

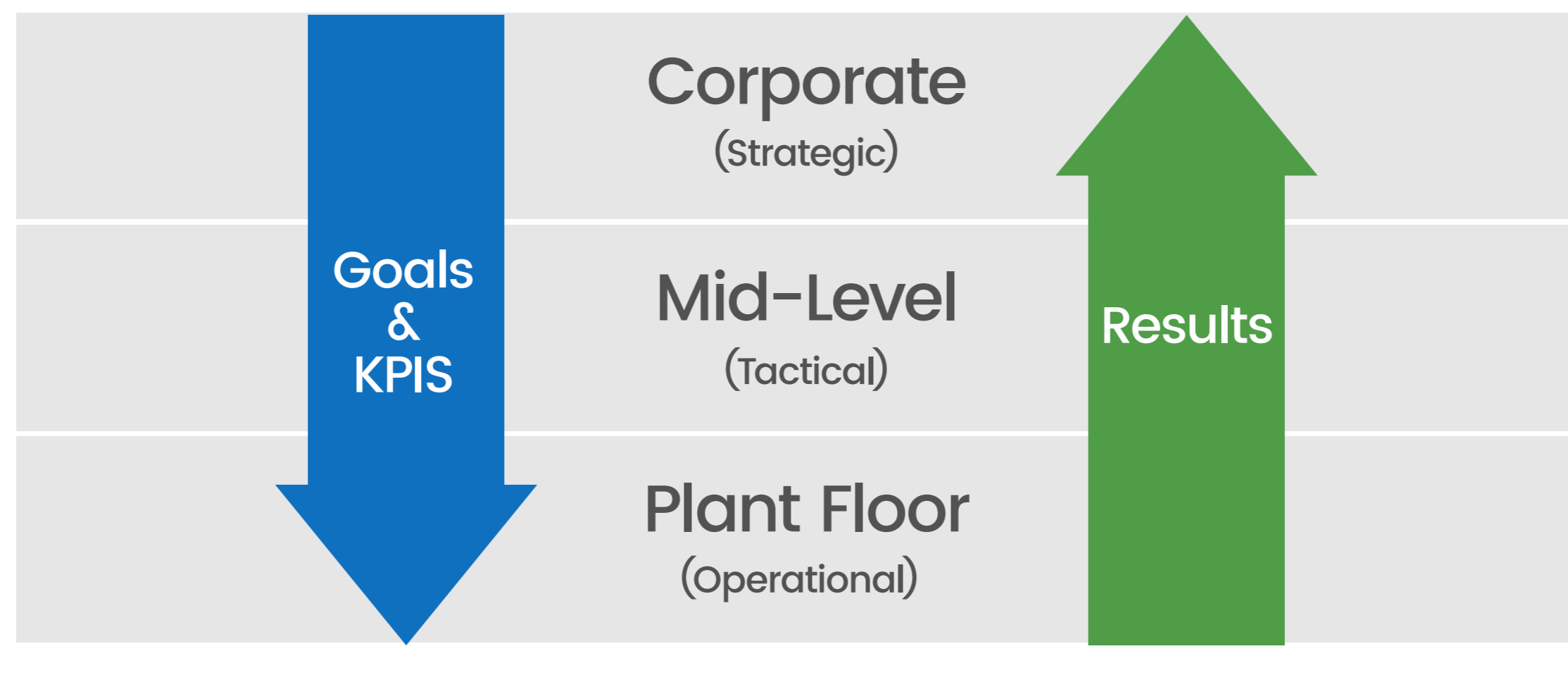
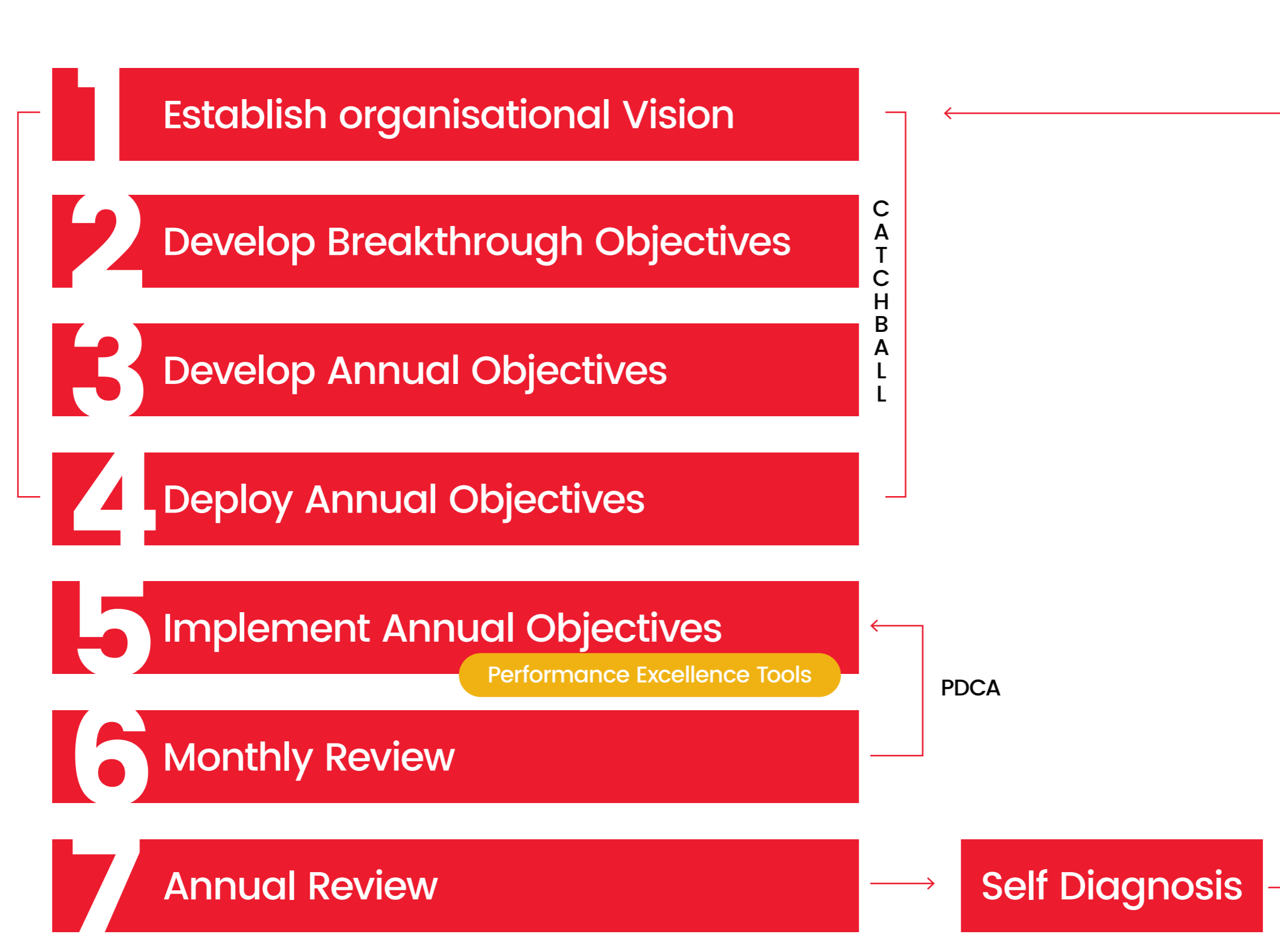
10 Common Pitfalls to Avoid in Strategy Formation

