

FROM ORGANIZATIONAL CHALLENGES TO REAL RESULTS

GETTING BEYOND STRATEGIC PLANNING

The Unending Focus On Executing Strategy

Second only to leadership, likely more has been written about strategic planning than any other management subject.

In studying leadership, we seek to learn the emotional characteristics that define a successful entrepreneur. What makes Bill Gates or Jack Welch succeed when so many CEO's struggle? We often begin with the cult of personality, but soon discover that organizational success is intricately tied to planning and execution.

So we look to strategic planning, and there too often find chaos. Studies have discovered that up to nine out of ten strategic plans fail. An analysis by Fortune Magazine found that:

- 60 percent of organizations don't link strategy to budgeting
- 75 percent don't link employee incentives to strategy
- 86 percent of business leaders spend less than one hour per month discussing strategy
- 95 percent of workers don't understand their organization's strategy.

But why? Why do good intentions fall short?

Most discussions about unsuccessful strategic planning dwell on execution. Few experts have explained how to implement plans better than Larry Bossidy and Ram Charan in their book, *Execution; The Discipline of Getting Things Done*. But while they clearly explain the importance of integrating people and operations with plans; their guide, like so many others, still leaves out both a systemic and systematic approach to deploy, learn and integrate plans for improved organizational results.

Are Planning and Execution Really The Begin Point?

Something is missing in all the talk about the reasons for failed plans. Planning, and the leadership needed to execute it, is irrelevant unless these two things are part of a broader organizational system. Creating a sustainable organization requires more than just translating strategy into operational terms; more than just making strategic goals part of everyone's everyday job.

Some years ago, the great Quality guru, W. Edwards Deming, said that an organization must be viewed as a system. From this perspective, planning and execution should be linked to other concepts that impact overall success. In other words, the real issue isn't whether or not the plan is successful or well executed. This could happen and the organization may still fail. What is important is whether or not the plan brings all organizational elements into alignment to drive the overall purpose and challenges of the organization.

So, what leadership must do first is define what's important, what the organization wants to achieve and what its challenges are. *All* strategy, tactics, measurements – everything that's done – must be aligned with this

profile of the organization’s reason for being, and this alignment must then be driven through leadership, strategy, customer focus, measurement methods, staff engagement and alignment, and process design.

Figure 1 shows the theory behind driving improvement across an organization to impact both efficiency and effectiveness. The idea is to begin at the beginning. Once the organization’s leadership agrees on what is important, planning must involve more than just strategies and goals. Key elements must be leveraged to drive change.

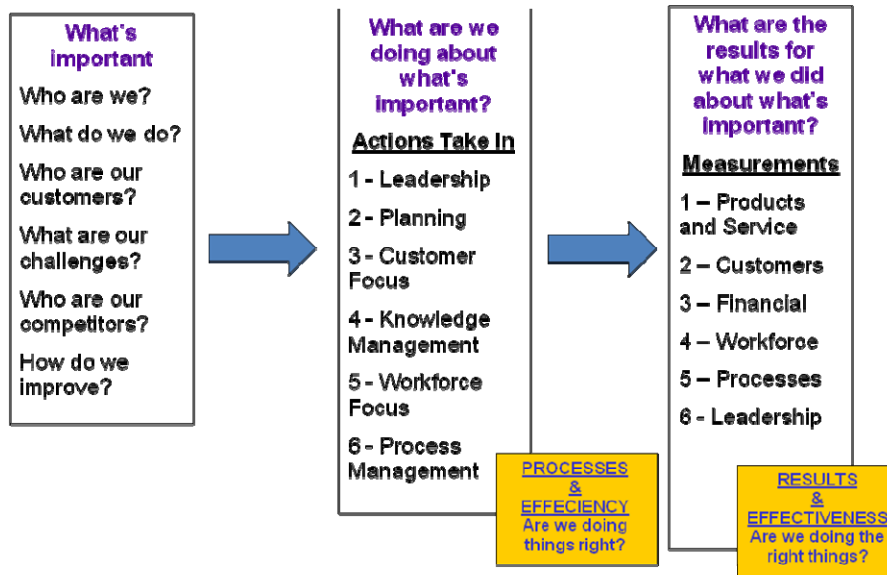


Figure 1 – Acting on What’s Important

Can this be done? Can we consider planning as part of a much larger system of actions leading an organization to the results that matter? Has anyone used this approach?

Yes, and very successfully.

