

Aligning People and Strategy:
An Integrated Approach to Deploying Goals and Mission

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Summary

Business strategy is undergoing change toward more practical, implementation-oriented plans with greater emphasis on competitive operations that are capable of delivering higher value products and services, usually in less time. Current trends in continuous improvement and self-management are not well implemented without clear, consistent and continuous direction in the form of long-term goals, as well as a widely-shared vision about people, competitiveness, and business.

This paper presents current practices for integrating business planning and continuous improvement strategies into the daily process of managing the business. It argues the need for more *goal oriented forms of empowerment* and describes, in detail, a participative process for setting long-term direction for a business or major function.

The purpose of this paper is to help managers develop practices for creating high levels of both focus and energy to increase the competitiveness of a business.

Creating Direction for the Business

Continuous improvement has captured the attention of business leaders, resulting in many initiatives aimed at becoming more competitive. In many or most companies, these initiatives have a distinct "program" orientation, not well connected with each other or with the business plan. In many companies the program orientation has resulted in a limited application of potentially powerful concepts. Often businesses have not planned strategies effectively; more often, implementation has not been complete. Slogans and posters have not resulted in changes in competitiveness or process improvement.

Numerous managers express frustration over ineffective efforts to produce high involvement cultures where large numbers of people take an active interest in competitiveness of the business. At the same time, team members and middle managers express confusion about 'where we are going' with the business.

Management is now exhorted to manage less and lead more (Kotter, 1991). Leaders are expected to provide more vision to their organizations. The need for increased direction in today's uncertain times is real, in our judgment. *Empowerment* requires a great deal more than allowing freedom to act; it means creating an environment where large numbers of people understand and are enthusiastic about *what the business is trying to achieve and how it intends to achieve it.*

Who Creates the Direction?

Traditional strategy-setting has been dominated by data-based analysis and often secretive staff work. Complex analytically-based methods have largely given way to action-oriented strategies for converting operations into competitive weapons. Strategic

planning staffs and loose-leaf binders of analytically-derived, financially-oriented plans are less common.

Furthermore, argues Robert Hayes, the traditional top-down orientation has emphasized grandiose strategic leaps, rather than the patient step-by-step improvements that are difficult for competitors to copy. Focusing on major milestones induces a top-down, "strategic leap" mentality in an organization. Such "leaps" might take a variety of forms such as major acquisitions, all new product lines, and large shifts toward automation or off-shore sourcing.

Increasingly companies are succeeding, Hayes argues, by not depending on such strategic leaps but by seeking competitive advantage through continual, incremental improvements. But this kind of change requires a real discipline and, as Hayes points out, a very different kind of organization with a great deal of expertise at all levels. Success rests on ingenuity at all levels, the capacity to learn, persistence, and the ability to exploit opportunities as they arise.

Strategic action for continuous improvement is the responsibility of all managers (indeed, all employees); these imperatives should not become the domain of staffers and project people. This kind of participation requires high levels of understanding and commitment to a single purpose. Creating that sense of purpose is the leadership role.

Creating a Unifying Purpose for the Organization

In some client companies it is surprising to us how many people, at all levels, understand where the company is going; in others we are often surprised at how little knowledge, even among managers, there is about company goals and strategies. The need for leadership to "paint pictures about the future," as one of our clients puts it, has captured executive attention. The current interest in vision, values, and direction is a response to the need to create a unifying purpose for large numbers of people across an entire organization. Most executives recognize the need to provide a more company-wide sense of purpose, and still many have trouble getting beyond broad, usually repackaged statements of philosophy or public relations slogans.

When change is constant, especially in large complex divisions or businesses, the need to anchor the improvement activities of thousands of people to a single direction is key. The variables shift -- new products, new processes, new markets, new financial expectations -- the more important the anchor point becomes. We agree with Chris Bartlett's (1989) three, simple criteria for an effective vision or direction:

1. Clarity -- meaningful and understandable
2. Consistency -- across all units and issues
3. Continuity -- maintaining the same focus over time

Purpose vs. Chaos

When the competitive environment keeps shifting and the strategies are evolving, many managers ask how can you keep the direction consistent or continuous and clear? One way of helping managers achieve this is to recognize that some elements will change, but others, those that are more fundamental, should not. An effective direction document is a hierarchy.