from planning to execution

A long-range strategic plan is an absolute must for organisations looking to exceed customer expectations and stay competitive in today's volatile business environment. Although exceeding in all aspects of business is the ideal scenario for corporate leaders, the reality is that they have to be good before they can become great. While a brilliant strategy, blockbuster product or breakthrough technology can establish a company on the competitive map, only a solid, forward-looking, well-executed and achievable plan can keep it there. To put it simply, organisations must keep both hands on the wheel and strive towards continuous improvement if they are to move forward successfully.

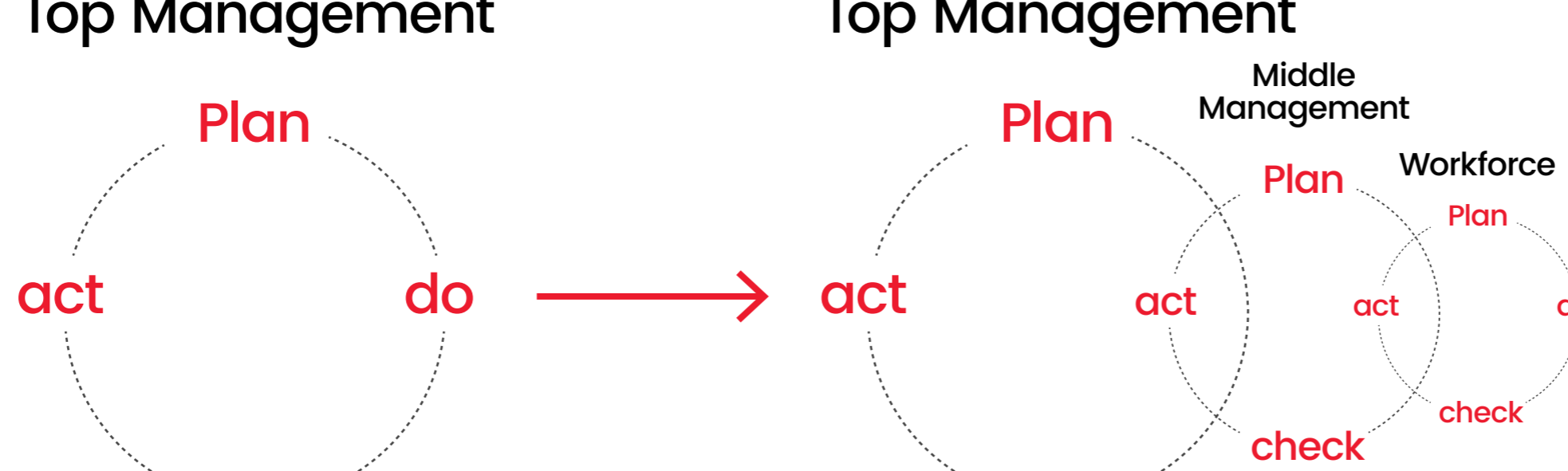
Planning the strategy

Although formal strategic planning processes play an integral role in improving overall strategy development satisfaction, a recent research suggests that only 5% of employees actually understand their company strategy. According to the McKinsey survey, many of the 800 participants admitted that they are either frustrated by the lack of impact their actions seem to have, or are unsatisfied by the strategic direction of the company. Faced with these kinds of results, it is easy to see why managers might be tempted to abandon the planning process altogether. Instead of giving up on a plan, businesses can adopt the proven Hoshin Kanri methodology. Also known as Policy Deployment, this method ensures that the strategic goals drive progress and action at every level, eliminating inconsistent direction and poor communication. By aligning the goals of the company (Strategy), with the plans of middle management (Tactics), and the work performed by all employees (Operations), the Hoshin Kanri method ensures that each and every employee is working in sync towards the same goal. Keeping one foot firmly focused on the successful day-to-day running of the business, the Hoshin process is also a systematic planning method that efficiently defines long-range key entity objectives. These breakthrough objectives typically extend to two to five years with little change. (See the figures below)



The review of the plan's progress follows the PDCA cycle, (see the figure below) and applies to all levels of management within the organisation. Using the PDCA cycle in strategic planning ensures that:

- Plans are developed more systematically
- Progress is carefully monitored
- Changes are made when/where necessary, so the planning process is continuously improved
- Breakthrough objectives are attained
- The planning process itself is standardised
- Organisational learning occurs



When applied in combination with continuous business development and innovation, Hoshin planning, will align an organisation's strategic objectives, with the resources and action plans needed to achieve them. Through a back-and-forth refinement system known as 'catch ball,' the entire organisation becomes involved in delivering a combination of breakthrough performance and daily management.

