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Breakthrough
Business Improvement Publication

Strategic Alignment Part 2

Last month, we introduced our series on Strategic Alignment. We discussed the importance of Speed, Reliability, and Flexibility. This month, we will continue to discuss the importance of Strategic Alignment.

WHAT IS STRATEGIC ALIGNMENT?

Strategic Alignment is a systematic and disciplined process to align, communicate, and execute business strategy. It focuses on those vital few breakthrough objectives which give one a competitive advantage. This process ensures the entire organization is working on the right things. We use a simple one-page document to manage efforts and we create meaningful metrics with accountability for reaching targets.

Running the business should not be like playing tug of war. As leaders, we must ensure the total enterprise is pulling in the same direction.

The metrics we use to motivate the team are critical, since some metrics divide and isolate rather than build unity. Some traditional functional tactics that drive the “tug of war” mentality are below:

Purchasing:	Lower piece price (can lead to lower quality and longer lead times)
Logistics:	Lower inventory (can lead to running out of parts)
Design:	More functionality (can add cost and complexity to manufacturing)
Accounting:	Lower cost (can overburden the resources)
Operations:	Increased output (can lead to excess finished goods inventory)
Quality:	Lower delivered PPM defects (can lead to over processing)
Sales:	Revenue (can lead to selling negative margin products)

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ALIGN TO KEY MEASURES

None of these metrics are inherently bad. However, when functions are assigned competing metrics, it exacerbates the tug-of-war mentality. It is crucial to align to key measures. One of the newer trends is to have a balanced scorecard, which has the teams focused on too many trivial metrics. At one of our clients we transitioned from 42 competing metrics to aligning the entire team to eight tiers of shared measures. Many functions that had metrics in the 5^{th} or 6^{th} tiers had to subjugate their work “to the greater good of the entire business.”

LOOKING GOOD VS. BEING GOOD

A typical publicly-traded manufacturer has a quarterly focus and (depending on industry) possibly a two- to ten-year plan. In many of these companies, management focus is on “making a splash” with a short-term impact that gets the manager noticed and positions him/her for the next step. These companies also judge progress by comparison to competitors or historical results. Too many times we see their focus as trying to LOOK good. Great companies have a 100-year focus. Management is concerned with preserving the legacy for stakeholders (employees, shareholders, customers, suppliers). These companies judge themselves against perfection. Their focus is on BEING good for the long term.

TRUE NORTH

When working with teams on defining perfection, we walk them through a process of defining True North for their organization. This process helps the team visualize what perfection looks like as it relates to them. When doing this, we must ensure the team doesn’t see True North as a destination but rather a compass heading. Once everyone is clear on True North, we can then compare our decisions to our compass heading. If the decision will move us closer to True North, we call that decision “directionally correct.” If the decision will move us away from True North, we call that decision “directionally incorrect,” and we should reconsider the decision.

Another exercise that proves beneficial involves discussing those practices that make us look good rather than be good. One of the most common items that appear on the LOOK GOOD list relates to managing inventories. There is typically a habit of lowering inventories at the end of a period (month, quarter, and/or year) to make the financial reporting LOOK good. In reality the inventory numbers are much higher if checked during the period. Because the inventory wasn’t measured correctly at the beginning of the inventory game, the process must then rely on incorrect, unreliable numbers at the end of a period and the beginning of the next.

If you were to ask everyone in your company the following questions, what would be the reply?

- How do I know if I had a “good day” today?
- How does what I’m doing contribute to the long-term success of the company?
- What should I STOP DOING because there are other activities that will yield more bottom-line results?

The response to these questions will let you know how well your company’s strategy is aligned and how well it is being deployed.

The expectation is that every company starts out with an annual strategic plan. As the company matures in its strategic planning process, these expectations can extend into longer range planning sessions.

Scenarios Planning
Long Range Planning
Yearly Strategic Planning

The focus of this series is on Yearly Strategic Planning. We will pick up on Scenarios and Long Range Planning in future newsletters’ series.

Do your team members know if they are having a good day? Does each team member know how they contribute to the long-term success of the company? Does each team member know what they should stop doing because there are other activities that will yield more bottom-line results? If you answered no to any of these questions, DRIVE can help! For a no-obligation introduction meeting, please contact Paul Eakle at paul.eakle@driveinc.com or 865-323-3491. Stay tuned for next month’s newsletter series where we will continue our focus on Strategic Planning.