Case Study 1 – DynMcDermott Petroleum Operations Company

DynMcDermott is a contractor for the federal government’s Department of Energy (DOE). In profiling their organization, they identified important issues and challenges:

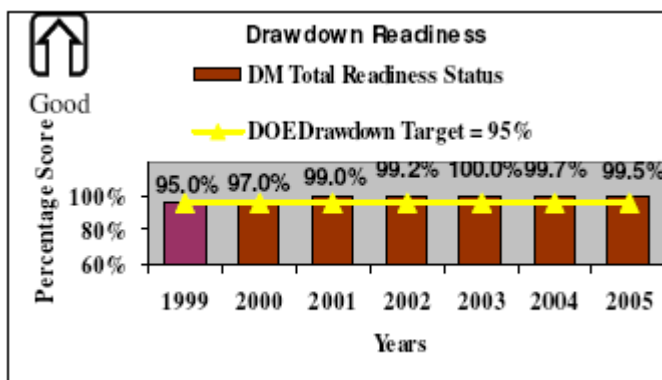
1. Operations
2. Management effectiveness,
3. Cost management efficiency,
4. Environmental safety and security,
5. Customer satisfaction,
6. Succession planning,
7. Knowledge management
8. Leadership and communications.

DynMcDermott aligned and leveraged six key organizational areas to overcome these challenges.

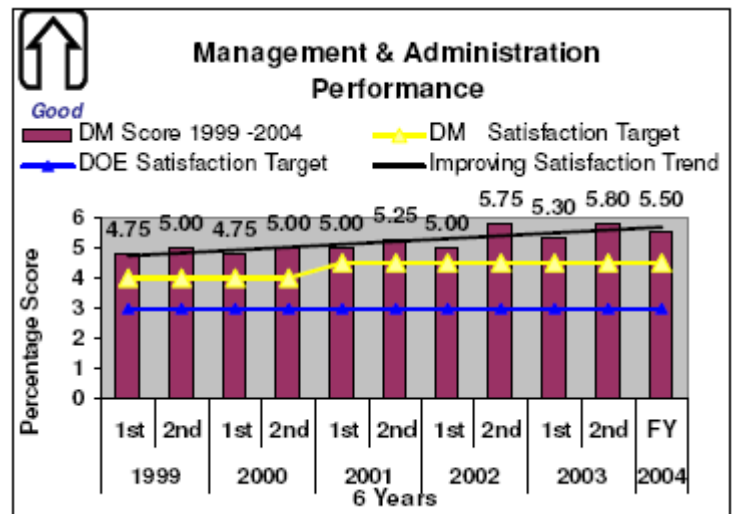
- Leadership** - Organizational leaders used the Baldrige Criteria and their own organizational values to address the eight strategic issues and challenges. Everything leaders did, focused on the end accomplishments.
- Planning** - During strategic planning, action plans, performance indicators and targets were established to drive and measure improvement. Planning became just one part of a multifaceted approach to execution.
- Customer Focus** – Specific efforts were focused on what the customer wanted and needed. DynMcDermott’s only customer is the Department of Energy, so they aligned their strategic plans with their customer.
- Knowledge Management** – Newly deployed technology provided access to the process measures and data that were accessible by DynMcDermott and the Department of Defense employees. Everyone could see progress toward the primary goals.
- Workforce Focus** - Employee performance evaluation procedures were aligned with the challenges faced by the organization. Goals directly supported action plans developed during strategic planning. A strong effort was placed on training and employee engagement.
- Process Management** - Processes and job design were focused on the end goals. Value creation and support processes were aligned with the strategic plan.

Results

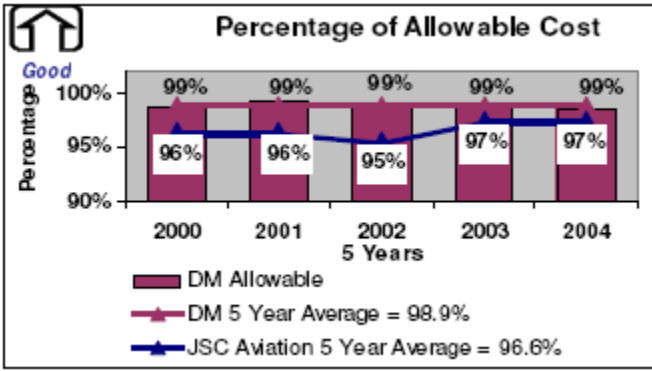
By focusing systemically on organizational alignment to address challenges, DynMcDermott has seen impressive results in those areas it deemed important.



