**MANUSCRIPT FOR LINKING STRATEGY TO OPERATIONS PRESENTATION**

<Amenities>

**SLIDE 1**

I am \_\_\_\_\_\_\_\_\_ and I will be presenting the Linking Strategy to Operations. <CLICK>

**SLIDE 2**

According to Dr. Robert Kaplan and Dr. David Norton, *“Successful strategy execution has two basic rules: understand the management cycle that links strategy and operations, and know what tools to apply at each stage of the cycle.”* <CLICK>

**SLIDE 3**

Most organizations exhibit a disconnect between strategy and operations. Under Managing Strategy, they see Balanced Scorecard, Earnings Per Share (EPS), Revenue, and Gross Profit. Under Managing Operations, they see Budget, Expense and variance reports, and Operational reports. <CLICK>

**SLIDE 4**

This disconnect suggests that:

* Your organization might not really be executing your strategy; and
* Your results are not clearly and accurately telling you if your strategy is working. <CLICK>

**SLIDE 5**

It inhibits execution in two key ways:

* + Operational focus is not on activities that contribute the most to organizational strategy.
  + Operational results do not provide feedback on the quality of the strategy.

<CLICK>

**SLIDE 6**

How do we link strategy to operations? The Strategy Map identifies the high-level priorities that must be further defined at a lower level of detail. <CLICK>

In the Core Process, you can prioritize Operations: Supply Chain, Stakeholder Relations, Innovation and Social/Regulatory. <CLICK>

In the Intangible Assets Management, you can prioritize Human Capital, Organizational Capital and Information Capital. <CLICK>

**SLIDE 7**

Performance operational drivers, improvement programs, and initiatives define how strategic objectives will be achieved. <CLICK>

**SLIDE 8**

In simple words, Strategy Management sets high level logic and direction while Operations Management translates strategy into changes required in the operating process. <CLICK>

**SLIDE 9**

Executing strategy requires change in operational process. <CLICK>

**SLIDE 10**

Here is a scenario. Super typhoon Rattata has hit Eastern Mindanao, causing millions of pesos’ worth of property damage, and leaving hundreds of families suffering. The Eastern Mindanao Command requests to J-3 for a humanitarian mission for the people affected. J-3 approves and coordinates with A-3 to provide a cargo aircraft, and A-3 issues you the flight directive.

After receiving the directive, it took 40 minutes to process it. Your aircraft also spent 15 minutes to line up for takeoff due to heavy air traffic in Villamor Air Base. It also took 1 hour to load cargo in the aircraft, which was done by your personnel manually through human effort, and it took the same amount of time to unload at the TOG.

Knowing this, as a strategist, you have resolved to improve operations when the next mission. How would you do it? <CLICK>

**SLIDE 11**

How do we Set Priorities for Strategic Processes. <CLICK>

**SLIDE 12**

You establish a formal linkage between the strategy and core business processes of the organization. Linkage occurs by focusing improvement and transformative initiatives on the processes most critical for successful strategy execution. <CLICK>

**SLIDE 13**

What business process changes does the strategy require? <CLICK> In Objective, you ensure that changes required by the strategy and the key strategic objectives are translated to changes in operational processes. <CLICK> In fundamental challenge, Alignment between strategic priorities and quality and continuous improvement programs. <CLICK> In Representative Activities, you use Total Quality Management, Six Sigma & Lean Practices, Business Process Re-Engineering, and KPIs or Dashboards. <CLICK>

**SLIDE 14**

A fully developed Management System represents a focused Program of Action.

