offs

With a good idea of what to expect, Jabil employs an early warning rating system that relies on quantitative and qualitative measures to determine a trade-off's risk level over the next 12 months. For quantitative metrics, Jabil combines those that Miller uncovered during scenario planning with the operational decisions identified in the beginning of the process. For qualitative measures, Jabil conducts a semiannual survey of executive sentiment.

Figure 2: Behavioral Scenario Planning

Illustrative

Decision	Key Assumptions: What is underlying the current target or decision?	Change Scenarios: What might cause us to make a major change decision?	Metrics to Watch: What indicators tell us a trade-off might be approaching?	Mitigation Proposal: What could break or soften trade-off impact?
Change Working Capital Target	<ul style="list-style-type: none"> • Customer base will remain healthy. • ... 	Positive Scenarios for Change Demand picks up, requiring additional capacity.	Difference in sales forecast and production schedule	Acquire smaller market players.
		Negative Scenarios for Change Declining end-consumer demand increases requests from our customers to hold inventory.	Changes to customer contract terms and conditions	Focus on providing other service support rather than holding finished inventory.

Source: Adapted from Jabil

Miller identifies any changes in either group of metrics that may indicate the potential for a trade-off and determines the best response. For instance, trade-offs involving compensation targets present a risk only to one business unit, which can likely address them in its individual review. Adjustments to the working capital target, however, present risks for multiple business units and require an enterprise-level response (see Figure 3).

A Newfound Stability

After deploying this practice, Jabil found a significant drop in the number of unnecessary trade-offs. The company estimates that, after

implementing the new framework, the time needed for certain executive decisions fell by 75% and the number of strategy-aligned decisions doubled. As a result, Jabil can maintain alignment with the strategy throughout execution, greatly increasing its ability to reach goals regardless of what’s going on outside.

This white paper is adapted from an article in the Q3 2019 issue of *Fi.r.st. Quarterly Journal*. Download the latest journal at gartner.com/en/publications/first-journal.

Figure 3: Early-Warning Heat Map
Illustrative

- Low Risk, Steady Trend
- High Risk, Steady Trend
- Low Risk, Accelerating Trend
- High Risk, Accelerating Trend

Key Strategic and Major Change Decisions	Likelihood of a Trade-Off		
	BU 1	BU 2	BU 3
Major Change Decisions Adjust Working Capital Target	■	■	■
Accept Variance — ROIC	■	■	■
Strategic Decisions Compensation Targets	■	■	■
Approve Enterprise Targets (R&D Portfolio Allotments)	■	■	■

Source: Adapted from Jabil

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