Policy deployment is a management process by which the organization's long term vision and strategic directions are translated into short term projects.
Policy Deployment Objectives

• Provides a formal process to achieve performance breakthroughs.
  • Customers
  • Other stakeholders
  • Company strategic issues

• Provides the system to prioritize and communicate opportunities.

• Aligns resources to business priorities.

• Transforms the vision into reality.
Policy Deployment Objectives

- Establishes action plans to achieve objectives.
- Increases employee commitment through involvement - at all levels.
- Promotes business-wide communication, consensus and team work.
• You have bold goals which appear unreachable.

• Costs are escalating faster than desired.

✓ Customer satisfaction is not improving.

✓ Employees are underutilized and morale is low or is declining.

• Revenues are falling short of plan.

• Performance of key drivers of growth, or customer satisfaction is weak.
• Your company lacks the capability to deliver quality service in a fast growth mode.

• "Teamwork" is only a word, not a respected value.

• Your industry is constantly changing and you lack the flexibility to quickly adapt.

• The competition is gaining on you... or leaving you behind.

• Functions are incrementally improving but the company as a whole is not achieving necessary breakthroughs.
Results - Winner 1992 Malcolm Baldrige Award

1. Customer Satisfaction

![Graph showing customer satisfaction metrics over years 90 to 93]

- % of Customers Rating AT&T Quality > Competitors
- Circuit Pack Return Rate
- Price/Value Rating (Goal = 5.0)

2. Employee Satisfaction

![Graph showing employee satisfaction metrics over years 90 to 93]

- Employee Rating of Management Leadership
- Employee Grievances
- Employee Turnover

3. Financial Data

![Graph showing revenues from market segments over years 90 to 93]

- % of Revenues from Market Segments

Legend:
- Traditional Markets
- Non-traditional New Markets

6
Efficient and Reliable Supplier Vision Objectives

Marietta Plant
% of non-prime product

<table>
<thead>
<tr>
<th>Year</th>
<th>% of non-prime product</th>
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<tr>
<td>89</td>
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93 2nd Qtr to date

Orange Plant
% of non-prime product

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<td>93</td>
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93 2nd Qtr to date

GOOD ▼
Results

% off-spec material

36% Improvement '93-'95

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<tr>
<th></th>
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% on stream

12% Improvement '93-'95

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<td>91.17</td>
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<tr>
<td>96.35</td>
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lb of product shipped

34% Improvement '93-'95

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<tr>
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<th>93</th>
<th>94</th>
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<td>121.2m</td>
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<td>143.0m</td>
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Barriers to Effective Deployment

- The business has no direction, vision.
- The vision, mission and values are not systematically communicated at all levels.
- Too many priorities are deployed.
- Priorities are selected without considering customers or market needs.
- Cost is the only deployed priority.
- The organization's position relative to customer requirements or competitors is not considered.
• Fact-driven logic is not used to develop plans and make decisions.

• There is no comprehensive set of performance measures.

• Managers like to analyze, especially when there are no facts available.

• Systematic and regular progress reviews of priority projects are not conducted at all levels.

• Inadequate training - employees are not capable.
• The translation begins with the key elements of the vision and strategic directions and takes the form of more detailed priority projects, usually cross-functional.

• Cross-functional because the company's vision and direction are common to all functions and supporting organizations throughout the world.
How Policy Deployment Works

- Fuzzy strategic view, many variables.
- Clear Vision - concise, measurable, exciting.
- Translation into short-term projects which are stepping stones to the Vision.
- Employees aligned and engaged on projects to support the Vision.
- Detailed initiatives for each priority (stakeholder) are developed and Senior leader accountability assigned.

- Overall project metric and selected goal for each priority.

- Gap stratified for better understanding.
- Problems identified and initiatives developed.
- Current and targeted performance determined for each initiative.

- Cross-functional teams formed to manage initiatives.
- Brainstorm potential causes.
- Verify root causes with data.

Select countermeasures that address verified root causes.
Determine cost effectiveness of countermeasures.

Implement countermeasures.
What, when, who, how much?
Confirm Results

- Problems reduced by attacking root causes with effective initiatives driven with facts, logic and teamwork.

- Overall priority metric improved.
- Progress toward longer-term goals is measureable and managed.
- The vision becomes reality.
Policy Deployment Process

- Standardize Revised Processes
- Replicate Proven Countermeasures
- Prioritize Remaining Issues
- Evaluate Lessons Learned

- Maintain gains.
- Prevent problem recurrence.

