

# Creative Strategy



*Constant change in the environment demands that every employee be an imaginative strategic thinker and doer.*

**S**TRATEGIC LEADERSHIP IS NEEDED at all levels, and it has to be continuous to out-smart and out-implement the competition.

This may shock many command-and-control executives who think that it is their role to be the corporate strategist. This is the ultimate break with the old military management paradigm that generals are strategists, lieutenants develop tactics, and everyone below just follows orders.

Don't get me wrong. Front-line factory and office workers should not be charged with developing the corporate strategy. This is a key challenge of top management, hopefully with input from below. But all levels, each and every employee, should have at least a briefly stated strategic plan for their area that looks into the future and addresses their specific opportunities and issues ahead. It is all a matter of how one defines what is "strategic."

## Strategic Versus Tactical

The easiest way to determine what is strategic and what is tactical to a business unit or person is to apply two criteria: The topic is strategic if the result of dealing with it (or not dealing with it) will have either a *major impact* or a *long-term impact* on the unit. Anything less is probably tactical.

The answer is also level-dependent. What is tactical to division management could be strategic to a business unit. Conversely, what is strategic to a department could be irrelevant to the executive committee.

Another factor that varies with the level is the balance between strategy creation and strategy integration. Top management is primarily concerned with creation—developing corporate strategy and communicating it. Mid-level managers balance their efforts between creating strategies for their units, and integrating

their plans with those from above and peer units. The front lines are primarily charged with integration—developing a strategy for their department or self-managed team that is in full alignment with the strategies coming from above and other departments. Strategy demands multiple viewpoints, including that of day-to-day operations.

As strategic plans cascade down and flow laterally, ideally each employee prepares a brief, one-page strategic plan for themselves that contains two parts: 1) their Alignment Plan, which defines their role and principles in implementing all plans, and 2) their Personal Plan, which focuses on their career and personal principles. This section,



which can be kept confidential, should portray their clear vision of where they want to be in this, or another organization (perhaps their own), some five years in the future, along with the objectives and strategies for getting there. The "new contract" requires that employees take full responsibility of their futures, and this is one key to accomplishing it.

Achieving alignment is simplified if the formats of the plans at each level are relatively uniform. The content is the variable. Each plan should contain a meaningful mission, compelling vision, empowering values, customer-focused positioning, measurable objectives, action-oriented strategies, strategic action plans, resource allocation plan with a financial forecast, and summary of the situation analysis.

Clear and connected plans at all levels are crucial when a company intends to implement a significant change in strategy.

## Typical Shortcomings In Plans

The most common areas for improvement in strategies and plans are as follows:

1. *The vision is too idealistic and vague.* Here is a vision statement of a manufacturing company: "We will be number one in our industry, customers will be delighted, competitors will respect us, employees will be happy." Does this sound familiar? The company's employees report that the vision lacks realism and doesn't provide them with any direction. They need to believe it to see it (to reverse an old saying). And even if they did believe it, they say they are unable to picture what their company would be like.

A compelling vision describes a future state that is aggressive but achievable and it is highly descriptive. One way to conceive your vision is to take creative leaps into the future and then gently float the wild ideas down toward earth to add feasibility and credibility. Another way is to answer the question: "If our strategies worked, what would our company or department look like five years in the future, when our strategy is fully implemented and working?" Make believe you are viewing a two-minute news documentary on your company, or on yourself if its your personal vision.

2. *The market positioning lacks uniqueness.* Your market positioning is your identity. It is what customers (external and internal) think consciously or subconsciously about your company, department, or you at the mention of your name. Federal Express: "Absolutely, positively, overnight." Dominos Pizza of a few years ago: "30 minutes or less." All great organizations have positionings that have characteristics that are unique, compelling, and provable. Every company, division, product line, department, and employee needs to know its present market positioning, the future one it desires, and the strategies to get there.

3. *The objectives are unmeasurable.* "Our objective is to improve employee satisfaction." By how much, measured by what, and by when? This is usually the easiest defect in plans to correct. The challenging part is prioritizing your objectives, as well as everything else in the document. This gives your plan a tight focus and concrete direction. If you changed the priority order of your objectives or strategies, it would lead your organization to a different future state.

