The values of strategic deployment

Joseph A. DeFeo and Alexander Janssen

Joseph A. DeFeo, President and Chief Executive Officer of Juran Institute at the firm's world headquarters in Wilton, Connecticut, USA, is responsible for the development and implementation of breakthrough improvement processes for a wide variety of organizations throughout the world. Widely published as an author and speaker at industry events, he is a recognized management and training expert in Six Sigma quality and design initiatives, strategic deployment and other business solutions. He has served as an adjunct professor of global quality management and holds BS and MBA degrees.

Alexander Janssen, Managing Director for Juran Institute, B.V. in Amsterdam, The Netherlands, is responsible for developing and implementing corporate strategies with business solutions for a wide range of organizations. He is a leader for Six Sigma quality implementation in Europe and leads the Institute's Web-based benchmarking services for various industries. He holds a master's degree in business economics and attended the European School of Management business course – a three-year MBA program.

Juran Institute provides all levels of management worldwide with business solutions and organizational training to improve the effectiveness, efficiency and quality of virtually every operation performed by an organization and its employees – including design, manufacturing, inventory, delivery and all transactional processes to Six Sigma levels. Its heritage goes back many decades to when Dr Joseph M. Juran, Chairman Emeritus and founder of the Institute, began pioneering work in managing for quality. Known by many as the father of the modern quality movement, he and his associates established themselves as innovators in this field before it became a revolution in the 1970s and 1980s. Web site: www.juran.com; jdefeo@juran.com; USA: (203) 834-1700; ajanssen@juran.com; The Netherlands: 31 20 305 2782.

Abstract *This fourth and final article in a series on strategic deployment will review the values and obstacles in preparing an organization to be a leading competitor in its chosen markets. Thoroughly integrating the process into the operating culture of an organization is absolutely essential to success.*

Keywords *Strategic management, Growth, Quality culture*

In the first three of this series on strategic deployment we reviewed ways in which the process can be an effective key to profitable growth, examined why the process makes sense in challenging as well as good economic times, and identified ten steps for implementing it throughout an organization.

In this final article, we will review the significant opportunities as well as the obstacles while integrating this effective process throughout an enterprise. Once in place, there must be continuity in accurately confirming success or failure and in knowing where to apply the pressure that is needed to assure goals will be met and maintain leadership.

Key performance indicators are as follows.

Key performance indicators

Product performance

Since a product's features are numerous, there are performance metrics and technological sensors that can provide objective product evaluations.

Competitive quality

These metrics relate to qualities that influence product saleability. Examples include promptness and courtesy of pre-sale and after-sale services, responsiveness, and accuracy of order fulfillment. For instance, in automobiles qualities include top speed, acceleration, braking distance, and safety. For some product features, data must come from customers, negotiation, persuasion, purchase, laboratory tests, or research.

Quality improvement

This evaluation is important for organizations that go into quality improvement on a project-by-project basis. Lack of commonality among projects limits collective evaluation to the number of projects, financial results, and the proportion of management involved. That involvement should be over 90 percent.

Cost of poor quality

Costs which would disappear, if products, processes and customer services were perfect and generated no waste, are called "cost of poor quality". Up to a third or more of the work in many organizations consists of redoing prior efforts.

Product and process deficiencies

Even though an accounting system cannot evaluate the cost of poor quality, evaluation is available through the measurement of product and process deficiencies in natural units or in money equivalents. For example, cost of poor quality per dollar of sales, per dollar of cost of sales, hours of work, or units shipped.

Performance of business processes

Despite the wide prevalence and importance of business processes, only recently have they been controlled as to performance. A contributing factor is the multifunctional nature of processes where there is no obvious owner and no clear, sole responsibility except for subordinate micro processes. Upper management must control macro processes, which means establishing goals in cycle times, deficiencies, etc., and the means for evaluating performance.

Scorecard

For top management to know the score relative to achieving strategic quality deployment, it is necessary to design a report package or scorecard. The strategic plan should dictate the subjects and identify the measures needed for management's scorecard. The scorecard should consist of:

- key performance indicators at the highest levels of an organization;
- quantitative reports on performance based on data;
- narrative reports on matters such as threats, opportunities, key events;
- audits.

