

Linking Strategy and Process: Strategic Planning

This last installment of the series describes how to convert strategically critical information into a strategic plan using Hoshin. "Hoshin kanri" is Japanese for "a shiny metal object," like a compass. As a compass directs a traveler, Hoshin provides direction to an organization.

Two things differentiate Hoshin from traditional strategic planning methods: the tools and the catchball process. Hoshin's management tools help an organization translate a global vision statement into specific action items. The catchball process creates buy-in to the strategy.

There are multiple steps to the Hoshin process. Each is explained below.



Identifying Key Strategic Data

First, review system maps, control charts, surveys, focus group comments, etc., looking for strategically important strengths, weaknesses, opportunities, and threats (SWOTs). Then, record each SWOT on a Post-It note. Since the goal is to surface all key strategic issues, it is possible to have a high volume of notes. These represent potential areas of focus for the organization.

A successfully written SWOT will have two components: the fact, and the implications of the fact. For example, suppose your assessment revealed that turnover in the company is dangerously high. You could record this in different ways:

- "High employee turnover," or
- "High technical staff turnover limits ability to provide timely customer support."

The first example contains only the fact, while the second includes the implications.

Arrange Like Issues in Columns

Each note should then be placed randomly on a surface. Participants should silently look for connections between the different notes, then re-sort them into columns by theme. Participants should not sort notes into strengths, weaknesses, opportunities, and threats. Themes should instead focus on the content of the information. If participants disagree on where a particular note belongs, they may move it back and forth. Open discussion results in lengthy sessions, aggressive personalities squelching other opinions, and jumping to conclusions without thoroughly evaluating the list.

Remember, it is inevitable that there will be some re-categorization of notes further into the process. Don't feel pressured to make the first pass perfect.

Give Each Column a Verb-Noun Title

Title each theme using a verb-noun format; for example, "streamline the product development process."

Here are tips for creating meaningful titles:

1. Some columns will be tightly connected and others won't. Assign titles to the easier ones first.
2. If there is no obvious connection in a given column, move on. Often a miscellaneous column will be divided into other columns once titles have been assigned.
3. Take the assignment of verbs seriously, since the titles will send a message to target audiences about what is important to the company.
4. Don't use the same verb over and over. The resulting plan will sound silly.

This step results in a set of titles (called strategic elements in Hoshin terminology) such as:

- "Accelerate Product Development"
- "Improve Financial Position"
- "Develop Employee Skills"
- "Delight Existing Customers"
- "Upgrade Information Technology"
- "Expand into New Markets"

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Navigating Your Organization's Future

Linking Strategy and Process *(continued from front)*

Identify Relationships Between Categories

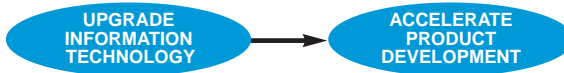
Next, prioritize the elements by examining each pair of titles for cause/effect relationships. For example, consider the following pairing:



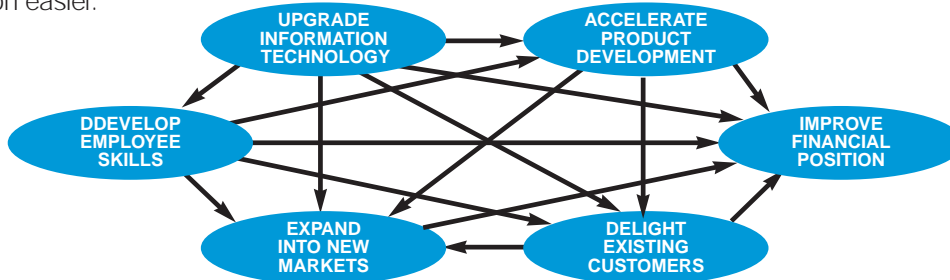
There are two potential relationships:

- "IF we upgrade information technology, THEN we will be able to accelerate product development," or
- "IF we accelerate product development, THEN we will be able to upgrade information technology."

The first statement makes more sense, as technology can be a key driver of product development time. If the group agrees, an arrow would be drawn as shown below, illustrating that one "drives" the other:



Comparing each pair of elements yields this diagram, which examines all driver relationships and makes prioritization easier.



Count Arrows In and Out

To establish the proper hierarchy, count the arrows in and out of each element. (See Chart 1.)

According to the driver relationships established, the first priority of the organization should be upgrading information technology. It has the most arrows out, meaning it "drives" all the other issues. Following this logic, the top level of the plan looks this (See Chart 2.)