TTM Associates prides itself in being a key enabler for executives to formulate sound and impactful strategic decisions, both in the micro and macro context. Here are the top 10 common pitfalls to avoid when planning and executing your business strategy.

- 01. Not communicating a clear long-range vision**
Every organisation must have a clear statement of purpose. In other words, what added-value do your products or services give customers and where do you see the organisation in the next five to seven years?
- 02. Choosing immeasurable objectives and strategies**
Many businesses make the mistake of including immeasurable objectives in the strategy creation phase. Measurable is defined as a fluid; continuous monitoring of a process over time, showing the progress level and the degree of variability. Measurable objectives ensure that the observer can determine whether improvement is made, and how it corresponds to changes in the process.
- 03. Analysis paralysis**
Many organisations tend to spend too much time in planning mode, hoping for the perfect strategy that can be executed exactly as planned. Unfortunately, things rarely go as planned, and the best approach is to plan until you have 'reasonable confidence.' With the Hoshin method, the review process is used to fine-tune the plan as you go along.
- 04. Weak performance measures**
A kind of weak measure such as customer satisfaction, is hard to track, however, the best way to prevent this kind of weak measure is to create measurable data and make it a requirement.
- 05. Assigning multiple owners**
This practice invariably leads to a breakdown of responsibility and accountability.
- 06. Goals established without the feedback of lower levels**
Usually it is not the top tier management of an organisation that will have the real in-depth knowledge of the potential for improvement, but rather the lower level employees, whose efforts really drive change. Front line staff and middle management can make predictions on the degrees of improvement and the effects it will have on higher-level objectives and strategies, but without the feedback of the lower level, there can be a loss of focus on the true objective, resulting in an unnecessary number of process improvement teams and duplicate efforts.
- 07. Misalignment on the objectives**
This occurs when employees start to work according to their own plans, without taking into consideration the effect this will have on cross functional, higher or lower level objectives.
- 08. Reworking the plan unnecessarily**
As is often the case with the fluctuating business world, situations can change during the year and the common tendency in this scenario is to rework the plan. However, with the Hoshin method, the review process will handle most of these changes, except in rare events such as the splitting or merging of organisations.
- 09. Developing Hoshins without implementation tables**
To put simply, developing a Hoshin Plan without using the implementation tables and establishing the necessary reviews is a waste of time.
- 10. Having too many objectives**
This is a common mistake made by many new Hoshin users. It is natural for a business to want everything done at once, but because the majority of projects will be behind schedule, problems will show themselves along the way and during reviews. It is far better to complete a small number of projects, than to start many and not finish them.

Leading car manufacturer Toyota is a major practitioner and model for Hoshin in Japan and has used the method to build successful and highly efficient five-year plans. Each of their five year plans start with months of preparation by the Chairman, followed by initial deployment and 'catch ball' to align objectives across all departments, as each element will contribute to the planned breakthrough. As a result, Toyota has witnessed a tremendous performance improvement, not only for the organisation itself, but also for the automobile industry as a whole.

Final Thoughts

Making a strategy without effectively measuring and understanding your process is like sailing without a compass. Hoshin Kanri is a powerful deployment system for strategic planning, defining direction and priorities, and aligning the entire organisation in the same direction. The Hoshin planning process helps organisations learn from both problems solved and business successes, which is fundamental to building an organisation that will grow and evolve. Hoshin enables an organisation to collect and study performance measures from both day-to-day and long-term activity. In summary, it helps organisations think about where they are headed, and plan for the most effective way to get there with 'both hands on the wheel'.

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