These conventional components should be supplemented as required to deal with the fact that each organization is different. The end result should be a report package that assists top management in meeting quality goals, like a financial report that helps managers meet monetary targets.

The report package should be designed for reading at a glance and highlight exceptional matters that require action. Reports in tabular form should present three essentials: goals, actual performance, and variances. Reports in graphic format should show trends against goals. The format should be chosen by management.

Business audits

An essential tool for top management is an independent audit. Auditors must have no direct responsibility for the adequacy of the performance being measured. To ensure quality, management must confirm that systems are in place, operating properly, and that desired results are being achieved.

Duracell International, Inc., for example, performed what it called a "worldwide quality audit'' to review progress made toward achieving management's vision of being the best. The idea was to test Duracell products bought anonymously from retail outlets around the world against competitor products acquired the same way. Buying at retail instead of using samples from manufacturing facilities ensured that the product tested was representative of products purchased by consumers and comparable to competitive alternatives.

Quality audits traditionally have been used to provide assurance that products perform to specifications and operations conform to procedures. For upper management, the subject matter of quality audits provides answers to questions such as:

- Are policies and goals appropriate to the company's mission?
- Does existing quality provide product and service satisfaction to customers?
- Is the quality competitive with moving targets of the marketplace?
- Has progress been made in reducing the cost of poor quality?
- Is collaboration among functional departments adequate to ensure optimal performance overall for the company?
- Are responsibilities to society being met?

Audits should be conducted at the highest management levels, including participation by the chief executive officer. Such audits can have a major impact throughout an organization.

Dr Joseph M. Juran, referred to by many as the father of the modern quality movement and founder of Juran Institute over 22 years ago, stated:

> One of the things upper managers should do is maintain an audit of how the processes of managing for achieving the plan are being carried out. Now, when you go into an audit, there are three things to do. One is to identify the questions that need answering. That's non-delegable. Upper managers have to participate in identifying these questions. Then you have to put together information that's needed to provide answers to those questions. That can be delegated and that's most of the work – collecting and analyzing the data. And there are the decisions of what to do in light of those answers. That's non-delegable and something in which upper managers must participate.

Successful implementation of an organization's strategic plan through the strategic deployment process reduces operating costs; increases customer satisfaction, loyalty and shareholder value; creates a responsive, flexible and disciplined business system; encourages inter-departmental cooperation; provides ways for breakthroughs year after year; empowers managers and employees to get things done; eliminates wasteful team efforts on projects not in the strategic plan; avoids conflicts in plans for technology, manufacturing and marketing; and focuses resources toward achieving financial goals.

Here are a few more of the risks, lessons and benefits of the strategic deployment process.

Risks and lessons

- Pursuit of too many objectives dilutes results and blurs focus.
- Excessive planning or paper work drives out needed activities and de-motivates managers.
- Inadequate data on customers, competitors and employees creates a plan with easy targets, marginal financial results and one that will not work.
- Too much executive delegation causes real or perceived loss of leadership.
- Elevating quality and customer focus can create a false impression that financial goals are unimportant. Financial targets can be met by achieving Six Sigma levels of quality.

Benefits

- Goals become clear – vagueness disappears.
- Uniformity of purpose throughout an organization.
- Planning makes goals achievable.
- Employees march together as one team.
- Attitudes and comments change from “they” or “them” to “we” and “us”.
- Chronic wastes are cut.
- Creation of new wastes is reduced.
- Controlling the process ensures goals can be reached.

Creating a customer-focused strategic deployment plan requires management to become leaders, coaches and teachers who get involved personally and consistently, eliminating blame, and making decisions based on the best available practices. This process avoids vagueness by surfacing goals that are clear and makes sure they are achievable. The essential glue that makes this process work so well is when there is effective two-way communications between all levels of management, employees in support and front-line operations, and customers – the complete supply chain.

Deployment requires vision, mission, values, policies, and strategies to be reflected in short-term goals and projects. These are day-to-day, month-to-month activities that align corporate, operational, and strategic objectives with breakthrough improvement, re-engineering, and design initiatives.

The essential step in a long-term, effective quality improvement effort is the creation of an environment conducive to changes necessary for success. What then becomes decisive is integrating major change initiatives and quality programs into the strategic plan. ■