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7.6. Developing the Elements of Strategic Planning and Deployment

7.6.1. Establish a Vision

Strategic deployment begins with a vision that is customer-focused. In the organizations we know that are successfully making the transition to a more collaborative organization, the key to success is developing and living by a common strategic vision. When you agree on an overall direction, you can be flexible about the means to achieve it (Tregoe and Tobia 1990).

Really powerful visions are simply told. The Ten Commandments, the Declaration of Independence, and a Winston Churchill World War II speech—all present messages that are so simple and direct you can almost touch them. Our corporate strategies should be equally compelling.

A vision should define the benefits a customer, an employee, a shareholder, or society at large can expect from the organization:

Here are a few examples:

- Samsung, the world's largest manufacturer of high-quality digital products is guided by a singular vision: "to lead the digital convergence movement."

  Samsung believes that through technology innovation today, we will find the solutions we need to address the challenges of tomorrow. From technology comes opportunity—for businesses to grow, for citizens in emerging markets to prosper by tapping into the digital economy, and for people to invent new possibilities. It's our aim to develop innovative technologies and efficient processes that create new markets, enrich people's lives, and continue to make Samsung a trusted market leader.
- Sentara Health (based in the mid-Atlantic states): We have commitment to grow as one of the nation's leading health care organizations by creating innovative systems of care that help people achieve and maintain their best possible state of health.
- Kaiser Permanente (a large U.S.-based health care system): We are committed to providing our members with quality, cost-effective health care. Our physicians and managers work together to improve care, service, and the overall performance of our organization.

Each of the preceding visions offers a very different view of the direction and character of the organization. Each conveys a general image to customers and employees of where the organization is headed. For the organization, the vision provides, often for the first time in its history, a clear picture of where it is headed and why it is going there.

Good vision statements should also be compelling and shared throughout the organization. It is often a good idea to make the vision a stretch for the organization but possible of being achieved within 3 to 5 years, and to state a measurable achievement (e.g., being the best). In creating the vision, organizations should take into account its customers, the markets in which it wants to compete, the environment within which the organization operates, and the current state of the organization's culture.

Vision statements, by themselves, are little more than words. Publication of such a statement does not inform the members of an organization what they should do differently from what they have done in the past. The deployment process and the strategic plan become the basis for making the vision a reality. The words of the vision are just a reminder of what the organization is pursuing. The vision must be carried out through deeds and actions.

Some common pitfalls when forming a vision include

- Focusing the vision exclusively on shareholders as customers
- Thinking that once a strategic plan is written it will be carried out with no further work
- Failing to explain the vision as a benefit to customers, employees, suppliers, and other stakeholders
- Creating a vision that is either too easy or too difficult to achieve
- Failing to consider the effects of rapid changes taking place in the global economy will have 3 to 5 years into the future
- Failing to involve key employees at all levels in creating the vision
- Failing to benchmark competitors or to consider all possible sources of information on future needs, internal capabilities, and external trends

7.6.2. Agree on Your Mission

Most organizations have a mission statement. A mission statement is designed to address the question, What business(es) are we in? A mission is often confused with a vision and even published as one. A mission statement should clarify the organization's purpose or reason for existence. It helps clarify what your organization is.

The following are some examples:

- **Samsung:** Everything we do at Samsung is guided by our mission: to be the best "digital-e-company."
- **Amazon.com:** Our vision is to be earth's most customer-centric company, to build a place where people can come find and discover anything they might want to buy online.
- **Dell:** To be the most successful computer company in the world and delivering the best customer experience in the markets they share.
- **eBay:** Pioneers communities built on commerce, sustained by trust, and inspired by opportunity. eBay brings together millions of people every day on a local, national, and international basis through an array of websites that focus on commerce, payments, and communications.
- **Facebook:** Is a social utility that helps people communicate more efficiently with their friends, family members, and coworkers. The company develops technologies that facilitate the sharing of information through the social graph, the digital mapping of people's real-world social connections. Anyone can sign up for Facebook and interact with the people they know in a trusted environment.
- **Google:** It's mission is to organize the world's information and make it universally accessible and useful.
- **The Ritz-Carlton Hotel:** Is a place where the genuine care and comfort of our guests is our highest mission.
- **Sentara Health:** We will focus, plan, and act on our commitments to our community mission, to our customers, and to the highest quality standards of health care to achieve our vision for the future.

In the Sentara example, the references to leadership and the future may lead the reader to confuse this mission statement (what business we are in) with a vision statement (what we aim to become). Only the organization itself can decide whether these words belong in its mission statement. It is in debating such points that an organization comes to a consensus on its vision and mission.

