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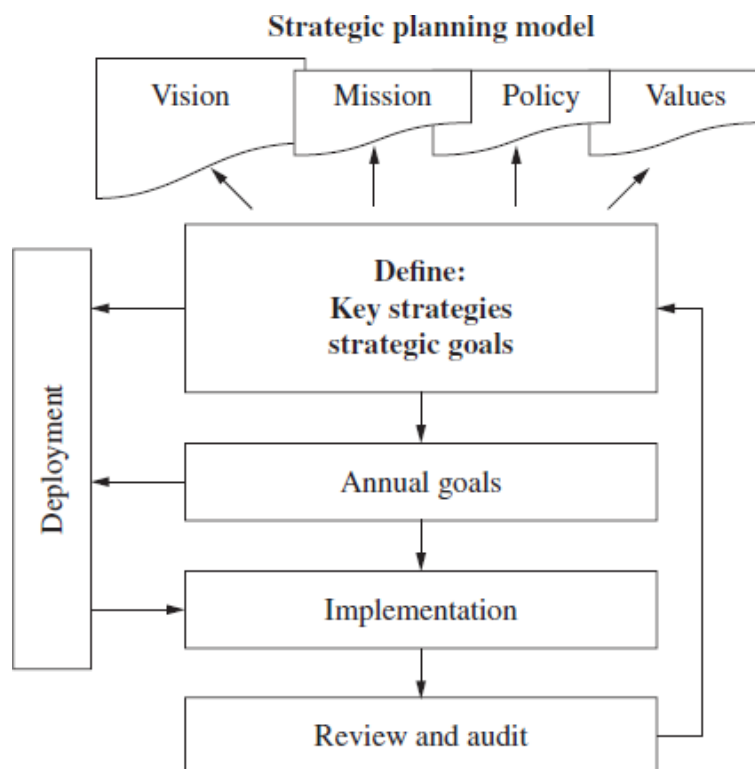
## 7.4. What Is Strategic Planning and Deployment?

Strategic planning is the systematic process by which an organization defines its long-term goals with respect to quality and customers, and integrates them—on an equal basis—with financial, human resources, marketing, and research and development goals into one cohesive business plan. The plan is then deployed throughout the entire organization.

As a component of an effective business management system, strategic planning enables an organization to plan and execute strategic organizational breakthroughs. Over the long term, the intended effect of such breakthroughs is to achieve competitive advantage or to attain a status of "quality leadership."

Strategic planning has evolved during the past decades to become an integral part of many organizational change processes, like Six Sigma or Operational Excellence (OpEx). It is now part of the foundation that supports the broader system of managing the business of the organization. A simple strategic planning and deployment model is shown in [Fig. 7.2](#). This is what will be used throughout this chapter.

*Figure 7.2 Strategic planning model.*



Strategic planning and deployment is also a key element of the U.S. Malcolm Baldrige National Quality Award and the European Foundation for Quality Management (EFQM) Award, as well as other international and state awards. The criteria for these awards stress that customer-driven quality and operational performance excellence are key strategic business issues, which need to be an integral part of overall business planning. A critical assessment of the Malcolm Baldrige National Quality Award winners demonstrates that those organizations that won the award outperformed those that did not ([Fig. 7.3](#)).

**Figure 7.3** Malcolm Baldrige National Quality Award winner performance. (*BusinessWeek*, March 16, 1998, p. 60.)

|                       | 1988–1996 investments | Value on 12/1/97 | Percent change |
|-----------------------|-----------------------|------------------|----------------|
| All recipients        | \$7,496.54            | \$33,185.69      | 342            |
| Standard & Poor's 500 | \$7,496.54            | \$18,613.28      | 148            |

Data: National institute of standards and technology.

Quality is profitable, from 1995 to 2002, the "Baldrige Index" outperformed the S&P 500 stock index for 8 straight years, in certain years beating the S&P by wide margins of 4:1 or 5:1. The index was discontinued in 2004 when Baldrige began to recognize and award small businesses and educational entities along with their normal categories for National Quality Awards. The additions of smaller organizations skewed the "Baldrige Index," yet the results from the original study, when the playing fields were level, speak volumes; quality pays off.