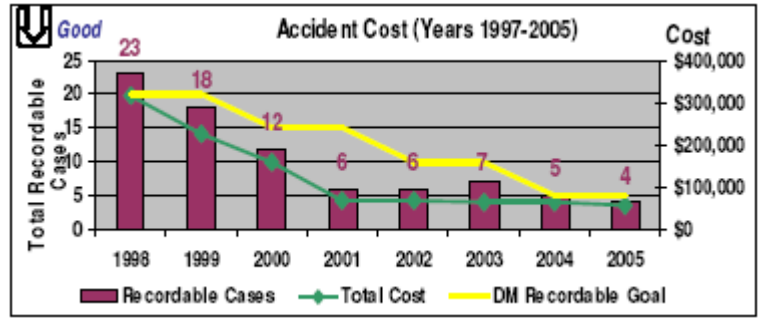
DM Challenge 1 – Operations Performance



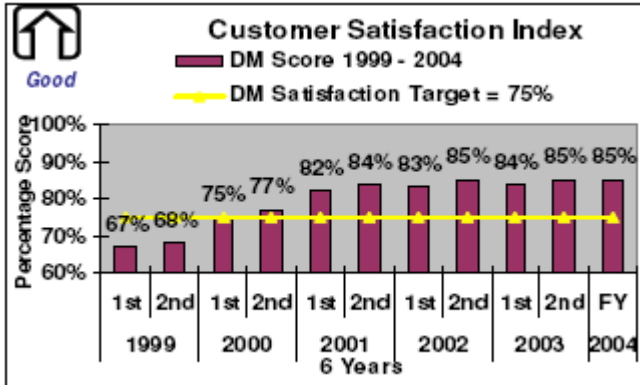
DM Challenge 2 – Management Effectiveness



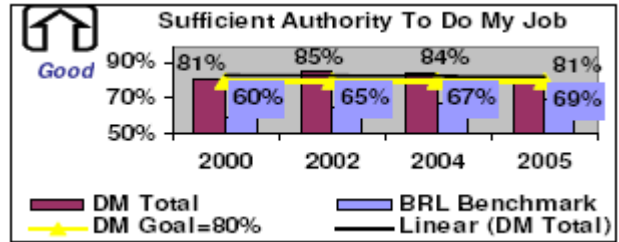
DM Challenge 3 – Cost Management Efficiency



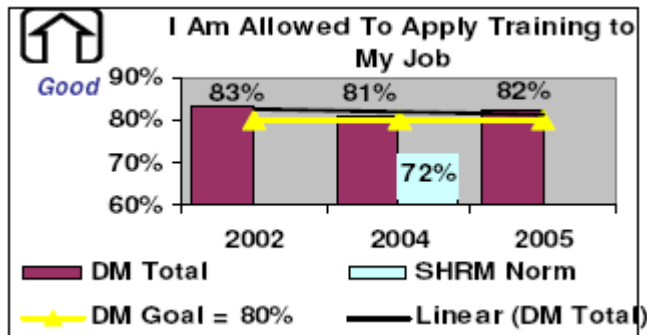
DM Challenge 4 – Safety and security



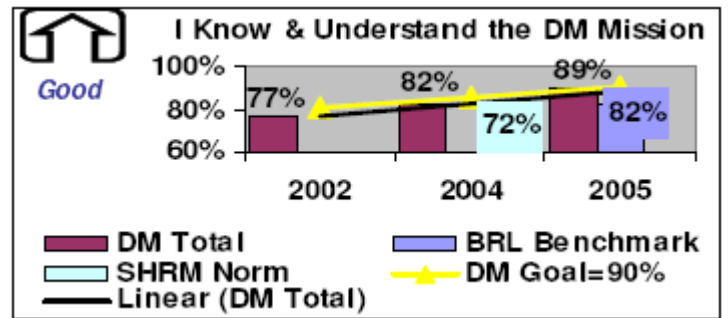
DM Challenge 5 – Customer Satisfaction



DM Challenge 6 – Succession Planning



DM Challenge 7 – Knowledge Management



DM Challenge 8 – Leadership and Communications

By focusing systematically on the identified challenges, DynMcDermott positively impacted the performance results related to these areas. Additionally, organizational targets and targets established by the DOE were consistently surpassed while they outperformed industry benchmarks.

