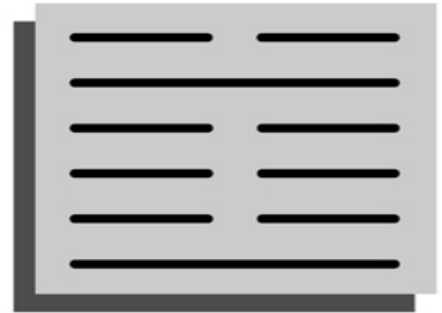


# Change Management Associates



February 2011

## Featured Topic



### "Policy Deployment" - The Key to Execution

Dear Drew,

Well it is that time of year where many companies go through an annual ritual of reflecting on the past and planning for the future. I have been facilitating such exercises at four companies since late 2010. So, it only made sense to cover this important subject in this month's newsletter.

Many companies complete a periodic strategic planning process where key objectives are defined. "Gaps" in business performance that have been deemed unacceptable by the leaders of the business are identified. For example, profitability has declined thereby risking continuation of the business. Perhaps revenue has declined for various market reasons. For some companies, the process stops here with simple goal setting. "Costs will be reduced by 10%". "Revenues will increase 5%". The organization is then expected to determine how to achieve these goals. A year goes by and the organization falls short of its goals. In other words, it fails to execute.

Some companies take the next step and identify initiatives to close the "gaps" during the same planning process. A company may want to break into a new market, acquire a new business, introduce a new product or service, and/or initiate a cost reduction effort - all very high level, very "strategic" in nature. Some companies take this too far by identifying too many initiatives beyond what the organization can really undertake. The organization attempts to do too much and as a result little gets successfully completed. Once again, there is a failure to execute.

Still other companies do a satisfactory job to prioritize the initiatives, but the process stops there. The company does not do an adequate job of communicating the strategic plan throughout the

## Upcoming Events



**CMA and our network affiliates have the following events scheduled:**

### "Lean Manufacturing Overview" Workshop

March 11, 2011

Hosted by MWCC

[www.mwcmc.org](http://www.mwcmc.org)

### Shingo Conference Cincinnati OH

March 28-31, 2011

Lean Office, Leader Standard Work,  
and more

[www.shingoprize.org](http://www.shingoprize.org)

### Honda's Lean Conference Indianapolis, IN

May 10-12, 2011

Office VSM, Lean Leadership, and  
more

## Webinars:

Lean Office & Service

organization. Members are left on their own to interpret their meaning and how best to go about pursuing them. Their well intended efforts lose "alignment" with the strategic goals. Or during the course of the year, they become distracted by issues of the moment and lose sight of the strategic plan. Once again there is a failure - the failure to execute.

In what is described in the various scenarios above, is the lack of an effective strategic planning and deployment process. Such a process today is called "Policy Deployment. The process is not difficult in nature, but difficult to successfully put into practice. The process is as follows:

1. Establishing a common direction agreed upon by senior management - the company's "true north". Boiling the "true north" down to a single, simple statement makes it easier to communicate it throughout the organization.

2. Identifying the "gaps" in current performance - the problems that senior management agrees must be addressed in the coming year or years. Typically there are just 3 to 6 such gaps.

3. Identifying the strategic initiatives that will close the gaps. Ideally there are no more than five of these in a given year. These are significant undertakings by the organization. Agreement on these by senior management is critical. Such agreement is typically obtained through a process called "catchball".

4. An implementation plan is developed for each initiative. This is at a high level. Responsibility for each initiative is identified, as well as expected completion dates, and possibly some key milestones. The details of this plan will be developed separately by the responsible person and the team that he or she identifies. More "catchball" occurs at this step as responsible people think through each major undertaking.

5. The means to assess the effectiveness of the initiatives to close the gaps are determined. Several key business measures are identified, agreed upon by senior management. Typically these measures cover the categories of Safety, Quality, Delivery and Cost (SQDC), as well as Employee and Customer Satisfaction - four to six measures in total. The details of each measure will differ from company to company. Nonetheless it will be a set of measures that cover the scope of what is described.