Together, a vision and a mission provide a common agreed-upon direction for the entire organization. This direction can be used as a basis for daily decision making.

7.6.3. Develop Long-Term Strategies or Goals

The first step in converting the vision into an achievable plan is to break the vision into a small number of key strategies (usually four or five). Key strategies represent the most fundamental choices that the organization will make about how it will go about reaching its vision. Each must contribute significantly to the overall vision. For example,

- Xerox initiated their Leadership Through Quality program as part of a broader corporate focus on quality. More than 100,000 employees were trained over a 3-year period in a six-step process. Empowered employees started a number of initiatives, many involving environmental and quality improvements, yielding millions of dollars in added profits each year. Xerox management credits the success of new environmental initiatives primarily to employees using quality management practices. Cross-function teams are formed to focus *on a variety of issues.*

Responsibility for executing these key strategies is distributed (or deployed) to key executives within the organization, the first step in a succession of subdivisions and deployments by which the vision is converted into action.

In order to determine what the key strategies should be, one may need to assess five areas of the organization and obtain the necessary data on

- Customer loyalty and customer satisfaction
- Costs related to poor quality or products, services, and processes
- Organization culture and employee satisfaction
- Internal business processes (including suppliers)
- Competitive benchmarking

Each of these areas, when assessed, can form the basis for a balanced business scorecard. Data must be analyzed to discover specific strengths, weaknesses, opportunities, and threats as they relate to customers, quality, and costs. Once complete, the key strategies can be created or modified to reflect measurable and observable long-term goals.

7.6.4. Develop Annual Goals

An organization sets specific, measurable strategic goals that must be achieved for the broad strategy to be a success. These quantitative goals will guide the organization's efforts toward achieving each strategy. As used here, a goal is an aimed-at target. A goal must be specific. It must be quantifiable (measurable) and is to be met within a specific period. At first, an organization may not know how specific the goal should be. Over time, the measurement systems will improve and the goal setting will become more specific and more measurable.

Despite the uniqueness of specific industries and organizations, certain goals are widely applicable. There are seven areas that are minimally required to ensure that the proper goals are established. They are

Product performance. Goals in this area relate to product features that determine response to customer needs, for example, promptness of service, fuel consumption, mean time between failures, and courteousness. These product features directly influence product salability and affect revenues.

Competitive performance. This has always been a goal in market-based economies, but seldom a part of the business plan. The trend to make competitive performance a long-term business goal is recent but irreversible. It differs from other goals in that it sets the target relative to the competition, which, in a global economy, is a rapidly moving target. For example, all of our products will be considered the "best in class" within 1 year of introduction as compared to products of the top five competitors.

Business improvement. Goals in this area may be aimed at improving product deficiencies or process failures, or reducing the cost of poor quality waste in the system. Improvement goals are deployed through a formal structure of quality improvement projects with assignment of associated responsibilities. Collectively, these projects focus on reducing deficiencies in the organization, thereby leading to improved performance.

Cost of poor quality. Goals related to quality improvement usually include a goal of reducing the costs due to poor quality or waste in the processes. These costs are not known with precision, though they are estimated to be very high. Nevertheless, it is feasible, through estimates, to bring this goal into the business plan and to deploy it successfully to lower levels. A typical goal is to reduce the cost of poor quality by 50 percent each year for 3 years.

Performance of business processes. Goals in this area have only recently entered the strategic business plan. These goals relate to the performance of major processes that are multifunctional in nature, for example, new product development, supply-chain management, and information technology, and subprocesses, such as accounts receivable and purchasing. For such macro processes, a special problem is to decide who should have the responsibility for meeting the goal? We discuss this later under "Deployment to Whom?"

Customer satisfaction. Setting specific goals for customer satisfaction helps keep the organization focused on the customer. Clearly, deployment of these goals requires a good deal of sound data on the current level of satisfaction/dissatisfaction and what factors will contribute to increasing satisfaction and removing dissatisfaction. If the customers' most important needs are known, the organization's strategies can be altered to meet those needs most effectively.

Customer loyalty and retention. Beyond direct measurement of customer satisfaction, it is even more useful to understand the concept of customer loyalty. Customer loyalty is a measure of customer purchasing behavior between customer and supplier. A customer who buys solely from a single supplier is said to display a loyalty with respect to A of 100 percent. A study of loyalty opens the organization to a better understanding of product salability from the customer's viewpoint and provides the incentive to determine how to better satisfy customer needs. The organization can benchmark to discover the competition's performance, and then set goals to exceed that performance (Fig. 7.6).

