PURPOSE OF POLICY DEPLOYMENT

The Policy Deployment model emphasizes continuous evaluation and improvement of the results and of the process that led to the results.
DEVELOPMENT OF VISION

1. Effective visions are inspiring.

Steve Jobs, at Apple, wanted no less than to start a revolution in the way the average person processed information. Fred Smith, founder of Federal Express, had a vision of truly reliable mail service. The Nordstrom family seeks to create "an experience" with its stores. These leaders were not simply engaged in "market creation," as important as that is. They were engaged in a crusade and asked employees, customers, and suppliers to join them.

2. Effective visions are clear and challenging--and involve excellence.

The visions various leaders conveyed seemed to bring about a confidence on the part of employees, a confidence that instilled in them a belief that they were capable of performing the necessary acts. These leaders were challengers, not coddlers.
3. Effective visions make sense in the marketplace, and by stressing flexibility and execution, stand the test of time.

The vision is paradoxical: it is relatively stable--focusing on superior quality and service, for instance; but it is dynamic, in that it underscores constant improvement. The vision positions the company by defining how the company makes itself distinctly different from all its competitors.

4. Effective visions must be stable but constantly challenged--and changed at the margin.

The vision must act as a compass in a wild and stormy sea, and like a compass, it loses its value if it’s not adjusted to take account of its surroundings.
5. Effective visions are beacons and controls when all else is up for grabs.

To turn the vision into a beacon, leaders at all levels must model behaviors consistent with the vision at all times.

6. Effective visions are aimed at empowering our own people first, customers second.

7. Effective visions prepare for the future but honor the past.

8. Effective visions are lived in details, not broad strokes.

A vision is concise, encompassing, a picture of sustaining excellence in a major market.

Source: Adapted from Tom Peters, *Thriving on Chaos* (New York: Knopf, 1987), 486-49
EXAMPLES OF VISION

- "...Quality is the supreme value."
  (Douglas Aircraft)

- "...to exploit the convergence of computing and telecommunications."
  (NEC)

- "...Quality, source, cleanliness, value..."
  (McDonald's)
EXAMPLES OF VISION

During the next decade, we want to become the best managed electric utility in the United States and an excellent company overall and be recognized as such.

- Florida Power & Light Company

We will be the preferred provider of safe, reliable, and cost-effective products and services that satisfy the electricity-related needs of all customer segments.

- Florida Power & Light Company
VISION

Warren Bennis, in his book, "Leaders," says, "When the organization has a clear sense of its purpose, direction, and desired future state and when this image is widely shared, individuals are able to find their own roles both in the organization and in the larger society of which they are a part."

Vision, on the other hand, deals with the future. It is a description of a desirable future state for the organization. The Vision must be conceived without reference to the apparent possibility or impossibility of its accomplishment.
DEVELOPMENT OF VISION

Most people attempt to derive their vision from the circumstances in which they find themselves. This is known as "derived end vision." "Derived end vision" seldom leads to a creative act, for the vision itself is limited by the analysis of current circumstances, limited by the biases inherent in the analysis, and subject to the influence of past aspirations and theories.

In order to generate real vision, the vision itself must be conceived independent of the circumstances.

Real vision is the conceptual crystallization of a result the creator wants to bring into reality.
KEY PRINCIPLES IN SETTING THE VISION

• Must be short but strong enough to arouse emotional commitment

• Must point to a general strategy and direction

• Must align with organizational values and culture

• Use creative thinking
  — analogies, pictures, own success stories
  — Think, if you had no restriction on resources, what would you like the organization to be?
  — imagine not trying to be realistic
ESTABLISHMENT OF MISSION

• The bread and butter of the organization - the purpose or reason for existence

• What needs does the organization serve, and what customers does it need to satisfy?

• Understand changes and trends in societal, political, and technological environment - aging population, demographic shifts, new technologies, government regulations, etc.

• Avoid a myopic view of the business. Define business in terms of customers and the market rather than the products or services you provide.
  — railroad business vs. transportation business
  — gasoline business vs. energy resources business
  — car rental business vs. producers of used cars

• No one can satisfy all customers, so focus on the segments which you are equipped to satisfy.
  — core markets
  — growth markets
  — declining markets
DEVELOPMENT OF MISSION

The Mission statement constitutes the "bread-and-butter" purposes of the organization, the essential reason for being. It is the mission that distinguishes Lever House from Coleco Industries, AT&T from Eli Lilly, IBM from FPL. Each organization has a different Mission statement. The combination of the Mission and Vision statements, along with the associated objectives, forms the nucleus of the long-term goals.
## DEVELOPMENT OF MISSION