6. Summarize all of this information in a single page document that can be easily communicated throughout the organization. Today this is referred to as an "A3" - an 11"x17" page.

The process that is described above is based on the scientific method, and more specifically Dr. W. Edwards Deming's Plan-Do-Check-Act/Adjust (PDCA). At this point, the process transitions to the functional areas, value streams - whatever the existing organizational structure is at the time beyond the senior management group. A similar process will be followed by each area, the result of which will be another plan and another A3 that is strongly linked to the overall company plan. The result is a series of cascading A3s all tied to the top one. There should be no more than three levels of "cascading" A3s in most organizations.

However, senior management's role is not complete. Their

**Simplified**  
**March 1, 2011**  
**1:00-2:30 PM (EST)**  
[Click here for info](#)

**Lean Office & Service**  
**Simplified**  
**March 23, 2011**  
**1:00-2:00 PM (EST)**  
[Click here for info](#)

## **AME Events**

**Siemens Healthcare**  
**Diagnostics**  
**Newark, DE**  
**May 3, 2011**  
Site tour focusing on  
TPM, 3P, and more  
A3 Thinking workshop after tour

**Be sure to check out our  
publications!**

"The Complete Lean  
Enterprise" (winner of a  
2005 Shingo Prize)  
VSM for Administrative & Office  
Processes

"Value Stream Mapping for  
Lean Development"  
(recently reviewed in the 2nd  
Issue 2010 of AME's Target  
magazine)

"Lean Office & Services  
Simplified"  
Entire chapters on Value Stream  
Management, Standard Work,  
Visual Management, Flow, Pull,  
Leadership. Tactical  
approaches provided for  
HR, Finance & Accounting,  
Purchasing, Sales & Marketing

continued responsibilities are:

- To insure linkage of the "baby A3s" to the overall "mother A3" during an initial review.

- To update the "mother A3" on a periodic basis, typically monthly or more frequently if business conditions warrant.

- To monitor progress of the overall company A3 and initiate "countermeasures" when the results expected are not being achieved.

- To periodically review the "baby A3s" to insure continued linkage, as well as the effectiveness of the plan. This is typically done monthly as well, preferably at the "gemba" rather than in meeting rooms.

- To periodically review the overall company A3 with all employees during various communication processes (e.g. state of the business review sessions, staff meetings, department meetings)

The probability of successfully fulfilling a company's strategic plan increases significantly with the full application of the process described. There are no guarantees in business, but the success rate dramatically increases when a company's direction is effectively and efficiently communicated throughout the organization, and continual alignment is maintained.

Best Regards

Drew Locher

Managing Director, Change Management Associates

This will become thedefinitive how-to book on the subject.

Books are available at [www.productivitypress.com](http://www.productivitypress.com)

### Recent Articles!

"ABCs of A3s"  
Assembly Magazine

"Creating Continuous Flow"  
Manufacturing Digital

Go  
to [www.cma4results.com](http://www.cma4results.com)  
Click on "News" to find articles  
and past newsletters

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### Upcoming AME Mid Atlantic Regional Events!

March 10, 2011, MarquipWardUnited, Hunt Valley, MD  
AME returns to the site of the highest rated of the 2010 annual conference. See how lean concepts are applied in a low volume/high mix environment. The focus of the afternoon workshop will be "Lean Leadership". Learn how to create Leader Standard Work. For more information, go to the [AME website](http://www.ame.com).

### March 18, 2011, Williamsburg, VA

This workshop titled "Sustaining Lean" will provide effective countermeasures to the 85% failure rate of first attempt lean transformations. For more information go to the [AME website](http://www.ame.com).

### April 13-14, 2011, Northrop Grumman, Linthicum MD

The focus of this two-day event will be "Lean Product Development". During the facility tour in the morning of the first day you will have the opportunity to see the rapid prototyping facility. After the tour, workshops on "Concepts and Tools for Lean Development" and "Value Stream Mapping for Lean Development" will follow. For more information, go to the [AME website](http://www.ame.com).

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