Peter Drucker's definition of a meaningful business direction and vision is a hierarchy of leadership decisions; the decisions in the lower half of the hierarchy may change frequently; those in the top half should not. Adapting Drucker a little, the direction hierarchy looks like this:

- 1) Purpose -- fundamentally, why are we here? What value do we add?
- 2) Mission -- What is our business? What do we do to achieve our purpose? What competencies do we bring to the business that are unique to us?
- 3) Value -- What are our core beliefs? How will we run the business? What are the human behaviors and norms that should be rewarded?
- 4) Long-term goals -- What do we want to achieve over a long period of time? What outcomes are the basis of our strategy.
- 5) Operating objectives -- What do we need to achieve in the short term to know we are meeting long-term goals? What budgets and resources will we apply?

Drucker's hierarchy asks us to get beyond simplistic poster-vision documents, and it demands that we set tangible priorities.

Goal-Directed Companies in the 1990s

Here, then, is a set of guidelines for operating managers to follow in setting direction, goals, and strategies for the future:

- Effectively balance long-term process improvement goals against the need to continue to produce today's business results.
- Create high degrees of goal-alignment across the company:
 - across functions
 - between levels
 - from one year to the next
 - among all initiatives, policies, and programs
- Translate continuous improvement into a tangible set of outcomes that everyone can relate and contribute to on a sustained basis.

- Provide a set of norms that will help people know how they should behave to contribute to the success of the business -- and usually in a changing, often uncertain environment.
- Integrate continuous improvement strategies into business and operating plans rather than separate, parallel programs and staff organizations.
- Involve people in goal-setting to increase self-management and to encourage people to think strategically about the business.
- Make planning documents living, flexible tools that are used to manage operations.

Evolving Approach: The Future Business Commitment

Many successful companies are evolving toward variations on a common theme in a direction-setting process. Let's look at an effective approach, which we call the future business commitment" (FBC) process. The separate elements of the process are not new or particularly innovative; the disciplined, effective use of all the elements taken together as a management process is still rare -- too rare.

The FBC process provides a road map for where we want to be and how we want to get there, over a three to five year (or more) period of time. The time horizon of the FBC depends on whether the unit is a field sales organization, a production site, an integrated business unit, or an entire company. But it is important to adopt a combination of practices that are most effective. They should be comprehensive, integrated, and *simple to apply*.

An effective document is made up of three key elements, with a set of sub-elements under each:

1. **Mission/capabilities (critical success factors):**
A concise, but clearly descriptive statement of what the core task of the business is in terms of a set of customers; the mission should make committed statements about the customer, the value provided customers, what makes this business unique, and what critical capabilities make us different.
2. **Long-term outcomes:**
A measurable set of five-year "stakes in the ground" for focusing organization-wide attention, targeted on two different deliverables:
 - a. current business results
 - b. process improvements
3. **Guiding principles:**
A set of new norms and "success behaviors" that describe what the culture of the future organization will look like, defined in terms of two kinds of norms:

- a. operational principles
- b. people/organization principles

The process and structure is equally valuable to autonomous business units of a large corporation, a large divisionalized business, major production/operations sites, field marketing and service organizations, business and program teams, and major functional units.

We will describe each of the elements of the FBC process.

The Mission/Core Capabilities

The mission statement should be a clear statement of what business we choose to be in: Who is the customer and what value do we contribute. It is a statement of strategic focus that rarely changes. A business needs a mission, and so does a major function or segment of a business unit.

An effective mission is not necessarily striking prose; it should provide clear, tangible direction for decision-making by all managers every day. It is written by making a set of forced choice decisions about what our priorities must be. Without a commitment to priorities, there is no mission.

Jeffrey Miller (Miller, 1989) has argued for the need to make clear choices about what manufacturing capabilities will be the focus of their energies. A mission to become "World class" is too broad; it gives people very little to focus on. Manufacturing sites, for example, cannot do all things well and must decide what two or three things they will do best to compete. Those "critical success factors" should be identified with the involvement of customers, or those who can speak effectively for customers.

Customers define critical success factors. Put another way, a critical success factor is a capability for which customers will reward us with more share or higher price.