You communicate, you measure then you execute. <CLICK>

**SLIDE 15**

Here is an example of On-Ground Cycle Time Optimization. By enumerating the Ground Turnaround activities, they measured the turnaround time between flights. After this, they identified the process improvements they need to start practicing. <CLICK>

**SLIDE 16**

Let us use Processes and Driver Models to Operationalize the Strategy. <CLICK>

**SLIDE 17**

How do Organizations Link Strategy Management to Operations Management? <CLICK> The key lies in having driver-based performance models that provide robust enterprise-wide insight and information which can be used to enhance planning, performance management, and strategy execution capabilities. <CLICK>

**SLIDE 18**

What is a Driver-based Performance Model? <CLICK> A performance model is a formal description of relationships between strategic outcomes and their internal and external operational drivers. <CLICK>

**SLIDE 19**

We use driver-based performance models to:

* Deconstruct key processes;
* Define cause-and-effect relationships; and ultimately
* Predict outcomes. <CLICK>

**SLIDE 20**

Let us differentiate the Drivers and the Outcome. The Driver is the cause while the Outcome is the effect. The Driver is the performance factors to deliver results while the Outcome is the desired results. The Driver is the inputs and processes with known influence upon results while the Outcome is the measurable indicators of business success. The Driver is more actionable than results while the Outcome is usually not directionally actionable. <CLICK> Remember:

* Multi-causal driver relationships may generate outcomes for example is portfolio of drivers
* Look for causal relationships not just correlation
* Some “gut instinct” hypotheses turn out to be true. Others are proven false. <CLICK>

**SLIDE 21**

Driver-based performance models serve as the basis for planning and provide an important connectionto link strategy, operations, and financials. <CLICK>

**SLIDE 22**

What are the Techniques for Developing Driver Models? <CLICK> Using the Critical Success Factor or CSF Diagram is better for implicit diagrams. It is useful in group brainstorming sessions and the Group candidate measures by subject. <CLICK>

**SLIDE 23**

Using the Fishbone Diagram, the implicit or no direct relationship exists but correlation does not. It is typically used to determine the root cause(s) for not achieving a desired outcome or effect. It is in a structured and focused way to organize the causes: identifies areas where further study is needed. It approached from the negative: what would cause us not to be able to provide our customers easy access to the right products. <CLICK>

**SLIDE 24**

Using the Suppliers, Inputs, Process, Outputs, Customer of SIPOC Diagram, it is focused on a process of set of related processes. It can be combined with other techniques if process “crosses” organizational boundaries. It is the key component of Six Sigma and Lean quality improvement programs. <CLICK>

**SLIDE 25**

The Value Tree is an effective decomposition approach.

* It is better for explicit relationships – where direct or mathematical relationships exist
* It can be developed from different “points of view” to build consensus about what’s important
* It is useful in prioritizing initiatives and investments
* It can highlight redundancies and gaps in information flows
* It can serve as a comprehensive training vehicle for new employees at all levels

**SLIDE 26**

The effectiveness of any organization in executing a task depends on workflow. The better a leader clearly defines a regular process, the more efficient his team becomes. This saves overall time, making the team more effective and able to do more with less stress or frustration. To streamline work processes and improve workflow, assess the entire operation from top to bottom, looking for areas of improvement. Consider the following to acquire efficiency that leads to bigger bottom-line results: <CLICK>

* create a process flow
* create a layout of the organization
* observe your material handling
* check the equipment
* review your work-in-process inventory levels
* identify the bottlenecks
* check your labor skills. <CLICK>

**SLIDE 27**

TheProblem/Solutions Tree It is a tool to map out main problems, along with their causes and effects. It is use to identify clear and manageable goals and the strategy of how to achieve them. This type of assessment is greatest if it is carried out in a workshop with the stakeholders, giving the opportunity to establish a shared view of the situation. <CLICK>

**SLIDE 28**

The three stages of the Problem/Solutions Tree are:

1. the identification of the negative aspects of an existing situation
2. the inversion of the problems into objectives leading into an objective tree
3. the decision of the scope of the project in an analysis of strategies. <CLICK>

**SLIDE 29**

The Stage One: Problem Analysis. First, you determine the core problem. Next, you describe terms based on observation, deviations, or a symptom. For example: Low Operational Readiness Rate, high failure rate, low quality equipment. Next, avoid describing in terms of solution and jumping into conclusions. For example: You saw that the equipment for repair are old and say that “maintenance equipment are old”. Students have high failure rate and visiting the classroom you felt that it is warm and decided that problem is “the absence of air conditioning units”. Finally, be careful in identifying an incorrect problem this can lead to inappropriate solutions that could aggravate the problem. <CLICK>