Figure 7.6 *Quality goals in the business plan. (Juran Institute, Inc.)*

Product performance (customer focus). This relates to performance features that determine response to customer needs, such as promptness of service, fuel consumption, MTBF, and courtesy. (Product includes goods and services.)

Competitive performance. Meeting or exceeding competitive performance has always been a goal. What is new is putting it into the business plan.

Performance improvement. This is a new goal. It is mandated by the fact that the rate of quality improvement decides who will be the quality leader of the future.

Reducing the cost of poor quality. The goal here relates to being competitive as to costs. The measures of cost of poor quality must be based on estimates.

Performance of business processes. This relates to the performance of major multifunctional processes such as billing, purchasing, and launching new products.

The goals selected for the annual business plan are chosen from a list of nominations made by all levels of the hierarchy. Only a few of these nominations will survive the screening process and end up as part of the organization wide business plan. Other nominations may instead enter the business plans at lower levels in the organization. Many nominations will be deferred because they fail to attract the necessary priority and, therefore, will get no organization resources.

Upper managers should become an important source of nominations for strategic goals, since they receive important inputs from sources such as membership on the executive council, contacts with customers, periodic reviews of business performance, contacts with upper managers in other organizations, shareholders, and employee complaints.

Goals that affect product salability and revenue generation should be based primarily on meeting or exceeding marketplace quality. Some of these goals relate to projects that have a long lead time, for example, a new product development involving a cycle time of several years, computerizing a major business process, or a large construction project that will not be commissioned for several years. In such cases, the goal should be set so as to meet the competition estimated to be prevailing when these projects are completed, thereby "leapfrogging" the competition.

In industries that are natural monopolies (e.g., certain utilities), the organizations often are able to make comparisons through use of industry databanks. In some organizations there is internal competition as well—the performances of regional branches are compared with each other.

Some internal departments may also be internal monopolies. However, most internal monopolies have potential competitors—outside suppliers who offer the same services. The performance of the internal supplier can be compared with the proposals offered by an outside supplier.

A third and widely used basis for setting goals has been historical performance. For some products and processes, the historical basis is an aid to needed stability. For other cases, notably those involving high chronic costs of poor quality, the historical basis has done a lot of damage by helping to perpetuate a chronically wasteful performance. During the goal-setting process, upper managers should be on the alert for such misuse of the historical data. Goals for chronically high cost of poor quality should be based on planned breakthroughs using the breakthrough improvement process.

7.6.5. Articulate Ethics and Values

Corporate values reflect an organization's culture.

Simply said: "Culture is a set of habits and beliefs that a group of people have in common—for example, facing similar questions and problems because they operate in a similar business. This is the internal element of culture; the other one is external-oriented: In what environment does this group of people operate and how does this affect them? How do they interact with the environment?" (Bool 2008).

Social responsibility is obviously a value that is focused on this second element: the interaction of the group (corporation) with its environment.

Some organizations create value statements to further define themselves. Values are what an organization stands for and believe in. A list of values must be supported with actions and deeds from management, lest its publication create cynicism in the organization. Training and communication of values for all employees becomes a prerequisite to participation in the planning process. Organization-published values are policies that must be changed to support the values of the organization.

Samsung's value statements are an example of this:

- We will devote our human resources and technology to create superior products and services, thereby contributing to a better global society.
- Our management philosophy represents our strong determination to contribute directly to the prosperity of people all over the world. The talent, creativity, and dedication of our people are key factors to our efforts, and the strides we have made in technology offer endless possibilities to achieving higher standards of living everywhere.
- At Samsung we believe that the success of our contributions to society and to the mutual prosperity of people across national boundaries truly depends on how we manage our company.
- Our goal is to create the future with our customers.

7.6.6. Communicate Organization Policies

Policy declarations are a necessity during a period of major change, and organizations have acted accordingly. Since the 1980s we have seen an unprecedented surge of activity in publishing "quality policies." "Policy" as used here is a guide to managerial action. Published policy statements are the result of a good deal of deliberation by management, followed by approval at the highest level. The senior executive team or quality council plays a prominent role in this process.

While the details vary, the published policies have much in common from organization to organization. For instance, most published quality policies declare the intention to meet the needs of customers. The wording often includes identification of specific needs to be met, for example, "The organization's products should provide customer satisfaction."

Most published policies include language relative to competitiveness in quality, for example, "Our organization's products shall equal or exceed the competition."

A third frequent area of published quality policy relates to quality improvement, declaring, for example, the intention to conduct improvement annually.