For example, fast, flexible introduction of new products may be the most critical capability of a given manufacturer. In mature, commodity-oriented businesses, the ability to respond more quickly than competitors to changes in mix and volume may separate one supplier from the pack. If those service levels are high enough, suddenly a mundane product is no longer a commodity.

You don't develop that capability through general, broad improvements in operations. It requires dedicated, focused energies throughout the business for a sustained period of time. An effective future business commitment should provide the

focal point. The right mission statement should set out those critical success factors -- to create consistent and continuous focus while the tactics change.

One division management team identified three capabilities that would be the production and engineering contribution to market competitiveness:

1. Flexibility -- the ability to respond quickly to changes in product mix and volumes.
2. Dependability -- always meet committed deliveries.
3. Reliability -- no field returns; reduced service calls.

The three capabilities became the basis of all subsequent goals, measures and training programs.

Effective Mission/Capabilities Statement

Acid tests of a mission statement include:

- Is it clear?
- How does it differentiate us from the mass?
- How will it influence the day-in and day-out behavior (and decision making) of our general managers, our supervisors and the average worker?
- Does it imply what we will not do?
- Does it tell people what our relationship to the outside world is?
- Is it likely to remain constant for several years?

Effective mission statements are not primarily motivational slogans to excite people. To exclaim "We will be the best in the business" may provide a high standard, but it does not provide direction for self-management. In addition to being uplifting, the mission should be the fundamental parameter for guiding decision-making throughout the organization.

The mission is the *source of all focus*. As the basis of strategy, it tells everyone what to pay attention to.

The most difficult problem in writing the effective mission statement is to achieve a level of focus that is broad enough not to limit legitimate opportunity, while narrowing the scope to those opportunities in which we can effectively add value for the benefit of the constituents. In effect, the mission must push the team aggressively toward opportunity, while keeping it from foolishly pursuing priorities in which they are not likely to, over the long haul, succeed.

Content and Format of the Mission

The mission should be tangible, firmly-committed statement about:

- who is the customer we serve (as specifically as possible)?
- what source of value will we deliver?
- what will really differentiate us from competitors?
- what *unique capabilities* will allow us to be different?

The four questions provide a structure for a team to begin drafting mission language. In our experience the best mission statements are crafted by a team of people who are very knowledgeable about the business, then critiqued by larger numbers of people. They frequently go through several drafts before being concluded.

Our clients have found off-site workshops, often facilitated by an internal or external consultant, to be helpful. Often a brief study is completed first, wherein the consultant interviews or surveys a cross-section of people, and provides pointed feedback to the management team about the perceived current clarity of direction and about culture norms that get in the way of focusing the business.

The workshop then focuses on answering the mission/capabilities questions, a springboard for developing the first element of a FBC document.

Long-Term Outcomes

Goals provide further focus; good ones, developed by their owners, also create energy -- more energy than any other source of motivation. Effective goal-setting is a seamless process for building a lattice-work of outcomes throughout the organization, widely owned, and aimed toward the same handful of organization-wide priorities.

The FBC process provides an approach to long-term goal-setting that creates high levels of linkage. The long-term outcomes ("LTO") document is an action-focused method we have adapted from the work of Walter Mahler (Mahler, 1989, 1990) with the help of several of our clients. The process emphasizes strategic thinking over analysis; it places emphasis on implementation over secrecy or confidentiality.

The LTO document is written for a given business unit as a statement of outcomes, tied directly to the mission and the critical success factors that the team is committing to four or five years down the road.

Results vs Process -- The Case for Balanced Outcomes

The debate that rages over the pros and cons of focusing improvement on process vs results has been interesting to watch, but confusing as hell to most managers we work with. The recent article by Robert Schaffer and Harvey Thomson in the *Harvard Business Review* (1992) is persuasive. Treating results like a four-letter word causes success to be measured in terms like, "getting 100% of each unit's employees to attend a quality training program." But the authors understate the negative effects of short-sighted, blind commitment to annual objectives which still drive status-quo thinking and fire-fighting on a massive scale.

Goals are critical, and we argue they should be stated in the form of "outcomes" rather than activities (like TQM, JIT, employee involvement, etc.); but outcomes, in our way of thinking, are much more than traditional business results. Process development can and should be measured in the form of periodic outcomes, rather than in the implementation of programs and activities.

