



# Create an Ambitious Strategy and a Process for Effective Execution

Too many companies set objectives without creating viable execution plans and a daily management framework for achieving those objectives. We suggest using the Strategy Deployment process, here's how to do it right.

## EXECUTIVE SUMMARY

### Cracking the Code: How to Make Strategy Deployment Work for Your Company.

Set ambitious objectives, create a realistic plan for hitting those objectives, and then execute the plan. An effective execution process makes it possible for companies to regularly and predictably achieve breakthrough improvements in performance. In this leadership briefing we describe how strategy deployment can help an organization's leaders set breakthrough strategic objectives, create an action plan for achieving those objectives, and establish a disciplined process for making it happen.

**If your company tends to grow at or below the market growth rate, you may be suffering from a crisis of leadership or a crisis of execution. Either one means your business is falling short of its potential.**

Many business executives mentally divide their time between “managing” and “leading,” between “working in the business” and “working on the business.” Working in the business is everything that must be done to meet daily, weekly, monthly and quarterly customer and financial commitments. Such management activity consumes the vast majority of managers’ time and energy.

Working on the business is the strategy and development work required to develop, enter and grow new markets; increase sales from existing markets and customers; and improve business processes so the company performs at a higher level. It's all too easy to lose sight of such leadership priorities amidst the day-to-day demands of running the business.

For decades TBM has worked with our clients in their businesses, applying LeanSigma manufacturing tools and methodologies to improve business processes. We've also been working on our clients' businesses, helping them set ambitious operational objectives, create a realistic plan for hitting those objectives, and then execute the plan. This process, known as strategy deployment (and policy deployment or hoshin kanri) effectively changes how a business operates in order to regularly and predictably achieve breakthrough improvements in performance.

In this leadership briefing we describe how strategy deployment can help an organization's leaders set breakthrough strategic objectives, create an action plan for achieving those objectives, and establish a disciplined process for making it happen.

## Business as Usual Is Not Acceptable

Strategy deployment loosely follows the PDCA cycle, developed by Walter A. Shewhart and popularized W. Edwards Deming:

- **Plan** - Development of the strategic plan and the key business indicators that measure the breakthrough objectives.
- **Do** - Rollout of the plan when leaders assign resources and establish accountability.
- **Check** - Monitoring progress through management dashboards, reports and monthly status meetings.
- **Act** - Implementing corrective actions as required to stay on target.

The first day of a strategy deployment meeting is like any company strategy meeting. It is typically held off-site with the executive team, senior managers and other key contributors. The goal is to build a common understanding of the external environment (opportunities and threats) and internal environment (strengths and weaknesses) as well as strategic direction.

After the first day, the management team begins to discuss breakthrough objectives. Pushed by internal or external factors, the companies that are most successful with strategy deployment are driven to achieve dramatically better results. They are hungry for a step-function improvement in performance. That starts with a leader who draws a line in the proverbial sand and effectively communicates that business as usual is over.

*“Your business is perfectly designed to perform at its current level. You cannot achieve significantly better results with the same people following the same business processes to do what they’ve always done. To grow faster and realize your stretch goals you have to do things differently.”*

*—Dan Sullivan  
Executive Vice President, TBM Consulting Group*

One of the challenges at this stage is understanding what a breakthrough objective looks like. U.S. President John F. Kennedy’s challenge on May 25, 1961, to put a man on the moon and bring him home safely by the end of the decade, is an example of a hugely ambitious but ultimately achievable breakthrough objective.

## FOCUS ON VITAL FEW

In addition to setting their sights too low, management teams often have too many goals and too many initiatives going on at once. This dilutes limited resources and draws attention away from more important priorities.

After breakthrough objectives have been established, existing goals, projects and initiatives have to be re-evaluated to determine whether or not (and how much) they contribute to the breakthrough targets. During this “deselection” process, the leadership team must scrutinize every project to see if it aligns with the company’s objectives and eliminate any non-essential goals and initiatives.

Killing pet projects that divert focus away from the vital few objectives can be a delicate process, and raise strong emotions. But if a project doesn’t support a breakthrough objective, isn’t fulfilling a regulatory requirement, or isn’t required by the board of directors, it should be eliminated.

As described by Tim Powers, former president and CEO at Hubbell, an electrical and electronics products manufacturer, “The major benefit [of this process] is that management as a team reassesses where it is on an annual basis. It helps us focus on the vital few and get rid of the typical problems facing most companies of having too many priorities.”