Some quality policy statements include specific reference to internal customers or indicate that the improvement effort should extend to all phases of the business. For example,

> Helix Energy Solutions Group, Inc., (Helix) is fully committed to being the leading provider of select life-of-field solutions. A primary goal of Helix is to achieve the highest standards of quality in all business units' practices and operations without compromise. Our objective is to continually improve our organization performance, while offering our customers a safe, cost-effective, and professional service.

Enforcement of policies is a new problem due to the relative newness of documented quality policies. In some organizations, provision is made for independent review of adherence to policies. ISO 9000, the international standard for quality assurance, requires a quality policy as a declaration of intent to meet the needs of customers. An audit process is mandated to ensure that the policy is carried out.

7.6.7. Leadership

A fundamental step in the establishment of any strategic plan is the participation of upper management acting as an executive "council." Membership typically consists of the key executives. Top-level management must come together as a team to determine and agree upon the strategic direction of the organization. The council is formed to oversee and coordinate all strategic activities aimed at achieving the strategic plan. The council is responsible for executing the strategic business plan and monitoring the key performance indicators. At the highest level of the organization, an executive council should meet monthly or quarterly.

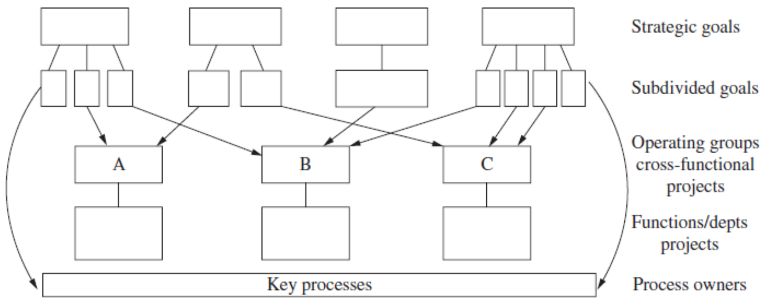
The executives are responsible for ensuring that all business units have a similar council at the subordinate levels of the organization. In such cases, the councils are interlocked, that is, members of upper-level councils serve as chairpersons for lower-level councils.

If a council is not in place, the organization should create one. In a global organization, processes are too complex to be managed functionally. A council ensures a multifunctional team working together to maximize process efficiency and effectiveness. Although this may sound easy, in practice it is not. The senior management team members may not want to give up the monopolies they have enjoyed in the past. For instance, the manager of sales and marketing is accustomed to defining customer needs, the manager of engineering is accustomed to sole responsibility for creating products, and the manager of manufacturing has enjoyed free rein in producing products. In the short run, these managers may not easily give up their monopolies to become team players. The creation of a council would help ensure better collaboration among the various divisions of the organization.

7.6.8. Deployment of Goals

The deployment of long- and short-term goals is the conversion of goals into operational plans and projects. "Deployment" as used here means subdividing the goals and allocating the sub goals to lower levels. This conversion requires careful attention to such details as the actions needed to meet these goals, who is to take these actions, the resources needed, and the planned timetables and milestones. Successful deployment requires establishment of an infrastructure for managing the plan. Goals are deployed to multifunctional teams, functions, and individuals (**Fig. 7.7**).

Figure 7.7 *Deployment of strategic goals. (Juran Institute, Inc.)*



7.6.9. Subdividing the Goals

Once the strategic goals have been agreed upon, they must be subdivided and communicated to lower levels. The deployment process also includes dividing up broad goals into manageable pieces (short-term goals or projects). For example,

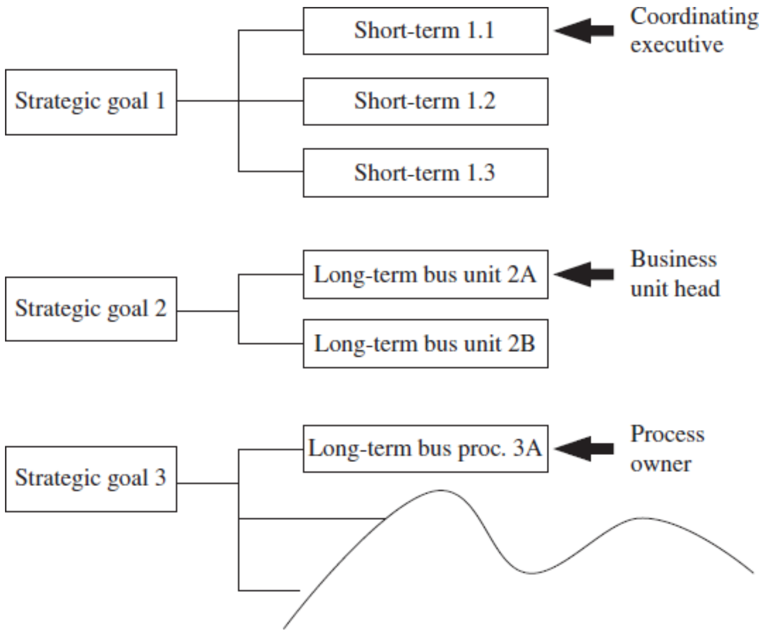
- An airline's goal of attaining 99 percent on-time arrivals may require specific short-term (8 to 12 months) initiatives to deal with such matters as
  - The policy of delaying departures in order to accommodate delayed connecting flights
  - The decision making of gate agents at departure gates
  - The availability of equipment to clean the plane
  - The need for revisions in departmental procedures to clean the plane
  - The state of employee behavior and awareness
- A hospital's goal of improving the health status of the communities they serve may require initiatives that
  - Reduce incidence of preventable disease and illness
  - Improve patient access to care
  - Improve the management of chronic disease conditions
  - Develop new services and programs in response to community needs