The team should commit itself to two kinds of outcomes, explicit in the LTO goal-setting process:

1. *business results* -- the end result of our effectiveness.
2. *process improvements* -- the capabilities that allow us to produce consistent results.

Defining Long-Term Outcomes

The outcome areas are first listed as statements of commitment about what will exist at the end of the planning period. They include both current key business results and critical process improvements because both are vital. There should be between eight and ten outcome areas listed. It is important to select the right items, because the intent is to sustain attention to those outcome areas for four or five years.

These stakes-in-the-ground may change over the three or five years of the plan; but is so, it will be because they were achieved and have been replaced by more challenging goals, or because the assumptions behind them have changed. They should not change because they were too difficult or because of changes in management incumbents.

The start point for identifying LTOs should be the mission/capability statement. What do our customers expect from us? If we still do not have a clear picture of this, it's time to do some focused listening.

Process Improvements as Key Capabilities

The critical success factors in the mission statement should be converted to a set of goals or outcomes.

A \$125 million dollar specialty automotive components division management team concluded in its mission statement that its unique capability was developing and producing large volumes of highly engineered, precision components. The creativity of its technical people had always been its strength, and yet in recent years it had been less effective. Future sources of growth were most likely to come from leveraging those strengths into new markets. Change was required, and focus was key.

The team developed a set of long-term outcome areas that looked like this:

Business results:

- customer satisfaction survey indicators
- financial targets (revenue, income, ROA)
- product quality measurers
- (core) market share position

Process improvements:

- engineering/manufacturing integration and skills

- new market development
- middle management staffing and skills
- product turnaround time
- production capacity and facilities

The LTO Format

After the top manager and his or her staff prepare this list of leverage areas for the next four or five years, they will produce a one-page document for each area that includes the following three elements:

1. outcome description
2. actions required (next 12 months)
3. assumptions

The outcome description is a one- or two-paragraph statement of what the leverage area will look like at the end of the planning period. It must be tangible and clear, but concise statements of outcomes. It need not necessarily include measures. These will be created later in individual manager performance targets.

Drucker argues that the purpose of strategy is not to predict the future and not to define future actions; rather, it is to identify actions needed today to manage the future. Good planning processes integrate today's managerial work to tomorrow's requirements. In other words, the plan should identify tangible actions to be taken in the immediate future that have an impact on our ability to hit the long-term outcomes.

We encourage the team to identify two lists of actions: First, for each outcome area what major initiatives will need to occur over the three to five years of the plan horizon. Second, what are three or four actions on each outcome area, required during the next twelve months, to assure prompt movement. These twelve-month actions will be adjusted and rewritten on a rolling basis as the FBC document is managed over time. This will occur at least quarterly.

Assumptions are always present in planning. It is important to identify them, to recognize how they limit us, and how they shape the plans we lay. As the assumptions change, the plan must change with it. We recommend these be made as explicit as possible for each of the outcome areas described. They will be reviewed as we put the plan to work, over time, to determine what is different from what we anticipated.

Guiding Principles

The third element of the FBC road map is a definition of new norms of behavior throughout the organization. Strategic direction for change is incomplete without behavioral signposts. Norms tell people how the vision affects them, and how they are expected to contribute to it.

It has become clear in the last ten years that no amount of planning or new programs initiatives will reshape a business into a time-based, JIT-skilled, or market-driven

competitor. These strategies require changes in culture. This is not new. Everyone who has struggled with change over the last decade knows the culture obstacles to real change. They come in many forms; but it is helpful to think about two broad categories of culture traits: *People and organization norms and operational biases*.

Here is a sampling of culture barriers we've watched and experienced:

Norms Related to People and Organization

- Haven't we made enough progress? (vs continuous improvement)
- Defensiveness and fear (vs willingness to trust and try)
- Need to control (vs willingness to take some risks to innovate or to let others try it)
- Home-run hitters only! (vs winning with collaboration)
- People are an expense (vs human capital is an investment)
- Management prerogatives must be maintained (vs sharing power with unions can increase overall influence)

Norms Related to Operational Biases

- Old measurers are still the drumbeat despite new reporting tools -- e.g., utilization vs throughput
- Economies of scale mentality (vs simplicity of focus)
- Build in buffers and safety (vs drive all waste out of the process)
- Quality is a function (vs integral to each task and job in a process)
- We need to sell harder (vs really listen to what the customer is saying)
- Functional thinking (vs seamless flow of work to satisfy a customer)

Culture Norms and Principles

The popularity in recent years of corporate values and mission statements indicates recognition for the need to convey priorities that will guide people's behavior.