On a less historic scale, setting breakthrough objectives is a bit of an art. They must be challenging, but within the realm of possibility. Some client examples have been: Doubling the market growth rate, improving cash flow from 80% to 120% of EBITDA, growing sales by 100% over a five-year period, achieving a double-digit improvement in gross profit, reducing scrap rates by 90%, and eliminating employee absenteeism.

More than a few managers believed such objectives were “impossible” and “unrealistic.” (They weren’t.) But such appraisals are kind of the point. To achieve a breakthrough objective people have to stop doing what they’ve always done and figure out what they need to do differently in order to achieve it. As a litmus test, if a plan for accomplishing a target can be articulated quickly with little effort, then it’s not a breakthrough objective.

Jason Corporation aimed high — setting performance goals that some executives considered ludicrous — but few would argue that it paid off in the end. With aggressive objectives and a transformative action plan in place, they used Policy Deployment and LeanSigma® solutions to embed Operational Excellence throughout the organization, and are now considered the market leader in 90% of their product offerings.

According to Jason CEO, David Westgate, when asked about policy deployment and its impact, Policy Deployment has been critical. It helps us identify what’s really important to the company — the vital few objectives that our lives depend on. More importantly, it tells us what we should not be focusing our resources on. We also use it as a communications tool to cascade those objectives down through each level of the organization, so everyone is focused on what we need to do. And LeanSigma processes provide the speed and toolsets for achieving and sustaining Operational Excellence, the foundation for profitable organic growth.”

## Building Consensus Builds Future Momentum

After the leadership team agrees on the company’s breakthrough objectives, and limits those objectives to what matters most, (see box, Focus on the Vital Few), the next questions are: 1) How do we measure them? And 2), how do we do it?

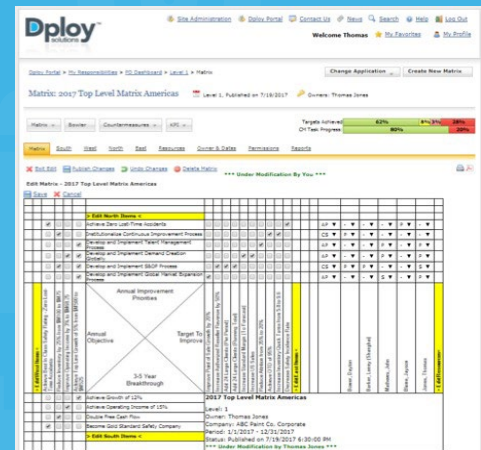
A “catch-ball” process can be used to translate the high-level breakthrough objectives into lower level annual objectives and related projects. This process begins at the corporate level and cascades down through senior management, business managers, operations leaders, and production supervisors. Each functional leader works collaboratively with his or her team to establish improvement projects that support the top-level goals. Talking through their concerns and issues will reveal the potential impact on each department as well as the business itself.

## REDUCE THE ADMINISTRATIVE BURDEN

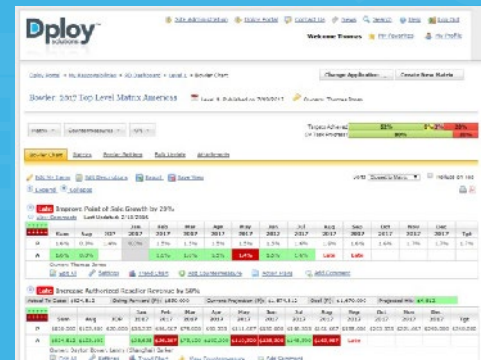
One of the potential pitfalls of using strategy deployment to connect the business strategy to daily and weekly activities is the administrative effort required to monitor and report the key performance metrics. Companies often try to use a spreadsheet, which is laboriously updated for each monthly review.

Software solutions can shorten the learning curve and eliminate much of non-value-added administrative time often associated with early strategy deployment initiatives. The project teams can then worry less about the mechanics of the process and focus on countermeasures. Such software can also overcome geographic separation and competing priorities that might pull people away from the review sessions.

Dploy Strategy, one module of TBM’s **Dploy® Solutions cloud-based software**, streamlines the management of the strategy deployment process across multiple sites and between departments.



