

Driving Strategy to Execution



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By Gerhard Plenert

Facing financial and competitive pressures of historic proportions, operations and supply chain executives know they have to create and drive strategies that anticipate future challenges while addressing immediate issues. The more accurate and complete the strategic roadmap, the more effective execution will be.

Yet, successful strategic planning remains elusive for most companies. One reason is that planning tends to be treated as an annual event rather than an ongoing process. Additionally, many organizations fail to align their strategies with their processes and technology. As problems occur in such companies, different silos of activity independently make operational changes on the fly that render the strategic plan irrelevant until it's revised the next year.

A successful strategic plan is a dynamic, living document of actions that are grounded in the true drivers of an organization's activities. The plan can reflect new goals and ideas, but it must align with existing processes and technology or, at a minimum, define paths toward alignment that can be realistically executed. The way to create such a plan is through a process called Strategy Alignment and Deployment, or SA&D.

Converting Strategy to Action

As I discuss in my book *Driving Strategy to Execution Using Lean*

Six Sigma (CRC Press, 2012), SA&D aligns a strategy with all areas of an organization and then guides its execution. The alignment piece validates that all proposed changes support the organization's strategic goals, and the execution piece defines specific activities that each part of the organization must complete. In short, SA&D turns talk into goal-oriented action.

SA&D starts with three requirements:

1. **A consistent organization-wide methodology.** To avoid confusion at the local level, you need to develop a consistent planning methodology for the entire company as the first step in aligning all elements of the organization. This is often referred to as Leader Standard Work, or LSW.
2. **A robust governance system.** To ensure success, you must institute a governance system to track progress against a critical few key performance metrics. You'll want enterprise-level metrics for each overall "breakthrough objective" and its corresponding "annual improvement priority."

3. **A change management plan.** If your plan requires significant realignment, you'll need to mitigate potential resistance by implementing SA&D first in groups that are not averse to change. Then you can use their improved performance to influence change-averse groups.

Models for Success

Among the many models for implementing SA&D we advocate *Hoshin Kanri* and S2E, both of which should be familiar to operations and supply chain executives. *Hoshin Kanri* is a Japanese approach for managing the direction of an organization to a specific goal. It reinforces a "Plan, Do, Check, Act" model by focusing on four key perspectives: Financial, Customer, Internal Processes, and Learning and Growth. A scorecard is used to track progress and support the governance system.

S2E (Strategy to Execution) integrates the best of all the strategy models. S2E defines the high-level strategic parameters of SIPOC (Supplier/Input/Process/Output/Customer) of the organization, and then works out the details of the strategy via priorities, goals, and objective statements. Each objective statement is assigned a list of tasks to be accomplished and given a clear metric that can be monitored.

Regardless of which model you select, you will want to develop a three- to five-year plan. During each year's planning process you'll add a new year and subtract an old one to create a rolling strategy. A rolling strategy allows you to focus on the big picture and align your annual and day-to-day activities with larger goals and objectives. Leadership buy-in is also critical to SA&D. Without it, employees have no reason to shift direction.

Transformation Starts at the Top

As previously mentioned, Leader Standard Work, or LSW, is a

key component of SA&D. Instead of every department acting independently—from strategic planning to process elements—LSW creates a single vision and action plan that every group must adopt. Take performance reviews, for example. Instead of each department having its own system (or only evaluating individuals when projects seem in jeopardy) LSW requires a standardized performance review format and procedure. With LSW in place, routine functions are executed in a systematic and repeatable way, eliminating guesswork and facilitating adherence to the strategic plan.

An SA&D Turnaround Story

Let's put all this together by considering a major high-tech company that lacked organizational strategic alignment. The performance of its R&D program had deteriorated to the point that engineer-developers were pulled from focusing on new, exciting high margin products and assigned to the larger manufacturing pool to maintain the quality of products that were either stable or in decline.

Utilizing the S2E model, the CEO hosted the organization's leadership team in three days of SA&D planning. The group identified objectives, metrics, and improvement initiatives that aligned with the company's goals; and they developed LSW processes for identifying and governing a collection of initiatives around their pain points—poor quality and a lack of new leading-edge products. The output was a consistent organization-wide LSW methodology for identifying and executing initiatives. This became the foundation for a robust governance system where regular strategic SA&D check point meetings were held to ensure progress towards identified goals.

The company used Lean and Six Sigma (LSS) to realign the organization with metrics and initiatives that focused on their specific pain points. This required change management and Lean training and team-based Rapid Improvement Events

(RIEs), as well as leadership that was actively involved in the organization's transformation process. In the final change management plan, LSS provided the structure and was used to drive initiative execution.

Within a year, not only had the organization been transformed and resolved its issues, but there was an unexpected result. The company's performance turnaround was so dramatic that a larger competitor, struggling with similar problems, decided to purchase the transformed company at a premium price.

Driving for Success

Driving strategy to execution is a big undertaking, so it's important to remember that most organizations require several iterations—years, essentially—of execution to become proficient in the SA&D process. To get started, planners should follow steps similar to the ones outlined in the above example:

1. Focus and utilize a top management committee as SA&D and change management are moved forward

2. Select and utilize a consistent organization-wide SA&D methodology based on LSW
3. Develop and utilize a robust governance system that keeps the change management process on track
4. Identify meaningful, motivation-based metrics to track
5. Incorporate a change management plan, possibly based on LSS, to drive the SA&D initiatives toward execution

SA&D is not an overnight fix, but it's a sustainable, even transformative one. Those who stick with it will achieve their strategic plan's goals and objectives on the path of becoming the most competitive organization in their industry.

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