Company norms can eliminate much of the need for "micro-controls." When a company must shift from an established set of norms to a new set, such as being genuinely customer-focused, it is a tough change, at best.

But most of our clients believe corporate values statements are not enough. After years of helping clients with vision and values issues, we've learned that, in order for principles or norms to have impact, they must be:

- operationalized at the level they apply
- owned by the people who are going to be influenced by them
- expressed in behavioral terms

At each level, each function, and for each unit of the company norms must be debated, understood, and modeled by leaders through tangible behaviors.

The key is to establish a process for translating values or principles into practices at each successive level. Ultimately they must be a set of behaviors and practices everyone can and will relate to. Ownership is only possible through high levels of involvement in influencing or defining them.

In one well-managed, highly-diversified chemical company, the top management committee worked together to define a set of "new success behaviors and old success behaviors" for the purpose of contrasting current norms in the company against a new, preferred set of norms for the future. The contrasting list, reproduced below, was then shared widely around the company in communication and training programs:

Top 10 CURRENT Success Behaviors

1. get results
2. meet your commitments
3. don't surprise the boss
4. work hard
5. be willing to relocate
6. place safety first
7. don't make mistakes
8. be loyal to the boss
9. agree with the right people
10. have technical knowledge

Top 10 FUTURE Success Behaviors

1. get results
2. develop people
3. work as a team
4. be innovative
5. serve the customer well
6. respect the individual
7. meet your commitments
8. take a long-term view of the business
9. ensure quality
10. have business knowledge

Each level of the organization was allowed to define their own examples of these new success behaviors.

In another example, this time in a large production division of a billion-dollar office equipment manufacturer, a different kind of principles statement was used. The division had been involved in massive production and human systems change for more than three years when it was decided people needed to understand more about what the business was trying to accomplish and how. The vice president and his team worked to operationalize a set of behaviors and practices that would drive their world-class manufacturing strategy.

Example: Equipment Manufacturer Principles:

- we all own the plant's output
- problems solved within the team
- team members can operate entire line
- we treat each other with respect and dignity
- we help each other learn
- quality confirmation at each step
- no material on floor or in wrong containers
- parts handled only once

They began with a set of behavioral norms, which were widely communicated throughout the plants; a year later, they determined this was not enough. The realignment from traditional, functional plant focus to more product-focused operations was a daunting technical, as well as social, change task. And the ground was shifting as new products replaced old ones. The top team determined it was simply not possible to develop a master plan that would detail all the tasks required to complete the change. There were too many unknowns. Supervisors and team members wanted answer to what the world would look like when it was all over. The answer would have to be found jointly, *but people needed direction to participate.*

In a series of workshops the top team developed a set of operational "non-negotiables" intended to provide common purpose and direction to large numbers of engineers, supervisors, and team members who would have to help in the change process:

The Plant Non-Negotiables

- Product assembly functions are the starting point and dictate the activity sequence.
- "Pull" rules of manufacturing drive component needs.
- Support functions must align tasks to their customer and are accountable for integration.
- Critical intersects of timing and focus are a joint problem.

- Production workers are accountable for operating results.

After the top team defined these guidelines, workshops with middle managers were held; they were allowed to define what each of these meant for their area and make presentations to each other accordingly. Long discussions and debates ensued about how effectively these were being practiced.

Taken together, both lists of principles became the content focus for communication meeting agendas, for supervisory training programs, and for guiding joint production employee and engineering teams in the redesign of production operations, down to job design in each area. Employee teams, empowered to redefine floor layouts, equipment placement, and inventory movement, were instructed to apply the operational principles in the process and were judged accordingly.

The process was slow and difficult. The vice president believed people's understanding of the direction to be a critical path item; he pushed the organization aggressively, but he refused to let the process move faster than people could learn.