X-Matrix



KPI Bowler

●				Achieve Zero Lost-Time Accidents										●		AP			●	
	●			Institutionalize Continuous Improvement Process							●	●				CS	●			
			●	Develop and Implement Talent Management Process									●			AP			●	●
		●	●	Develop and Implement Demand Creation Globally					●	●						AP			●	●
	●		●	Develop and Implement S&OP Process		●	●	●								CS	●	●		●
			●	Develop and Implement Global Market Expansion Process		●										AP			●	●
<p>Achieve Best in Class Safety Rating – Zero Lost-Time Accidents</p> <p>Reduce Inventory by 25% from \$M100 to \$M75</p> <p>Improve Operating Income by 3% to \$M68.26</p>					<p><b>Annual Improvements Priorities</b></p> <p><b>Annual Objective</b>                      <b>Target To Improve</b></p> <p><b>3-5 Year Breakthrough</b></p>															
					<p>Improve Point of Sale Growth by 20%</p> <p>Increase Authorized Reseller Revenue by 50%</p> <p>Add 24 Large Clients (Per Period)</p> <p>Add 24 Large Clients (Running Total)</p> <p>Increase Standard Margin (To Forecast)</p> <p>Increase US Sales</p> <p>Reduce Attrition from 35% to 20%</p> <p>Achieve OTD of 95%</p> <p>Increase Inventory Quick Turns from 5.8 to 9.6</p> <p>Decrease Safety Incidence Rate</p>															
					<p>Bowler, Dayton</p> <p>Barker, Lenny (Shanghai)</p> <p>Matthews, John</p> <p>Blaine, Jayson</p> <p>Jones, Thomas</p>															
					<p>2017 Top Level Matrix Americas</p> <p>Level: 1</p> <p>Owner: Lenny Barker</p> <p>Company: ABC Paint Co. Dayton</p> <p>Period: 1/1/2017 – 12/31/2017</p> <p>Status: Published on 5/2/2017 10:56:00 AM</p>															
			●	Achieve Growth of 20%																
		●		Achieve Operating Income of 15%																
	●			Double Free Cash Flow																
	●			Become Gold Standard Safety Company																

FIGURE 1 . X-Matrix Example

These improvement priorities, projects, responsibilities and metrics can all be documented on a single piece of paper. This tool, known as an X-matrix (See Figure 1), provides a detailed overview of the strategy deployment plan. It shows the connections between breakthrough objectives, annual improvement priorities (AIPs) and related projects for each value stream, the metrics that will be used to measure the AIPs, and the resource teams assigned to each AIP.

By definition breakthrough objectives will require interdepartmental collaboration to achieve. This is why the action plans emerging from the strategy deployment process must be vetted by finance, engineering, human resources and IT managers. This awareness and engagement is the first step to overcoming some of the traditional barriers between business functions that can disrupt execution plans.

The leadership discussions about the breakthrough objectives, followed by the catch-ball brainstorming and building consensus around what everyone is going to work on, is a powerful process. As the team uses the X-matrix to cascade the breakthrough objectives down to the point of impact and each team creates action plans, department leaders begin to understand how they can directly contribute to the company’s success. The more time that the team spends on such discussions, the deeper the buy in, and the greater the likelihood of success.

While strategy deployment establishes clear accountability, everyone has to understand what the objectives are and the plans for achieving them. When it is first introduced communication is essential. It takes time for managers to understand how the process works and how to use the tools.

## STRATEGY DEPLOYMENT BEST PRACTICES

**There's no magic potion behind strategy deployment other than the desire and discipline to do it.** It takes a structured process and the willingness to hold people accountable. Strategy deployment can be applied to any organization, whether it's a manufacturer, an insurance office, or a hospital.

**You can't work on strategy until you have control of the business fundamentals.** Whether the company uses balanced scorecards, KPIs or performance dashboards, business leaders first have to have a good understanding of how the business pulses on a daily, weekly, and monthly basis.

**Breakthrough objectives should be above and beyond budget promises, and not communicated outside of the company.** At publicly traded companies, teams must be able to take risks and possibly fail without being punished by the investment community if they don't quite hit the targets.

**Don't try to focus on too many breakthrough objectives.** Companies that are most successful with strategy deployment don't try to boil the ocean. They limit the number of breakthrough initiatives that the organization will tackle in a given period to two or three. Pet projects that don't support these objectives have to be formally killed.