Complete DynMcDermott Results and their full report are located at:
http://www.quality.nist.gov/PDF_files/DynMcDermott_Application_Summary.pdf

Case Study 2 - Bronson Methodist Hospital

Bronson Methodist Hospital (BMH) provides medical care to inpatients and outpatients in the Kalamazoo, Michigan area. They identified three main categories of strategic challenges when they profiled their organization. They referred to these as the 3Cs:

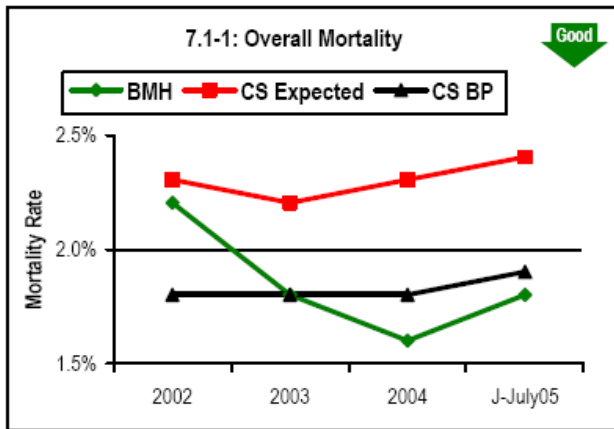
1. Clinical Excellence (CE)
2. Customer and Service Excellence (CASE)
3. Corporate Effectiveness (CORE)

Bronson also aligned and leveraged six key organizational areas to overcome these challenges.

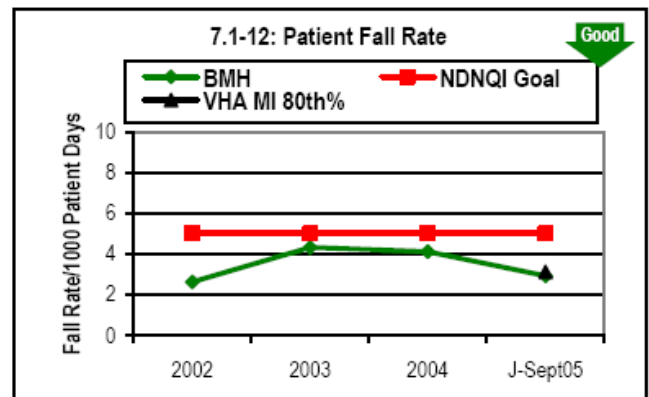
1. **Leadership** - Leaders utilized what they called a Leadership Communication Process to communicate the strategic challenges, in the 3Cs format, throughout the organization.
2. **Planning** - Plans were then aligned and deployed through a systematic cascade process that included the use of aligned scorecards at department, service line and key process levels. The scorecards were developed around the 3Cs and presented in this format. A member of the executive team served as the chair of what were called strategic oversight teams. There was one strategic oversight team (SOT) for each of the 3Cs (CE SOT, CASE SOT and a CORE SOT). During the continuous strategic management process, the SOTs developed detailed tactics and action plans including timelines, responsibilities, measurements, staffing, education and budget plans; all revolving around the 3Cs.
3. **Customer Focus** - Being attentive to customers and their market led to the opportunity to meet their CE strategic challenge. Through information generated during the strategic management process, adult patients with chronic diseases emerged as a new market opportunity. This led to the creation of a new medical unit to meet the needs of this segment of the market. Similarly, the CASE SOT used various methods to gather customer requirements related to the CASE strategic challenges. This information was considered during the planning process.
4. **Knowledge Management** - The executive team used scorecard indicators that measured the 3Cs. All levels of the organization could then evaluate performance based on the 3Cs. Once the organizational score card was done, relevant scorecards were then developed for the departments, service lines and key processes. This ensured the entire organization was aligned with the 3Cs – the organizational challenges.
5. **Workforce Focus** - A staff performance management system included reviewing employee performance scorecard measures which were tied to the 3Cs. This was communicated in 3C format. Recruiting was based on the needs identified in the strategic management process related to the 3Cs. HR also used the tactics detailed by the SOTs for each of the 3Cs to develop staffing, education and budget plans.
6. **Process Management** - Key processes were identified that supported the 3Cs and each of the SOTs provided oversight of the design of the key processes related to their area.

Results

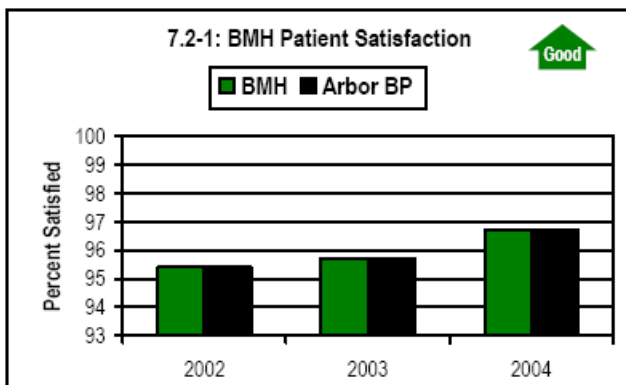
Bronson systemically attacked their organizational challenges and have the results to show the effectiveness of this approach.