- Leverage scarce resources across the entire company.

- Consider for future deployment.

- The learning organization.
### Selecting Priorities (from page 13)

To prioritize, we must have:
- Data and valid information
- Metrics

<table>
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<tr>
<th>Potential Priority Project</th>
<th>Impact</th>
<th>Need to Improve (performance gap)</th>
<th>Score</th>
<th>Rank</th>
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<td>70%</td>
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<tr>
<td>D</td>
<td>2</td>
<td>50%</td>
<td>1.0</td>
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<tr>
<td>E</td>
<td>4</td>
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<td>3</td>
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</table>

*Rating:

1 = Low  
5 = High
Policy Deployment Process Overview

- Internal Assessment
- Formulation
- Deployment
- Values
- Mission
- Vision
- Strategic Assessment
- Corporate Direction
- Challenges
- Fundamental Objectives (Directions)
- Detailed Priorities
- Individual Projects
- Customers
- Employees
- Shareholders
- Initiatives
- Systems
- Angels
- Projects
- Processes
- Teams
Policy Deployment Process Overview

Performance
(Internal Assessment)
- Customer Satisfaction
- Employee Satisfaction
- Financial Performance
- Management Process Capability

Values
Mission
Vision
Strategic Intent

Customers
Bargaining Power

Suppliers
Bargaining Power

Competitors
- Threat of Potential Entrants
- Rivalry Among Existing Competitors
- Threat of Substitute Products or Services

Challenges From Internal Assessment
- Shareholder Value
- Customer Satisfaction Ratings
- Employee Satisfaction Scores
  - Leadership
  - Involvement
  - Career Development

Challenges From SWOT
- Serious Market Pressures
- Product / Technology falling short of customer expectations
- Unabated Downward Price Pressure
- Competitors Mitigating Customer Value Proposition
- Overall Unit Costs Greater than Current and Future Competitors

Fundamental Objectives
### Goal Alignment through Policy Deployment

#### Policy Deployment Matrix

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<td>1.0 Improve Customer</td>
<td>1.1 Reduce Defect on Arrival (DOA)</td>
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<td>Satisfaction</td>
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<td>1.3 Reduce Customer Complaints</td>
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<td>1.5 Reduce Mis-Shipments</td>
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<td>1.6 Develop Service Index</td>
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<td>2.0 Improve Stakeholder</td>
<td>2.1 Increase Revenue Growth</td>
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<td>Satisfaction</td>
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<td>2.2.2 Net Income/Revenue</td>
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<td>2.3 Improve Cash Flow</td>
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<td>2.4 Improve Shareholder ROI</td>
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<td></td>
<td>2.5 Improve Year-to-Year Cost Reductions</td>
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<td></td>
<td>2.6 Reduce End-to-End Cycle Time</td>
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<td></td>
<td>2.7 Increase New Product Revenue, Last 3 years</td>
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<td>3.0 Improve Associate</td>
<td>3.1 Improve Associate Satisfaction Survey Score</td>
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<tr>
<td>Satisfaction</td>
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</tbody>
</table>

- Leadership council reaches consensus on detailed priorities.
- Angels selected to represent council.
- All council members commit to teamwork and cross-functional cooperation.
- Communication and review plan formulated and implemented at all levels.
• Link to fundamental objective (policy development matrix)

- Gap #1 (1.07¢, or 16% > Competition)
- Gap #2 1.76 ¢/min.

• Angel confirms metric for detailed priority.

• Leadership council concurs on metric and goal.

Priority → Initiatives → Projects → Activities
Achieve Low Cost Position On Current Platform

- Subject matter experts assist angel to stratify gap.

- Angel receives support from contributing areas (communication).
- Individual initiatives with targets determined.
- Catchball occurs between functional managers, lead teams, angel and leadership council.
- Individual Development projects identified:
  - Operations
  - Marketing
  - Billing
  - Development
- Angel selects task team leaders.
- Training conducted "just-in-time".
- Task team leaders stratify their categories.
- Angel reviews task team leaders' plans - catchball occurs.
Achieve Low Cost Position On Current Platform

- Task team leader determines key problems or opportunity areas.
- Task team leader forms teams with appropriate composition of members.
- Angel reviews plans.
- Angel reports back to leadership council

- Stratification options:
  - Divisions
  - Market
  - Segments
  - Other cost drivers or categories

- Team leader forms task teams to address two major problems:
  - Team #1 - NSD Cost Team
  - Team #2 - B.U. Operations Costs Team
- Both teams set targets for reduction-review with angel.
- Team members trained "just-in-time"
Analysis

- Major causes of Ops costs > competitive goal identified and verified by team.
- Causes A B C contribute to 0.10 of the 0.11 Ops gap. as determined with data, by team.

