

## Plan For Success Through Policy Deployment

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Manufacturing.Net - January 11, 2008

Although many companies understand the need for planning, doing so is perceived as more difficult than dealing with the day-to-day operational improvements, and planning often goes undone or poorly done. And yet, if a company wants to truly transform, its management team must learn to plan for the future. A lean company does this planning through policy deployment.

### How Policy Deployment Works

#### **Step 1: Create a Common Understanding**

We believe that everyone involved in identifying strategies and developing plans should share the same information. They should have a common understanding of the external environment (opportunities and threats) and internal environment (strengths and weaknesses), short- and long-term goals, and strategic direction, so that they can provide informed and reasoned insights.

We don't subscribe to the idea that participants in this process should be limited to the president/CEO and his or her direct reports. Every organization has additional "movers and shakers" and informal leaders who can enrich the discussions and strengthen the plan. We encourage you to find the natural "go-to" people who have their coworkers' confidence and respect and tactfully bring them into the process.

Before the first meeting, determine who will present the critical information to the group that it needs to make decisions. Topics to be addressed include:

- Customers' perceptions of quality, delivery, service, and value (each key customer/market segment)
- Competitors' strengths and weaknesses
- Current company performance
- Impediments to success
- Operational and financial performance indicators
- Human resource capabilities and challenges
- Supplier capabilities and challenges
- Economic, legal, regulatory, environmental, and other issues
- Emerging technology and its implied impact on the organization's future

It's important early in this meeting to clearly communicate the egalitarian nature of this process. We say "one person, one vote." All ranks and titles are left at the door — each participant has an equal responsibility for the creation and success of the plan.

#### **Step 2: Key Strengths, Weaknesses, Opportunities, and Threats (Focused SWOT)**

The information gathered during the first meeting is used for the focused SWOT analysis in the second part of the meeting. The goal of the SWOT analysis is to identify those significant, vital few issues the organization must address.

Strengths and weaknesses are generally assessed from an internal focus and against customer expectations and competitive pressures. Opportunities and threats are assessed from an external perspective and are generally out of your control.

#### **Step 3: Develop Directional Alignment**

Leadership's most important step is to align the direction of their organization with the company's vision and the revelations of the SWOT analysis. Leaders determine this direction by evaluating two dimensions, technology/products and markets/channels, to expose both new and related opportunities.

The directional alignment exercise typically involves the same group that participated in the SWOT analysis. It begins with the group suggesting new and related products the company could offer, new and related technologies it could pursue, new and related markets it could enter, and new and related channels it could explore. Sub-teams of the group define each new/related opportunity and anticipate its potential, impact, capital required, and risk.

Sub-teams for each of the top selected areas identify their area's impact on sales and earnings, and its capital and other resource requirements. They outline the action steps and implementation schedule necessary to move forward. They then describe their findings to the entire group, which discusses the plans, completes the strategic directional matrix, and reviews each plan and all plans together for practicality.

#### **Step 4: Outline the Strategic Plan**

Policy deployment is a three-phase process that begins with the development of goals that are then translated into objectives and projects through the policy deployment matrix, which are reviewed monthly throughout the year to ensure that the objectives are being met.

The SWOT analysis and strategic directional matrix are key inputs for Phase I. The planning team uses these inputs to outline a three- to five-year strategic plan that identifies concrete and quantitative goals in four specific areas:

- Quality/customer satisfaction
- Productivity/cost reduction
- Delivery/responsiveness
- Morale/ergonomics/safety

Once the goals are established, the team reviews current performance on them and establishes concrete, measurable goals for each operating unit that will contribute to achieving the overall business goals.

#### **Step 5: Create the Policy Deployment Matrix**

The policy deployment matrix captures business objectives, projects, goals, financial impact, and implementation teams for the organization or for individual business units on a single page. To complete the matrix, the leadership team for the organization or business unit groups the strengths and opportunities identified during the SWOT analysis to guide the development of growth objectives. It then groups the weaknesses and threats to help develop operational improvement objectives.

We refer to growth objectives as “offensive” and operational improvement objectives as “defensive,” or basic “blocking and tackling.” In our experience, the focus of the first year of the transformation is on the defensive side, on shoring up the weaknesses and threats and getting your house in order. Through operational excellence, your organization earns the right to go on the offensive and plan for growth.

#### **Step 6: Choose the Vital Few and Deselect Aggressively**

The projects chosen through policy deployment are not the only activities people are working on. The purpose of this step is to select only the vital few breakthrough initiatives that will have a major impact on the company and deselect those that won't, because in addition to these initiatives, people are working on many important activities daily to maintain current levels and achieve superior performance.

We start by asking leadership team members to do a little homework: List all the breakthrough initiatives in which they are involved. Breakthrough initiatives focus on growth: (1) in sales and market share over and above maintaining the current business level; (2) in earnings and asset leverage over and above maintaining the current level of performance; and, (3) to achieve your mission through strategic alignment with long-range plans.

As a group, the participants put their initiatives in five categories:

- Regulatory, and you have to do them
- Mandatory, and your job depends on them (so you can't tactfully negotiate relief)
- Aligned with the policy deployment matrix
- Aligned strategically
- Not aligned

De-selection involves keeping those aligned strategically and by policy deployment and the regulatory initiatives, killing those not aligned, and questioning the mandatory to see if they must be kept. The group needs to formally “kill” each deselected project and develop action plans for the questionable ones.

Deselecting can be a very tedious process because nobody wants to give anything up. We encourage leadership teams to meet after two or three weeks to finalize the policy deployment matrix. This allows time for the ramifications of the matrix to become clear and for a “sanity check” to occur.

#### **Step 7: Track and Review Performance**

As the name implies, the crux of policy deployment is making sure projects are on track and that actions are taken to achieve the business objectives. This is done through weekly team meetings for progress and monthly project reviews by senior management.

As soon as the policy deployment matrix is complete, leaders develop a detailed monthly schedule for reviewing performance. Following a detailed tracking procedure, each month the executive team reviews the projects that have failed to achieve targeted milestones and devises and implements countermeasures. Visual controls and performance boards help everyone in the organization see how the company—and each team—is doing.

#### **The Power of Alignment**

High-performing organizations accelerate improvements and speed past the competition through the power of alignment. If everyone is working on those activities that are vital to your growth and success, your company will grow and succeed.

Policy deployment is indeed at the center of any company's transformation, and now is the time for you to make it the center of yours.

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