Preparation of the FBC Document

Summarizing the three elements of the FBC document, they are the following:

1. Customer mission and key capabilities
2. Long-term outcomes
3. Guiding principles

Eventually each level of the business may have its own version of these three direction elements, all linked to the same top-level requirements. Figure 1 on the next page provides an example of a matrix created to show the relationship of these direction elements (and more) in a high involvement-oriented company. The elements are listed vertically and the three levels of organization are listed across the top.

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The preparation of the FBC document should be a highly participative process involving a critical mass of people. It is usually a powerful team-building experience for the group to struggle through the process.

The most successful approach will depend on some of the norms already in place in the business, but the old boundaries should be pushed. The process can be orchestrated to involve a layer at a time, or entire groups of as many as 50 or more people can be involved in a single session, if the agenda is carefully structured and facilitated.

A Case Study Process Intervention in Future Business Commitments:

The following outlines a process recently used with a business unit of a large company, illustrating the application of the process:

Step 1

An organization effectiveness consultant interviewed a cross-section of twenty-five managers and thirty team members, and prepared an analysis describing perceptions about the current clarity of direction, as well as effectiveness of teamwork, employee commitment, trust, etc.

Step 2

An extended, critical mass group of nearly forty managers, including members of the national account sales organization, met off-site for a day to describe the long-term trends in the external environment that influences their business, in terms of:

- global markets and customers
- macro-economics
- regulatory environment
- technology
- competitors

Step 3

An off-site workshop with the top three levels of management was scheduled to receive the consultant's feedback on current organization effectiveness.

Break-out groups and plenary sessions led to the conclusion that the present mission statement was still effective and only needed minor adjustments. A team was assigned to propose some enhancements at a subsequent meeting.

Current goals, however, were determined to be annual targets, not tied to a clear set of capability requirements and not well understood by the operations, as a whole. The workshop produced an initial draft of fifteen potential outcome areas.

Step 4

The top management team met subsequently and reduced the list to 10 outcome areas it would have to manage over the next four years. They included business result areas, as well as critical process improvement areas.

A one-page document was prepared by the team, on clip charts with the help of a facilitator, for each of the 10 outcome areas. The thinking was constantly checked against the long-term environment issues definition, previously completed by the enlarged group back in Step 2.

The team "crafted" the document collaborative, debating the priorities as they progressed, and not moving on until all members of the team felt they has been heard. The general manager made decisions that could not be decided by the team and often pushed the team for higher standards and expectations.

Step 5

After a draft was completed, the larger group of management and other team members was brought back together to review the draft. Changes were made and the goals were locked-in. Each department head then began to meet with his or her team to define a similar set of goals, aligned with the division goals.

Step 6

Next, the top team began to develop a list of guiding principles to describe new norms. The consultant analysis was used to list the old norms that had to give way. After two half-day meetings, a rough draft was shared with the larger, critical mass team of management.

Step 7

The larger group made several changes in the drafts. Individuals were assigned to create revisions outside of the meetings. Drafts were distributed for comment. Some managers reviewed the drafts with team members.

Some items created controversy and were debated. The general manager took a strong position on issues he was personally committed to.

Step 8

The elements of the FBC documents were synthesized and communicated to all supervision in a two-day workshop, conducted over a twelve-month period of time.

During this time a survey was administered that allowed all salaried people to provide frank, anonymous, and confidential feedback to his or her boss on how their leadership practices were consistent, or inconsistent, with the mission, goals, and principles.

Step 9

The top team began using the overall document as a tool for monitoring their progress every quarter. Adaptations occasionally had to be made as they discovered some of their assumptions were inaccurate. Corrective actions were written into the document. As action plans were completed, new ones were added which kept the document rolling forward.

Individual responsibilities, indicators, and objectives were prepared for each manager, based on the content of the future commitments. Each key piece of the future commitments was tied to an individual, or individuals, who would have to collaborate to accomplish the leverage areas. Later the team negotiated mutual support needs between themselves for increasing teamwork around the future commitments.

Putting It All to Work: Three Avenues

The FBC document is a working tool, and so the team must use it actively to run the business. We will examine three fundamental avenues for putting the completed FBC document to work in order to increase accountability for the outcomes and encourage self-management on a broad scale.