**SLIDE 30**

A well-defined problem is characterized as follow:

1. It focuses on the gap. Difference of actual and desired
2. It states the effect. What is wrong, not why it is wrong.
3. It avoids broad ambiguous statements.
4. It avoids “lack of” and “no” statements, which imply solutions.
5. It highlights the significance of the effects <CLICK>

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Here is an example of a Problem Tree. <CLICK>

**SLIDE 32**

The Stage 2: Objectives / Solution Tree. First, you transform the problems into a statement of objectives. Next, a solution (also called objectives) tree is developed by reversing the negative statements that form the problem tree into positive ones. For example, a cause (problem tree) such as “weak knowledge” would become a means such as “increased knowledge”. Lastly, see if all the statements are clear, and if there are any missing steps between a means and an end. If so, you may need to revise both the problem and solution trees by adding more statements. <CLICK>

**SLIDE 33**

Here is an Example of an Objective Tree <CLICK>

**SLIDE 34**

The Stage Three: Analysis of Strategy. The final step is to select a preferred strategy for the intervention. The solution tree may present a number of separate or linked interventions to solve a problem. Depending on funding, time, and relevance, a planned intervention may not be able to tackle all the causes. However, it if all the causes cannot be overcome by a project, or complementary projects, it is important to identify if any of the branches are more influential than others in solving a problem. <CLICK>

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Here is an example of Analysis of Strategy. <CLICK>

**SLIDE 36**

Let us integrate the Financial Planning and Resource Capacity Planning. <CLICK>

**SLIDE 37**

The Financial Planning process is key to how an organization translate the strategy into action. <CLICK>

**SLIDE 38**

Financial Planning sits in the middle of the Planning Spectrum. <CLICK>

**SLIDE 39**

At the core of most Planning and Performance Management Systems is the traditional budgeting process.<CLICK>

**SLIDE 40**

Used for many competing objectives, the traditional budget process results in sub-optimal performancefor most of the key planning objectives. <CLICK>

**SLIDE 41**

The purposes of the Traditional Budgeting Process are:

* Set targets
* Establish financial expectations
* Manage and control costs
* Prioritize and allocate investment and project resources
* Assign and delegate authority
* Assist with coordination of activities and resources
* Provide communication
* Establish basis for compensation and performance targets <CLICK>

**SLIDE 42**

However, the limitations are:

* Conflicting purposes: Target setting versus financial forecasting
* Not only a ceiling – also a floor for costs
* Promotes centralization of decisions and responsibility
* Absorbs significant resources across the organization
* Tends to make financial control and cost management an annual (one time) event
* Inflexible to changes in planning assumptions
* Output is state and outdated once finally complete and approved <CLICK>

**SLIDE 43**

Implementing driver models and rolling forecasts help transform the planning process to address key issues organizations face today. <CLICK>

**SLIDE 44**

By implementing driver models and rolling forecasts, your Financial control may be annual event today but in the future, Financial management will be a continual review, analysis, & adapt process. <CLICK>

**SLIDE 45**

Using the rolling forecast to improve visibility and increase the capacity to predict performance <CLICK>

**SLIDE 46**

In the traditional view, it is based on hierarchy of units, departments, etc. It is also a collection of the individuals’ projections of revenues and expenses for which they are responsible. <CLICK>

**SLIDE 47**

In the process view, you see causal relationships that run horizontally across an organization. It also based on operational drivers that cross functions and define a process-centric view. <CLICK>

**SLIDE 48**

A suggested way to commit resources is by introducing the Strategic Expenditure – StratEx – linking the strategy to the budget. <CLICK>

**SLIDE 49**

Let us now Manage Initiatives <CLICK>

**SLIDE 50**

Strategic initiatives are the collection of finite-duration, discretionary projects and programs, outside the organizations day-to-day operational activities, that are designed to help the organization achieve its targeted performance. <CLICK>

**SLIDE 51**

Strategic initiatives represent the force that accelerates an organization mass into action, overcoming inertia and resistance to change. <CLICK>