Such deployment accomplishes some essential purposes:

- The subdivision continues until it identifies specific deeds to be done.
- The allocation continues until it assigns specific responsibility for doing the specific deeds.

Those who are assigned responsibility respond by determining the resources needed and communicating this to higher levels. Many times, the council must define specific projects, complete with team charters and team members, to ensure goals are met (**Fig. 7.8**). (For more on the improvement process, see**Chapter 5**, Quality Improvement and Breakthrough Performance.)

Figure 7.8 *Sub goals. (Juran Institute, Inc.)*



7.6.10. Deployment to Whom?

The deployment process starts by identifying the needs of the organization and the upper managers. Those needs determine what deeds are required. The deployment process leads to an optimum set of goals through consideration of the resources required. The specific projects to be carried out address the subdivided goals. For example, in the early 1980s, the goal of having the newly designed Ford Taurus/Sable become "Best in Class" was divided into more than 400 specific sub goals, each related to a specific product feature. The total planning effort was enormous and required more than 1500 project teams.

To some degree, deployment can follow hierarchical lines, such as corporate to division and division to function. However, this simple arrangement fails when goals relate to cross-functional business processes and problems that affect customers.

Major activities of organizations are carried out by the use of interconnecting networks of business processes. Each business process is a multifunctional system consisting of a series of sequential operations. Since it is multifunctional, the process has no single "owner"; hence, there is no obvious answer to the question, Deployment to whom? Deployment is thus made to multifunctional teams. At the conclusion of the team project, an owner is identified. The owner (who may be more than one person) then monitors and maintains this business process.

7.6.11. Communicating the Plan: "Catch Ball"

Once the goals have been established, the goals are communicated to the appropriate organization units. In effect, the executive leadership asks their top management, What do you need to support this goal? The managers at this level discuss the goal and ask their subordinates a similar question, and so on. The responses are summarized and passed back up to the executives. This process may be repeated several times until there is general satisfaction with the final plan.

This two-way communication process is called "catch ball," a term coined by the Japanese. Catch ball includes the following:

- Clear communication of what top management proposes as the key focus areas of the strategic plan for the coming business year
- Identification and nomination by managers at various lower levels of other areas for organization attention
- Decisions as to what departments and functions should do about the areas that have been identified in the plan

This two-way communication requires that the recipients be trained in how to respond. The most useful training is prior experience in quality improvement. Feedback from organizations using catch ball suggests that it outperforms the process of unilateral goal setting by upper managers.

For example, Boeing Aerospace Systems has been very successful in introducing its strategic quality plan, with its mission, vision, key strategies, and strategic goals. To review and refine mission statements, strategies, and the overall vision of the organization, Boeing conducts yearly assessments drawing from customer satisfaction assessments, human resource assessments, supplier assessments, risk assessments, and financial assessments. By essentially taking feedback from all facets of their business (customers, workforce, suppliers, community, and shareholders), Boeing is able to enact improved implementation plans and better manage their allocation of resources. The identification of needs within the infrastructure, addressing problems within the culture/training of the workforce, and modifying institutionalized processes for the better are all results of continually deploying assessments and consistent communication between the management and its workforce.

7.6.12. A Useful Tool for Deployment

The tree diagram is a graphic tool that aids in the deployment process (see **Fig. 7.8**). It displays the hierarchical relationship of the goals, long-term goals, short-term goals, and projects, and indicates where each is assigned in the organization. A tree diagram is useful in visualizing the relationship between goals and objectives or teams and goals. It also provides a visual way to determine if all goals are supported.