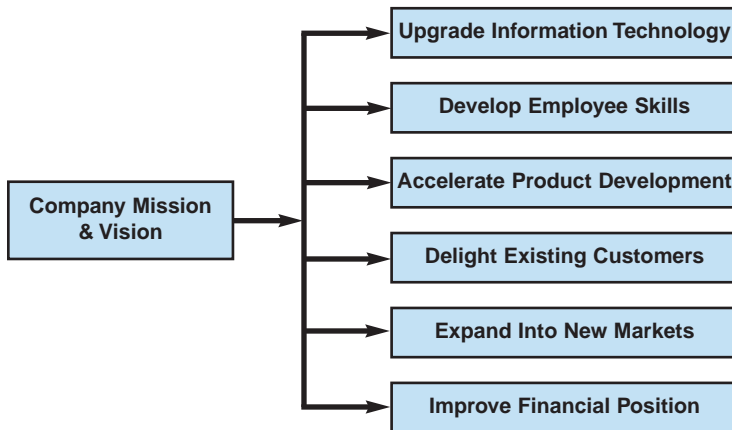


CHART 2.

CHART 1.

Strategic element	Arrows in	Arrows out
Upgrade information technology	0	5
Develop employee skills	1	4
Accelerate product development	2	3
Delight existing customers	3	2
Expand into new markets	4	1
Improve financial position	5	0

Note that "improve financial position" is in the lowest position, suggesting it is an outcome of all the other issues.

Also, the diagram should be weighted against real-world knowledge. For example, if the organization knows new markets must be taken in the short term to ensure the company's future, then "expand new markets" can be moved higher.

Clarify Priorities

The first iteration of the plan yields broad themes, which may not be immediately actionable. It may be

necessary to repeat the process to narrow down the scope and provide more insights into what specific actions are needed. To do this, simply repeat the prior steps. Return to the list of Post-Its that were placed in one of the main columns, sort into common themes within the column, title them, and draw the connecting arrows. Continuing in this manner for each strategic element yields a plan which prioritizes the company's key strategic issues, presenting them in a user-friendly format.

Catchball the Plan

In a typical organization, strategy development is reserved for senior management. This can result in a plan that is difficult to execute because the senior group is out of touch with the operational realities of execution. Also, the employees below executive level may not understand the thinking behind the plan and therefore do not buy into it. The catchball process avoids both potential obstacles by involving more people in plan development.

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Senior management develops the basic plan, then conducts an interactive communication session with middle management to hear feedback and gain agreement on high-level priorities. Next, middle managers work out the details of execution. Upon completion, these are presented back to the executives for feedback.

Develop Plans to Address Key Issues

The next activity should be thinking through execution, talking about specific steps, resources, cost, etc. for each initiative. The output should be a series of project plans.

Develop a Timeline for Execution

Once project plans have been defined, the senior team will have a good sense of what is involved with overall plan execution. This is when appropriate timelines for each initiative should be established.

Conclusion

This series has examined how to link processes and strategy, use data to conduct a strategic assessment, and develop a strategic plan. What's next? Orion recommends a strategic measurement system such as the Balanced Scorecard to monitor progress. This is the easiest way to ensure that the company's plans are being executed and not left to gather dust.

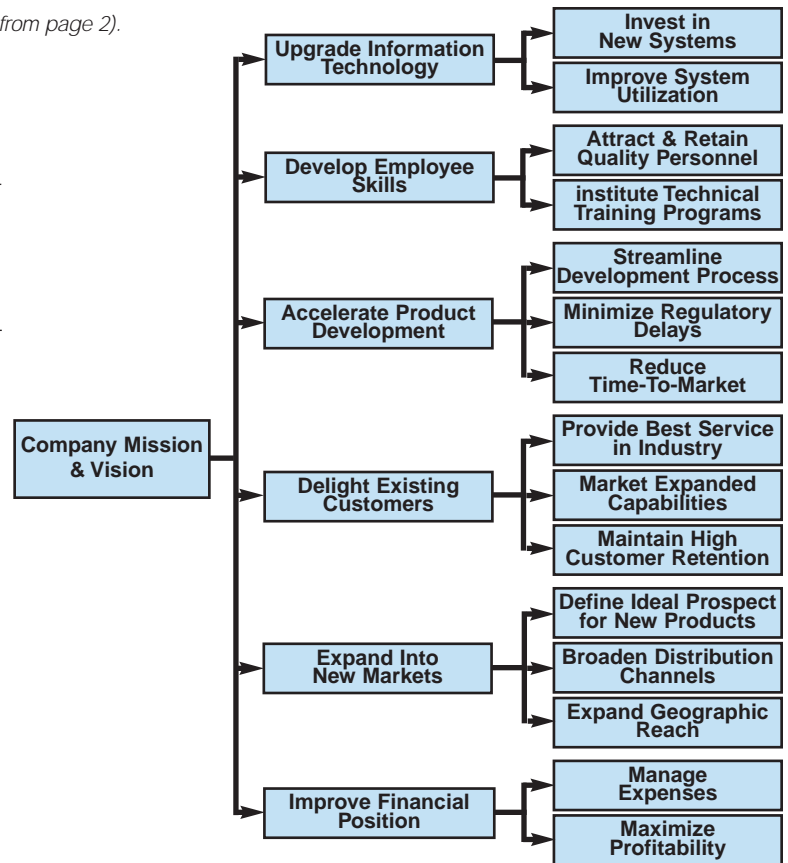


CHART 3.