**SLIDE 52**

Initiatives are defined to help close the Performance Gap. <CLICK>

**SLIDE 53**

By definition, “Governance refers to the set of policies, regulations, functions, processes, procedures and responsibilities that define the establishment, management and control of projects, programs and portfolios.” <CLICK>

**SLIDE 54**

The Governance Pillars are comprised of People, Information and Structure. <CLICK>

**SLIDE 55**

Here is an example of Initiative Governance Structure. <CLICK>

**SLIDE 56**

In Initiative Management People, the members of the Initiative Portfolio Board are the CEO, CFO, Program Directors, Chief Risk Officer, and Chief Strategy Officer. Their roles and responsibilities are:

* Ensure commitment of resources
* Ensures effective decisions are made so as to meet the goals of the initiatives
* Approve any request for changes to initiative scope, budget and time
* Advisory body to the Initiative Sponsors
* Ensure continued alignment of initiatives to strategy <CLICK>

**SLIDE 57**

The members of the Program Steering Committee are the Program Manager (whom might be theme owner), Initiative Sponsors (for large initiatives whom might be Senior Manager), Initiative Managers and Risk Managers. Their roles and responsibilities are:

* Oversees the management of organization’s portfolio
* Has the authority to approve or re-direct program/initiative focus
* Ensures strategic alignment, prioritization and resource allocation
* Has authority to resolve any issues that may impact direction, schedule or budget of the program in the portfolio, which cannot be addressed by the Program Steering Committee. <CLICK>

**SLIDE 58**

The members of the Initiative Team are the Initiative Sponsor (for large initiatives, whom might be Senior Manager), Initiative Manager, and Initiative team (will likely be cross-functional). Their roles and responsibilities are:

* The team is the resource assigned to deliver the initiatives
* Accountable for the delivery of those initiatives
* Report the progress of the initiative including highlighting the risks, issues and changes
* Managing scope, communication and stakeholders. <CLICK>

**SLIDE 59**

Initiative Portfolio Management is an Ongoing Process. <CLICK>

**SLIDE 60**

Let us now integrate and plan for intangible assets. <CLICK>

**SLIDE 61**

Intangible assets are human capital plus information capital plus organization capital. <CLICK>

**SLIDE 62**

Human capital is divided into 2 categories: Strategic Competencies is the availability of skills, knowledge and values to perform activities required by the strategy. Leadership is the availability of qualified leaders at all levels to mobilize the organization towards its strategy. <CLICK>

**SLIDE 63**

In information capital, strategic information is the availability of information systems and knowledge applications required to support the strategy. <CLICK>

**SLIDE 64**

In organization capital, we have culture or awareness and internalization of the shared mission, vision and values required to support the strategy, alignment or the alignment of goals and incentives with the strategy at all organization levels, and teamwork or the sharing of knowledge and staff with strategic potential. <CLICK>

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Effective management of human capital, information capital and organization capital result to strategic readiness. <CLICK>

**SLIDE 66**

What are the Challenges to Measuring Intangible Assets?

1. Alignment. The value of an intangible asset is contextual. It depends upon alignment with the strategy.

2. Readiness. The value of an intangible asset is based on its degree of readiness to support the strategy.

3. Derived Value. The value of an intangible asset is determined by its impact on other variables.

4. Interdependence. The value of an intangible asset is influenced by its interaction with other intangible assets. It is difficult to isolate the value of one asset. <CLICK>

**SLIDE 67**

What are our key takeaways here:

* Establish a formal linkage between the strategy and core processes of the organization. Linkage occurs by focusing improvement and transformative initiatives on the processes most critical for successful strategy execution.
* Driver-based performance models provide robust enterprise-wide insight and information which can be used to enhance planning, performance management, and strategy execution.
* Operational dashboards should support strategic scorecards. <CLICK>

**SLIDE 68**

* Link Strategy and Financial Planning.
* Driver Models and Rolling Forecast help transform the Planning Process.
* A robust governance process should be put in place for the management of strategic initiatives.
* Strategic readiness is human capital readiness + information capital readiness + organizational capital readiness. <CLICK>

**SLIDE 69**

Thank you and have a good day!