<table>
<thead>
<tr>
<th>Type of Firm</th>
<th>Basic Mission*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance Firm</td>
<td>To provide personal financial planning and protection</td>
</tr>
<tr>
<td>Airline</td>
<td>To provide safe, fast, efficient, and economic air transportation for people and freight.</td>
</tr>
<tr>
<td>Oil Company</td>
<td>To meet the energy needs of an increasing population.</td>
</tr>
<tr>
<td>Fertilizer Manufacturer</td>
<td>To improve food production throughout the world through the manufacture of multipurpose fertilizers.</td>
</tr>
<tr>
<td>Compact Car Manufacturer</td>
<td>To provide economical, efficient automobiles.</td>
</tr>
<tr>
<td>Electric Utility</td>
<td>To provide economical, safe, and efficient electric energy services.</td>
</tr>
<tr>
<td>Pharmaceutical Company</td>
<td>To improve the health of people through the manufacture of multipurpose drugs and related products.</td>
</tr>
</tbody>
</table>

*These mission statements are simply examples and are not meant to be models.*
ORGANIZATIONAL CULTURE

- Culture a powerful force to achieve vision
- Shared values, beliefs, behaviors, and assumptions acquired over time by an organization
- Organization's personality (the way we do things around here)
- Organization must create a desired culture to create the future and not passively allow it to be created
- Companies often fail to achieve objectives because of lack of supporting culture, e.g., cross functional teamwork, turf battles

- Cultural characteristics
  - business philosophy (customer first)
  - value systems (employees make it happen)
  - written procedures and norms
  - operating style (protocols, rituals)

- Successful TQM and creation of desired future depends on the strengths of certain cultural characteristics
  - respect for people
  - criticize ideas, not people
  - communication
  - accountabilities
  - risk taking
  - empowerment
  - management by fact
  - focus on both processes and results
  - cross functional teams
EXAMPLES OF BREAKTHROUGH ACTIVITIES

- Reduce break-even interval for new products by one half in 5 years (HP)

- Reduce manufacturing costs by 50 percent in 5 years (Xerox)

- Achieve fourfold improvements in product reliability in next 4 years (Xerox)

- Reduce defects per unit of output by 100 fold in 4 years (Motorola)

- Achieve 100 percent on-time delivery for all products in 3 years (AT&T)
ANNUAL OBJECTIVES

- Draft Annual Objectives
  - Top down and bottom up involvement

Plan
- Deploy Objectives
  - Communicate and involve teams
  - Catch ball process

Do
- Implement Plans
  - Action plan with accountability and authority
  - Collect data, analyze, countermeasures, results, and standardization

Check, Act
- Conduct Reviews and Diagnosis
  - Frequent team reviews
  - Executive reviews
  - Annual reviews. How effective was the planning and deployment, target setting, and organizational barriers?
OBJECTIVES
Examples

1. **Poor:** Our objective is to Maximize Profits.
   
   **Remarks:** How much is "maximum?" The statement is not subject to measurement.
   
   **Better:** Our total profit target in 1988 is $1 million.

2. **Poor:** Our objective is to increase sales revenue and unit volume.
   
   **Remarks:** How much? Also, because the statement relates to two topics, it may be inconsistent. No time-frame for achievement is indicated.
   
   **Better:** Our objective this calendar year is to increase sales revenues from $30 million to $35 million; we expect this will be accomplished by selling 1 million units at an average price of $35.

3. **Poor:** Our objective in 1989 is to boost advertising expenditures by 15%.
   
   **Remarks:** Advertising is an activity, not a result.
   
   **Better:** Our objective is to boost our market share from 8 percent to 10 percent in 1989 with the help of a 15 percent increase in advertising expenditures.

4. **Poor:** Our objective is to be a pioneer in research and development and become the technology leader in the industry.
   
   **Remarks:** Very sweeping and ambitious especially if the industry is one with a wide range of technological frontiers.
   
   **Better:** During the 1980s our objective is to continue as a leader in introducing new technologies and new devices that will allow buyers of electrically powered equipment to conserve energy usage.
VOICE OF THE CUSTOMER

• Policy deployment begins with the customer.

• The Voice of the Customer is translated into a list of requirements or needs.
  • Examples may include:
    • Quality product
    • Quality service
    • Price/Value
    • Customer complaint response
      Each of these items requires further definition before it can be properly addressed.
EMPLOYEE NEEDS

- Employee Satisfaction
- Safety
- Absences
BUSINESS NEEDS

- Profitability
- Business Growth
- Market Share
- Globalization
- Regulatory Compliance
- Community Involvement
FICTIONAL EXAMPLE

Detroit Car Manufacturing Company (DCM) makes cars. It conducted a market research to determine that customers prefer a car that has:

- low maintenance costs
- quick service
- less breakdowns for repairs
- reasonable price

DCM decides to use Policy Deployment to meet these customer needs. It first establishes a strategic direction for the business. DCM management shares the customer preferences with employees and seeks input from everyone as to how they can create a future state where DCM is meeting these customer needs.
DCM (continued)