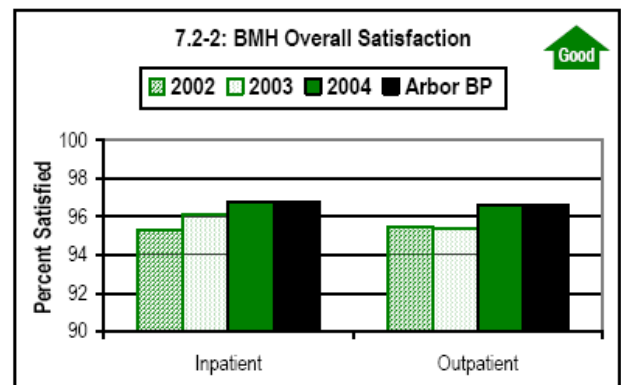
Bronson Challenge 1 – Clinical Excellence (CE)



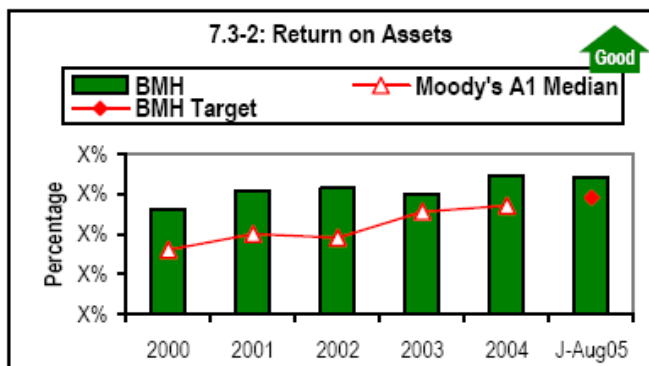
Bronson Challenge 1 – Clinical Excellence (CE)



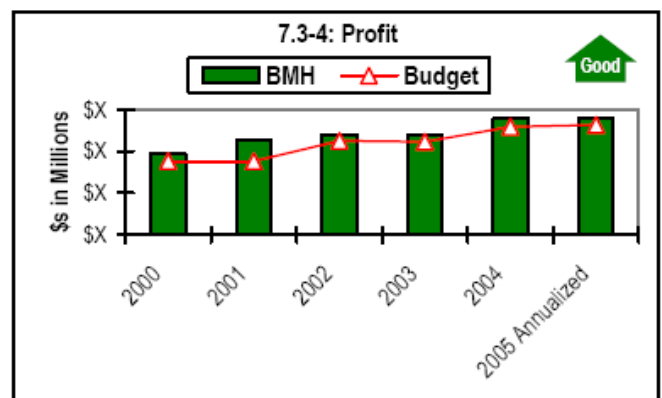
Bronson Challenge 2 – Customer and Service Excellence (CASE)



Bronson Challenge 2 – Customer and Service Excellence (CASE)



Bronson Challenge 3 – Corporate Effectiveness (CORE)



Bronson Challenge 3 – Corporate Effectiveness (CORE)

Leaders successfully moved Bronson forward in all three main categories of the challenges they identified. They improved over 3 years in all measures related to their CE strategic challenges. In most areas, Bronson was out-performing the best practice benchmark by year three. They met or exceeded the best practice

benchmark in most measures related to CASE strategic challenges. Healthcare financial benchmarks in profit margins and return on assets were surpassed and profits steadily increased over the three years reported in the application.

Complete Bronson results and their full report are located at:

http://www.quality.nist.gov/PDF_files/Bronson_Methodist_Hospital_Application_Summary.pdf

Conclusion

This isn't a revolutionary concept. The idea of basing what we do, even what we plan, on a higher perspective of what's important is well known. What's different here is an explicit effort to not make planning itself the beginning point that drives execution; but rather to use what's important to leverage six drivers of change:

1. Leadership
2. Planning
3. Customers
4. Measurement
5. Workforce
6. Processes

It is no surprise to many reading this article that the authors didn't create this theoretical model themselves. It's just a simplistic description of the Baldrige Criteria for Performance Excellence and the two case studies are recipients of the Malcolm Baldrige National Quality Award.