Godfrey (1997) has observed that to be effective, strategic deployment should be used as a tool, a means to an end, not as the goal itself. It should be an endeavor that involves people throughout the organization. It must capture existing activities, not just add to already overflowing plates. It must help senior managers face difficult decisions, set priorities, and not just start new initiatives but also eliminate many current activities that add no value.

## 7.4.1. Strategic Planning Today

The approach used to establish organization-wide financial goals has evolved into a more robust strategic plan. To be effective in the global marketplace, large organizations must create a strategic plan that includes the elements discussed in the following sections.

## 7.4.2. Quality and Customer Loyalty Goals

These major goals are incorporated and supported by a hierarchy of goals at lower levels: subgoals, projects, etc. Improvement goals are goals aimed at creating a breakthrough in performance of a product, serving process, or people by focusing on the needs of customers, suppliers, and shareholders. The plan incorporates the "voice of the customer" and aligns them to the plan. This alignment enables the goals to be legitimate and balances the financial goals (which are important to shareholders) with those of importance to the customers. It also eliminates the concern that there are two plans, one for finance and one for quality.

A systematic, structured methodology for establishing annual goals and providing resources must include the following:

- *A provision of rewards.* Performance against improvement goals is given substantial weight in the system of merit rating and recognition. A change in the structure is required to include rewarding the right behaviors.
- *Required and universal participation.* The goals, reports, reviews, etc. are designed to gain participation from within the organization's hierarchy. This participation involves every employee at every level, providing support for the change initiative and helping achieve the desired results.
- *A common language.* Key terms, such as quality, benchmarking, and strategic quality deployment, acquire standard meanings so that communication becomes more and more precise.
- *Training.* It is common for all employees to undergo training in various concepts, processes, methods, tools, etc. Organizations that have so trained their workforce, in all functions, at all levels, and at the right time, are well poised to outperform organizations in which such training has been confined to the quality department or managers.

## 7.4.3. Why Strategic Deployment? The Benefits

The first question that often arises in the beginning stages of strategic planning in an organization is, Why do strategic planning in the first place? To answer this question requires a look at the benefits other organizations have realized from strategic planning. They report that it

- Focuses the organization's resources on the activities that are essential to increasing customer satisfaction, lowering costs, and increasing shareholder value (see [Fig. 7.3](#))
- Creates a planning and implementation system that is responsive, flexible, and disciplined
- Encourages interdepartmental cooperation
- Provides a method to execute breakthroughs year after year
- Empowers leaders, managers, and employees by providing them with the resources to carry out the planned initiatives
- Eliminates unnecessary and wasteful initiatives that are not in the plan
- Eliminates the existence of many potentially conflicting plans—the finance plan, the marketing plan, the technology plan, and the quality plan
- Focuses resources to ensure financial plans are achievable

## 7.4.4. Why Strategic Deployment? The Risks

Different organizations have tried to implement total quality management systems as well as other change management systems. Some organizations have achieved stunning results; others have been disappointed by their results, often achieving little in the way of bottom-line savings or increased customer satisfaction. Some of these efforts have been classified as failures. One of the primary causes of these disappointments has been the inability to incorporate these "quality programs" into the business plans of the organization.

Other reasons for failure are include the following:

- Strategic planning was assigned to planning departments, not to the upper managers themselves. These planners lacked training in concepts and methods, and were not among the decision makers in the organization. This led to a strategic plan that did not include improvement goals aimed at customer satisfaction, process improvement, etc.
- Individual departments had been pursuing their own departmental goals, failing to integrate them with the overall organizational goals.
- New products or services continued to be designed with failures from prior designs that were carried over into new models, year after year. The new designs were not evaluated or improved and hence, were not customer driven.
- Projects suffered delays and waste due to inadequate participation and ended before positive business results were achieved.
- Improvement goals were assumed to apply only to manufactured goods and manufacturing processes. Customers became irritated not only by receipt of defective goods; receiving incorrect invoices and late deliveries also irritated them. The business processes that produce invoices and deliveries were not subject to modern quality planning and improvement because there were no such goals in the annual plan to do so.

The deficiencies of the past strategic planning processes had their origin in the lack of a systematic, structured approach to integrate programs into one plan. As more organizations became familiar with strategic quality deployment, many adopted its techniques, which treat managing for change on the same organization wide basis as managing for finance.