- Team will develop cost-effective actions to address these three root causes only.
- Angel reviews approach used, provides feedback.
- The team develops cost-effective actions to address verified root causes.

<table>
<thead>
<tr>
<th>Problem</th>
<th>Root Causes</th>
<th>Possible Countermeasures</th>
<th>Effectiveness* x Feasibility*</th>
<th>Score</th>
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*LEGEND
1 = LOW
5 = HIGH

- Angel reviews.
- Approach
- Effectiveness
- Feasibility (cost/benefit)
- Action plan
- Angel reports back to leadership council.
- Implement countermeasures that are effective and feasible.

<table>
<thead>
<tr>
<th>Root Cause/Countermeasure</th>
<th>Task</th>
<th>Schedule</th>
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<td>a b c d</td>
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<td>1997</td>
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- Angel discusses action plan with affected areas.
- Angel ensures funding and other resources are secured.
- Angel ensures no road blocks are in place.
- Angel achieves buy-in from rest of team (Leadership Council).
- Confirm that the root causes and the problems have been reduced.
- Angel tracks success.
- Angel provides feedback to contributing areas.
Team #2 B.U. Operations Cost Team

Before

Operations cost reduction .58 ¢/min.

After

Expense category total reduction 1.25 ¢/min.

Departments (pg 24)

Functions (pg 23)
Impact on Overall Policy Deployment Priority

- Angel communicates progress, results:
  - Contributing areas
  - Teams
  - Leadership council
- Leadership council/Angel provide recognition.
- Leadership council evaluates policy deployment matrix.
### Policy Deployment Process

<table>
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<tr>
<th>Fundamental Objectives</th>
<th>ACTIVITY</th>
<th>ACCOUNTABILITY</th>
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</table>

#### Detailed Priorities

1. Identify accountability area (e.g. System design or engineering, product, market, channel, training, etc.)
2. List the products or services resulting from operations to fulfill each accountability.
3. Determine who benefits from, receives the products or services, or is impacted by the operation.
4. From the customer's perspective, develop measures and targets for successful fulfillment of each accountability or delivery of the product or service (i.e. cost, time, quality, and reliability metrics). Targets may be driven from stakeholder need, benchmarks or other motivator.
5. Determine the current level of performance (need to improve).
6. Prioritize the product or services considering No. 4 and No. 5 above.

#### Individual Development Initiatives and Projects

7. Determine the problems regarding this product or service area which contribute to poor performance to customers or adversely impact stakeholders.
8. Select major problems for one or more products or services. Gather data on historical performance. Quantify problems in measurable terms.
9. Develop problem statements, assign team leaders and determine team memberships.

#### Analysis

10. Identify and verify root causes of problems.

#### Countermeasures

11. Develop countermeasures and present to management for review.
12. Review and approve appropriate recommendations and incorporate into business plan.
13. Implement corrective actions through the approved action plan.

#### Results

14. Track results (compare before and after performance using metrics in No. 4 and No. 8) and report progress to management and customers.

#### Standardization

15. Standardize new approaches. Share benefits and approaches with other locations.

#### Future Plans

16. Evaluate lessons learned and apply process to remaining problems, issues and accountabilities.

- Coordinate with Lead Teams throughout.
Summary

• Through Policy Deployment, management can engage and align the resources of the organization to effect significant improvement in priority areas critical to stakeholder satisfaction..

• Managing the Policy Deployment process with facts can help ensure;

  • The right priorities have been selected.
  • The right resources have been engaged.
  • Problems having the greatest impact have been addressed.
  • The causes of those problems have been identified.
  • Scarce resources have been effectively applied.
  • Problems have been reduced.
  • The stakeholder's needs have been met.
  • Problems and related causes do not recur.
  • Management empowers employees to take action and that a bridge between all employees exists through a common language.
  • Organizations and operations become integrated.