

Strategic Alignment

By Harold Chapman

We wrapped up our series on Creating Alignment with the team in last month's newsletter. Now that we have aligned our thinking as a team, we will focus on creating and aligning to a strategy to move the business closer toward perfection.

WHAT IS STRATEGY?

This seemingly simple question is actually quite complex and many different definitions exist. For the purpose of OpEx, we espouse that strategy is defined as "how we respond to outside factors that are currently impacting our business or could impact our business in the future." Some examples of those factors are:

- Competitors
- Customers
- Law, Economy
- Suppliers

When we respond, we do so from inside the business with our internal processes; therefore, strategy is an internal response to external factors. Regardless of our strategy, it is only effective in terms of our ability to change our processes quickly enough to respond to the external. Consider what happened to the US automotive industry in the early 1970's. There was an external factor (oil embargo) that created a shift in the US consumer sentiment (vehicles with improved fuel economy). The Big Three (Ford, GM, and Chrysler) were not responsive enough to the change and subsequently lost considerable market share. Those three companies never recovered from the market share impact of those days. At the time of this publication, these companies, now called the Detroit Three rather than the Big Three, continue to struggle to make a profit on their smaller models.

CONTINUOUSLY IMPROVE

If the Big Three would have known that a shift in the market was coming, they would have certainly prepared. However, one doesn't always know what is around the next corner, so the best strategy is to continuously improve the following:



Reliability – Flexibility – Speed

We must constantly be improving the reliability of our people, our equipment, and our products. Our flexibility comes from being able to efficiently change resources from doing one activity to doing another activity. Our speed is reflected in our ability to respond to customers and to changing conditions in the marketplace, thereby turning over resources faster; e.g. – inventory (flow creation). Some examples of speed, reliability, and flexibility are outlined below:

Speed:

- Inventory Turns (faster is better)
- Order Lead Time (shorter is better)
- Sales per Employee (higher is better)

Reliability:

- Assets that perform when needed
- People who are present and perform when needed
- Information which remains current and accurate at all times

Flexibility:

- Assets that can change from one product to another
- People who are multi-skilled

Constantly improving speed, reliability, and flexibility will allow us to be better prepared to respond to any changes in external forces in the market place. This improvement is to be accomplished before we actually NEED it. We all know it is difficult to improve and change during a crisis.

“In times of peace, prepare for war.”

Creating a strategy for the company cannot be completed in a vacuum. Many have pointed to Toyota as a model for strategic planning. Indeed, Toyota has skillfully created and deployed their strategy over the years, so it would be wise to look at their methods. Their Strategic Improvement Planning comes from a process called Hoshin Kanri, which means “shiny metal” or “compass.” Some U.S. companies use the term “policy deployment.” It is really more like strategy management. Hoshin Kanri could be translated as “setting and controlling direction.” It is a planning method that captures strategic goals and actions and combines them with the means to make those goals achievable. At the request of many of our clients, we have



moved away from the Japanese term, Hoshin Kanri, to the term Strategic Alignment. We will dive into the details of the strategic planning process in a series of upcoming newsletters.

If your organization has a beautiful strategic plan collecting dust on a shelf, communicates the same plan every year with little or no progress, or has improvement projects working in twenty different directions, then Strategy Management can help! If your business can't seem to make progress on strategic objectives because "real work" gets in the way, has a plan but never checks progress or holds people accountable, or has long review meetings that seem to accomplish nothing, then Strategy Management is your solution! For a no-obligation introduction meeting, please contact Paul Eakle at paul.eakle@driveinc.com or 865-323-3491.