Personal Performance Commitments

1. After the LTO is complete, objectives for individual managers, who must contribute to the success of the business, should be created. These should be built directly on the foundation of the future business commitments of the entire business. The process has been described by the writer in another paper in some detail, as an alternative to traditional performance appraisal.

Briefly summarized, the individual managers who participate in preparing the future business commitments should then work to identify the key elements of the plan for which they are responsible. The next twelve months is the initial focus for personal commitments planning. A similar personal planning process should eventually occur at the next levels down, across the organization. Each manager negotiates with his or her manager a personal performance plan, tied ultimately to the future business commitments.

The basis of the recommended format and process is to highlight each of the outcome area topics, which the business unit has created, and ask each manager to create a one-page description of commitments for which he or she should be held accountable, related directly to that outcome. At subsequent levels in the organization, these will translate into more and more detailed indicators of performance; but each, no matter how detailed, should be clearly understood as part of the business unit commitments.

Linkage across the organization is gained through team workshops to exchange personal commitment documents, and to negotiate mutual support requirements and shared measures.

2. **Defining Structure, Systems and Programs**

The FBC document should be used widely as the center-piece for employee communications and training. It may be posted visibly, or it may be part of quarterly reviews and other meetings. It should also be part of the core content for developing training programs for supervisors. Competencies required to achieve the long-term items on the agenda should be spelled out by training professionals. Supervisors are provided regular information about progress against the plan outcomes, and should receive materials they can use to conduct monthly communication meetings in their respective areas.

Some companies provide a monthly communications meeting guide to supervisors that includes key discussion questions about each of the outcome

areas or principles; the purpose is to drive these critical issues into every assembly line and sales office in the company. Teams of sales staff may be brought into production meetings to share perceptions about progress on these issues with production and engineering counterparts.

The FBC document can be used as a road map to many other change initiatives. Organization development plans (including changes in structure, work design, team development, supervisory roles definition, and numerous other initiatives) are key to implementing change. They should all be tied in some fashion to the future business commitments. In some companies the FBC-type documents serve as the anchor for creating task analysis of the future workplace, which becomes the basis for new selection, pay-for-knowledge, and other programs.

"Line-of-sight" team rewards programs, like gainsharing, can be readily designed to heighten the energy around the long-term outcomes and principles, making these kinds of programs far more powerful contributors. (Schuster, 1987, Schuster and Miller)

The FBC provides an excellent platform for strategic human resources planning. The capabilities portion of the document provides the basis of management succession and core competencies planning for technical, business, marketing, or manufacturing talent.

3. Quarterly Business Review

If the FBC document is to become a living tool and not another binder on the top shelf, it must be in the hands of operating managers and used to talk about business progress on a regular basis. This is often the hardest task to get managers to do. We recommend it be used with, or in place of, traditional financial reporting materials for quarterly business reviews. The key is for the team to check its progress against the long-term outcomes on a regular basis. They should check the milestones and action items they have set. Is progress being made at the rate to which we committed? They should determine whether the assumptions behind the LTOs remain valid. Changes to the document are frequent. This is healthy, as long as the team is not simply adjusting the target downward.

We have seen general managers conduct the quarterly reviews with this kind of document to surface more team holds itself accountable to the plan with the help of the manager.

Some organizations assess their success on a quarterly basis and note this on division-wide postings. Trends become readily apparent. Assessment has real benefits. Success leads to enthusiasm. Failure leads to focused problem-solving.

From quarter to quarter the plan is updated. As outcomes are achieved, new outcomes and actions are defined. Communication around the elements should be intensive throughout the organization. (There are many creative ways to do this.) Rarely is a new plan rewritten at the beginning of a new year. The need for annual planning cycles is diminished, except for converting the goals and actions to annual budget administration.

Conclusion

Rather than seeking to develop a new set of nomenclature or a proprietary system, we have attempted to synthesize a single set of best practices, already being used by a handful of good companies, that can provide a single road map for managing the direction of complex change in a business unit.

When adopted as part of a management system, the practices described in this paper are among the most effective to evolve in recent years. Goal-setting and strategy become an energizing, as well as guiding, force in providing everyone in a large organization with the opportunity to participate in the competitiveness of the business.

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