**Leadership has to understand stretch goals and foster discipline.** Some leadership teams are better at defining and articulating breakthrough objectives that aren't completely outside the realm of possibility. Likewise, some are better at instilling discipline and keeping people rallied around the process and the objectives.

**The mechanics of strategy deployment are straightforward. Being effective with it is much more difficult.** Working "in the business" encompasses everything the organization is currently doing and currently measuring. There's a tremendous amount of tribal knowledge and expertise. By putting fundamental metrics in place to track what's going on in the business, the leadership team can begin to work "on the business." This means changing how the business operates, changing business processes and systems. It's an outside-looking-in approach to figure out what needs to be done to move the organization in a new direction.

**Prioritize improvement initiatives according to the impact that they will have on the company's financial statements.** However dramatic setup time reductions or quality improvements may be, too many lean initiatives focus on incremental process improvements that don't link back to the company's strategic objectives.

**There's a role for tactical strategy deployment but that's not the most powerful application of the methodology.** As a disciplined, structured framework for accomplishing things that they haven't been able to accomplish, some companies find the strategy deployment process useful for prioritizing projects related to decreasing scrap rates, improving quality, increasing inventory turns and decreasing costs. Many companies start to use strategy deployment for tactical projects then move up to more strategic objectives.

**Don't cascade objectives down too deeply into the organization in the first year.** Keep the initial objectives and projects within the top one or two levels. Instilling the discipline and procedures for effective strategy deployment within these areas will be challenging enough. Master the mechanics of strategy deployment before going all the way down to the plant floor.

**One of the biggest management challenges is managing countermeasures.** Managers need to standardize reporting mechanisms, whether through automation or templates, so that the focus of review meetings is less on what happened and more on what can be done to get back on track, and how to get to where you need to go more quickly.

**Cross functional activity drives the achievement of breakthrough objectives.** Companies may socialize well across departmental silos but they don't work well cross functionally. Leadership must provide the tools and establish the financial incentives that will encourage cross-functional cooperation.

**Leverage technology solutions that make it easier for people to work collectively.** Strategy deployment software can ease some of the administrative burden and allow managers to focus on problems and solutions. Video conferencing can ensure that monthly meetings take place when team members are travelling or physically located in different geographical locations.



Managers have to keep people rallied around the process and meet at least every month without fail to review individual action plans and progress toward the breakthrough objectives. By the second or third year of using strategy deployment, when people see that the objectives are being achieved, managers become increasingly confident that they have real control over growth and profits. Over time the business culture shifts toward a bias for action.

### Everything Looks Great on Paper

After documenting their breakthrough objectives and supporting initiatives, many companies struggle to make them a daily and weekly priority. Bowling charts can help track and report progress. Translating the breakthrough objectives and annual plans into “100-day plans” can also help maintain focus. The leadership team then reviews the 100-day plans on a weekly and monthly basis to verify that sufficient progress is being made. If outcomes aren’t meeting expectations, they can redirect resources and take countermeasures, and then follow up to make sure those countermeasures are having the desired impact.

Achieving the breakthrough objectives is also supported by a daily management approach that we call Managing for Daily

Improvement (MDI). MDI is a daily management system that starts with tracking and reporting the KPIs that were identified during the strategy deployment process. Managers review the KPIs with team leaders every day at a designated time. Monitor progress on a daily, weekly and monthly basis, ensures that people do not lose sight of the objectives and forward progress is sustained.

Ultimately, strategy deployment gives everyone involved in the process equal input into the outcomes. It ensures that the necessary buy-in and resources exist before the plan is executed. It demands relentless accountability and follow-up to achieve objectives. It delivers results aligned with the organization’s vision, its need for operational excellence, and leadership’s desire for growth.

Lean manufacturing implementations have frequently focused on tools, such as 5S or standard work. Strategy deployment provides the strategic focus and management system to ensure that such tools, when applied appropriately, have measurable business impact. This methodology is one way that TBM Consulting Group continues to partner with client companies over the long term to implement a sustainable lean transformation.

Dploy Solutions is a suite of technology solutions offered by TBM Consulting Group who brings 25+ years of experience with Operational Excellence and a proven track record building management systems that drive sustainable business performance. We offer implementation and consulting services to ensure a wide range of integration support, including management system design and implementation, data integration, setup and tracking hierarchy.

Our goal is to provide the best customer experience possible. Learn more about TBM Consulting Group at [tbmcg.com](http://tbmcg.com).



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