The intent is to show that this approach is just common sense, unfortunately not so commonly applied.

Over the last twenty years, the Baldrige Criteria have had proponents and detractors. Baldrige has been called expensive, complicated and too long an investment in time and resources. These accusations are wrong and misinformed.

As illustrated in Figure 1 above, the Baldrige approach to organizational improvement is a simple idea of alignment – you only work on what's important. While some get caught up in the pursuit of an award, the real intent of the Criteria is to provide a well tested framework that improves all types of organizations.

It costs virtually nothing to determine your own organizational profile. Once done, you will discover gaps in performance that demand attention.

Figure 2 illustrates the impact of how the profile can be used to leverage common business concepts.

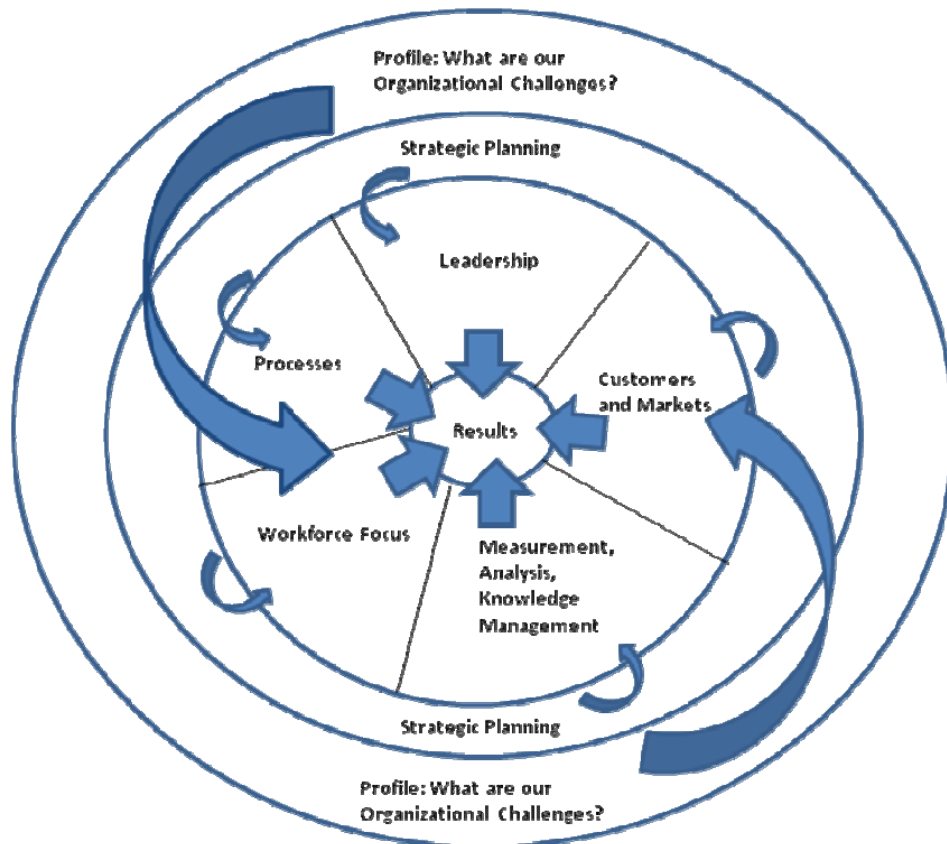


Figure 2 – Planning As Part of A Larger Systems Approach

The simple message of Baldrige is: the best way to drive results is to begin at the beginning. Understand who you are and the challenges you face; then leverage the Criteria framework to close gaps one at a time. Use your organizational challenges as the backdrop. From there, employ the six drivers of change: leadership, planning, customers, measurement, workforce and processes to lead your organization to the results that matter. Planning and execution are important; knowing what to base them on, and how to leverage that knowledge are imperative.

“I see the Baldrige process as a powerful set of mechanisms for disciplined people engaged in disciplined thought and taking disciplined action to create great organizations that produce exceptional results.”

Jim Collins, author Good to Great

About the authors

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References

The Executive Guide to Understanding and Implementing the Baldrige Criteria: Improve Revenue and Create Organizational Excellence, by Denis Leonard & Mac McGuire (Quality Press, ASQ Quality Management Division Economics of Quality Book Series, 2007)

Baldrige recipient results are available at, http://www.quality.nist.gov/Contacts_Profiles.htm

State Baldrige-based programs are at www.baldrigepe.org/alliance.

To learn more about the Criteria go to the National Baldrige website - www.quality.nist.gov.