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Your Role as CEO Mastering the Discipline of Execution

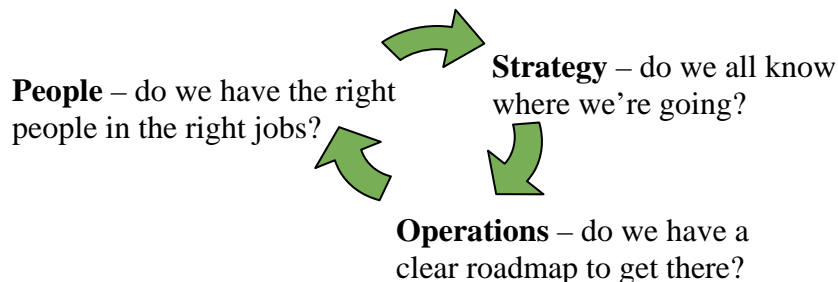
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Successful execution is the CEO's most important job. Wine business leaders who are deeply and actively engaged in directing their organization increase the probability of achieving profit goals and building stronger businesses that thrive over the long run. Without strong execution practices, wineries frequently miss plan projections by years and millions of dollars in revenues and expenses.

Much has been said about the importance of such things as strategic planning, innovation and culture. Execution is seen as the tactical side of business – something to be delegated to others. Nothing could be further from the truth. Execution is a leadership discipline - a set of practices and behaviors that must be instilled in the way a company operates. Instilling and maintaining that discipline is the job of the CEO.

3 Critical Elements

To master execution, the CEO must consistently drive and link together three critical elements, the three core processes of any business:



Strategy

Developing strategy is first and foremost about setting clear goals that define what success means for your winery and making choices about how it will compete and win in the marketplace.

Operations

Managing operations means having an annual plan that identifies specific programs aimed at achieving strategic goals. The operating plan is more than the typical budget in that it includes product launches, production plans, marketing programs and sales objectives. This plan ensures the company has measurable goals that support its long-term direction and mechanisms to regularly track progress and results.

People

Execution ultimately occurs through people. Strong businesses make sure they have the right person in every job, as well as the necessary people management processes that support their success and continued development.

Scorecarding: How are you doing?

One way to quickly assess how well you are instilling these practices in your organization is to complete the Scion Advisors “Scorecard” shown in abbreviated form below. Our complete nine-section scorecard is used for comprehensive business evaluations (from financial management to sales and marketing practices), but for this purpose we have chosen the three sections that are the primary focus of the CEO.

Scion Advisors Scorecard Abbreviated Version ©2007		None	Some	Done Well
Strategy. Do we have an approach that includes:				
a. Actionable and measurable strategic objectives				
b. Annual strategic planning process that involves the leadership team				
c. A living document that is flexible and updated regularly				
d. Core values and culture defined, communicated and executable				
Operations. Do we have:				
a. An annual operating plan and budget which supports the strategic plan				
b. Agreed to by the executive team and Board				
c. Cascading goals and priorities for each manager/department				
d. Performance management process that defines key performance indicators				
People. Do we have:				
a. Appropriate people supporting:Sales and Marketing			
Production and Operations			
Finance & Accounting			
General Management			
b. Hiring and promotion process				
c. Compensation policy aligned with market				
d. Well defined, competitive benefits package				
e. Roles and responsibilities written				
f. Succession strategy (for key positions)				
g. Employee review and feedback process				
h. Employee development (aligned with company goals)				



Interpreting the Scorecard

If you scored “Done Well” on at least 13 of the 16 items, you have a strong foundation for successful execution. If you rated “none” or “some” in several areas, and you are serious about execution, you need to work to create or improve those practices over the next year.

Many small wineries are lacking in almost all of these practices. If you find yourself in that situation, do not despair! It is not necessary to put everything in place at once. The best approach is to pick the first item from each of the three sections (Strategy, Operations, People) and commit to address them over the next 12 months. Then you can add other practices in following years.

Examples of Successful Execution Practices

There is no “right” way to set direction, manage day-to-day operations or lead people. Every leader must find the approaches that work best with his or her style and match the size and stage of growth of the business. One good source of ideas is from other CEOs who have real-life examples of useful practices. Here are a few best practices from prominent wineries.

Strategy

One category-leading Napa winery creates a “white paper” for every major new initiative. Winery initiatives can run the gamut from customer database projects, to vineyard replanting programs. A member of the leadership team is responsible for making the proposal, getting answers to questions from people in every function and doing a thorough analysis of strengths, weaknesses, threats and opportunities. The exercise not only ensures that key issues are raised before the program is launched, it also guarantees buy-in from key people in the business. This winery has launched several successful brands using this process and stopped one promising initiative when insurmountable problems with distribution were uncovered.

Operations

A high-end Sonoma winery has implemented a “cascading goals” process for every member of the team. Each individual sets quarterly goals that are directly linked to annual business goals. These are reviewed with the business leader and the team. Prior to instituting this practice, employees reported that, “roles morph; we duplicate work or work falls through the cracks” and “there’s always tension here.” Today, the business is producing better results and employees report that it’s easier to set priorities, see their goals in the context of company goals and work more efficiently as a team.



People

Hiring is one of the most important decisions a business leader makes. This decision is taken so seriously by one well-known California winery that it uses a three-step interviewing process for all new hires. The first interview focuses solely on assessing whether the candidate is a fit with company values and brand culture. The second interview zeroes in on the candidate's skills and experience, and the third interview is geared towards observing the candidate in a real situation that is relevant to the job. Commenting on the importance of hiring, one winery CEO said, "It took us a year to hire our national sales manager and we stretched to offer the salary...and it was worth the wait and every penny."

The Bottom Line

The wine industry is undergoing significant change. Buying power is consolidating in the hands of a few, large players and new brands are being launched at a faster rate each year. In times of fierce competition, a CEO's ability to execute spells the difference between success and failure. Building effective execution practices is core to your role as CEO and ensures you have a stronger organization that is better able to sustain profitability and respond productively during times of change.

We recommend that even the most successful CEOs annually review execution practices using the scorecard tool, and consider engaging members of their leadership team and advisory board. For a comprehensive assessment of your organization's health, you may wish to seek out an objective third-party with broad wine industry perspective. That's how Scion can help. At Scion we work alongside wine business leaders to establish more effective business practices that make the most sense for your family business.