The Tools of Process Mapping

Part three of the process mapping series focuses on tools. Listed below are main objectives, advantages, and disadvantages of each.

Once a tool is chosen, move forward using a low-tech flip chart and sticky notes. There are several good reasons:

- Sticky notes move easily to be used in another type of chart.
- You'll gain buy-in from participants who write tasks.
- You are free to make mistakes and start over.

Try process mapping with at least two techniques, or integrate from several tools into one chart. However, keep it simple to start — you can quickly accumulate too much information.

Tool	Objective
System Map – Informal	Root cause and boundary analysis
System Map – Formal	Big picture (SIPOC)
Top Down	Macro orientation
Flow Process	Detailed activity analysis
Block Diagram – Logic Flow (Left To Right)	Flow of work (left to right) and key decision points
Block Diagram – Responsibility Matrix	Clarify who is concerned
Block Diagram – Cycle Vs. Process	Compare clock time to transformation time
Work Flow Diagram	Flow of information, people, or data
Swim Lane (Deployment Chart)	Who does what when
State Change Chart	Brainstorming on what needs to happen, not how

Main objectives of each part of the Toolkit.

Process Dimensions

There are seven critical process dimensions, or information types, you need to give depth to the analysis:

Who: Determine who does the work, authorizes it, hands it off, and verifies/changes it. Considered all stakeholders by thinking SOCCER: **S**uppliers, **O**wners, **C**ustomers, **C**ommunity, **E**mployees, **R**egulators.

This dimension presents opportunities to simplify processes by transferring work to or from customers. Good map formats for this dimension include the Responsibility Matrix and the Swim Lane chart.

What: What work is/isn't being done? What work adds value, and what does not? This dimension adds actions to your process map, and can be uncovered by the Top Down, Logic Flow, Flow Process, Swim Lane and State Change charts.

When: Is work done before/after an event, or on an ad-hoc basis? This dimension provides the flow of a series of events. When work happens serially and is displayed that way, you might find opportunities for parallelism (redesigning activities to occur simultaneously). Good map formats for this dimension include Logic Flow, Work Flow and the Swim Lane.

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The Tools of Process Mapping *(continued from page 3)*

Where: In which building, cubicle, floor, state, country, or area is work done? This dimension discovers co-location opportunities through Work Flow diagrams and Swim Lane charts.

Whether: Determine if activities are necessary, and eliminate non-value-adding intermediaries. In a simple process, the "whether" decision is made by process performers. Good map formats for this dimension include Top Down, Logic Flow, Flow Process and State Change charts.

What Degree: How much can one participant accomplish? What are the boundaries in skill, authorization or both? How much work is necessary to achieve "acceptable" performance? This dimension reveals standardization without regard for the participants involved. Solutions include using specialists with broader responsibilities in a team, or adding a caseworker between extreme specialists to simplify customer service. Good map formats for this dimension include Top Down, Cycle vs. Process Time, Flow Process, and Work Flow charts.

What Frequency: How often is work happening? Is it triggered by passage of time or completion of another activity? This dimension reveals the activities that consume excessive time by using either Top Down, Logic Flow, Work Flow or Cycle vs. Process charts.

Which Tool?

Every situation is different, and there is no one "right" process map. Here are some guidelines to help you select an appropriate tool.

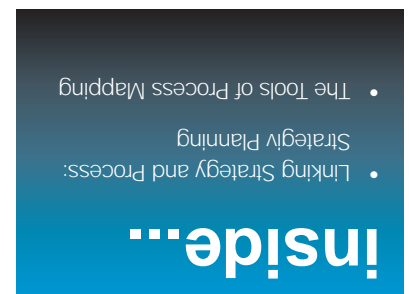
- Your audience must be first in your mind, whether senior leadership, end-users or process analysts
- Consider your intentions. Think **DRIVE**: **D**isgnose a situation; **M**ap a process for **R**egulatory use; **I**mprove the process; Place a **V**alue on the activities; Seek to **E**ducate those involved
- What operational performance gap are you trying to close? Where do reality and expectations (or specifications) not meet? Your process map must illustrate this gap, its effect and/or how it can be closed.

Whichever tool you choose, be sure to focus solely on the dimension you are illustrating, and help the reader understand its importance.

Conclusion

A visual display can give you a deep understanding of your process, allowing improvements in performance. Correctly executed, the process map provides uncovers the true potential of your process. With the approach provided, you can find the right tool for the right time and right reason. Now you are ready to launch that crucial process improvement project.

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