- DCM employees want the company to make the best quality cars and become the global leader

- Employees brainstorm in various small groups on how DCM could do this. Brainstorming results in the following list:

  repeat customers
  motivated workforce
  growth in market share
  no service delays
  no frequent breakdowns
  high reliability
  new and latest features
  responsiveness
  pleasing interiors
  low oil consumption
  strong body
  value for the customer
  management cooperation
  strong marketing to grow business
  cost control
  high profit margins
  cross functional teams
  self managed teams
  satisfied employees
  manufacturable designs
  safety devices
  high gas mileage
  eye catching styles
  keep promises to customers
  no pressure tactics to sell cars
  build an image
  professional service staff
DCM (continued)

- Leadership grouped all these factors into an affinity diagram

- Product features and innovation
  - reliability
  - less breakdowns
  - safety first
  - eye catching styles
  - pleasing interiors
  - low oil and gas consumption
  - strong body
  - latest electronic gadgets
  - etc.

- Customer Service
  - responsiveness
  - no service delays
  - keeping promises to customers
  - no pressure tactics to sell
  - professional service staff
  - professional marketing staff
  - etc.
• Profitability
  — high return on investment
  — shareholder value
  — growth in market share
  — etc.
• Customer Retention
  — repeat customers
  — etc.
• Value for customers
  — cost control
  — profit margins
  — value for the customers
  — etc.
• Teamwork
  — self managed teams
  — management cooperation
  — cross functional teams
  — motivated workforce
  — satisfied employees
  — etc.
Grouping:
1) Product features and Innovation
2) Customer service
3) Customer retention
4) Profitability
5) Value for customers
6) Team work

Drivers for the Vision

(Interrelationship Diagram)

Looking at the above diagram, product features and innovation and customer service have the most outward gray arrow and therefore vision drivers

Deploying Annual Objectives

<table>
<thead>
<tr>
<th>Project A</th>
<th>Objective 1</th>
<th>Objective 2</th>
<th>Objective 3</th>
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</thead>
<tbody>
<tr>
<td>Project B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project C</td>
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<td></td>
<td></td>
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<tr>
<td>Project D</td>
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Enacts

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<tr>
<td>10</td>
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</table>

Gap: Best in class

1 2 3
DCM (Continued)

The leadership takes stock of the culture and value system and takes into account the results of the exercise and employee input to come up with the following vision statement:

"DCM will be the global automobile leader by providing the most innovative features and by providing the highest level of customer service."

The leaders communicate this vision to all employees to test buy-in and its usefulness.
3 TO 5 YEAR PLAN

• Based on strategy and vision, the company then drafts a 3 to 5 year plan

• The company conducts a gap analysis between the current and desired states
  — Define indicators for each customer driver and future needs
  — Assess present performance and establish 3 to 5 year targets
  — Measure gaps for indicators
DCM EXAMPLE

According to DCM’s vision, the company has two major strategies to become the global leader:

1. Product features and innovation
2. Provide excellent customer service

DCM management leadership establishes performance indicators for both strategies. They set the following indicators:

For product features and innovation -

1.1 % of revenues from products within last 3 years
1.2 # of repairs per car for cars 3 years old or less
1.3 customer complaints about any product features

For customer service -

2.1 Time between customer arrival at a dealer to service completion
2.2 % customer satisfaction with the dealer service
DCM EXAMPLE  (Continued)

- DCM conducts a similar exercise for all other indicators, determines their gap, and sets up their targets for each indicator.
- The 3 to 5 year plan accounts for the voice of the customer and the voice of the business to achieve breakthrough performance.
- DCM conducts a means-end analysis and comes up with the following table:

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
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<td>xxx</td>
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<td>1.2</td>
<td>Reduce repairs to 4</td>
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<td>Reduce repairs to 1</td>
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<td>xx</td>
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</tbody>
</table>
BREAKING DOWN OF OBJECTIVES

From the three- to five-year plan, DCM choose various projects by conducting Pareto and root-cause analysis. The team identifies causes that result in most repairs. The team identifies three sub-objectives and tentative targets:

- Reduce repeat repairs by 80 percent. 40% of the repairs were repeat repairs. If the repairs were not done right, it requires several repeat visits annoying customers (involve suppliers).

- Improve fuel injection system to reduce fuel system repairs by 25%. 30% of all repairs were related to fuel system (design project).

- Reduce repairs to electrical ignition by 25%. This accounted for 20% of all problems and was caused by poor manufacturing techniques.

Each sub-objective is deployed to the next level of teams. Targets are negotiated through the "catchball" process in which the next level of teams is asked to suggest:

- How much of a reduction is achievable within a year?

- What specific actions should be taken, and what resources are required?