4. *The strategies lack specificity.* "Our strategy is to delight customers." Sounds great, but with what magic? Objectives state what, and strategy tells how. Each enterprise needs: a) an overall strategy, b)

I speak to groups, invariably senior executives come up after and talk to me about how meaningful their Harley-Davidson is to them. At every Harley rally, I see people of very different backgrounds talking and sharing their experiences. It's a human bonding experience. The world can get along if we just focus on something we have in common.

**In the lore of American business, Harley-Davidson is lauded as a company that responded to the Honda-Yamaha challenge of the 1970s and '80s and regained market share. Is that more fiction than fact?**

That's a reality. It happened. Our share of the motorcycle market was well over 70 percent in the 1970s, and it dropped to as low as 23 percent in 1983. And it dropped for a very good reason—someone else was giving the people who bought the end product better value. Value starts with quality. If your products don't work as well as your competitors' products, and if you have a higher cost base and, therefore, must sell them for more money, you're going to lose market share.

**What happened to turn things around?**

While he was still at AMF, our chairman, Vaughn Beals, recognized that we had a product problem, and that we had to focus on product quality. While that process was going on, AMF decided to divest itself of Harley, and Vaughn led the buy-out. Twelve others who worked for AMF went with Vaughn through that buy-out. I was not one of them. I came two months after the buyout as CFO.

We immediately turned our attention to improving the product. As we all know, quality starts in the design process, not in the manufacturing process. And so we started to design quality into a new engine configuration and into all the manufacturing processes. We reduced cycle time, cut inventory, involved employees, and used statistical process control. Once we started seeing results, we then turned our attention to marketing. The real power of Harley-Davidson is the power to market to consumers who love the product.

**What's new? What are you up to now?**

Well, our continuous improvement efforts are now part of who we are. We're constantly looking at different ways of organizing, different ways of connecting everybody, different ways of improving our business processes, different ways of satisfying stakeholders. Everything is connected to our corporate vision and mission statement. But the important thing is that it gets down to you, the individual. You, the individual, who works for us or buys from us. I want you, the individual, to

connect with what the company is trying to do. If you work here, I want you to talk with your leader about what you should be spending your time on. I think in terms of circles and cycles so that it all connects and there's a way for individuals to relate to what's going on in the business.

**What do you mean by thinking and working in circles?**

Well, in our organization we did away with lines and boxes for vice presidents and created a self-directed workforce with three teams of about eight people. One circle is "create demand," another circle is "produce products," another circle is "provide support." Our structure is now a diagram where several circles all overlap. In the middle the leadership and strategy council, who are peer-elected members from each one of the circles. We did away with our senior vice presidents.

**How's it working?**

In one circle, it's working great; in another circle, it's a disaster. But we're on a journey; we're doing lots of things that



don't work and don't meet our expectations, but our principles are right, and our processes are improving. We started the improvement cycles in engineering and manufacturing back in the early 1980s, and we're still trying to get it right.

**What's new in your marketing?**

Fortunately, we have regained a very strong market position, so we're sold out. We can't make enough motorcycles. But that's a double-edged sword: it means we've got customers out there who are unhappy with us because they can't share in the enjoyment of the product. *Fun* is the focus of our marketing.

We have a group called the Harley Owner's Group (HOG)—it's the largest motorcycle enthusiast group in the world, bigger than the American Motorcycle Association. This group maintains that the sole purpose of a HOG is simply to have fun. We don't get involved in politics. In addition to our annual rallies, we have three regional rallies; and about 42 of the 50 states have rallies. These rallies get people to use their motorcycles and to share in

the excitement of motorcycling. So we have what might be called a very close-to-the-customer marketing philosophy.

**Some people on the quality side of the competitive coin might outlaw having fun. Why is having fun so important to you?**

I guess if we look back for lessons we've learned in this journey, the first lesson is to have fun. Because when things are tough, if you're not having fun you're going to be depressed. But if you're having fun, there's nothing that's too tough to do. There was never any doubt in our minds that Harley-Davidson would survive, even though we had banks threatening to put us in bankruptcy in 1985. When you have a great product like we have, and you yourself are an enthusiast, the best thing you can do is go out and have fun with the product your company makes. When you share this genuine enjoyment with all these people at rallies, that's very stimulating. You come back to the office and say, "I want to do more." In fact, our rallies are staffed by volunteers from the office and factory. So at the rally in Richmond, we had a machine repairman and my secretary working as volunteers to help people with demonstration rides, answer questions, handle registration, sell merchandise, all of that stuff. And they do it because it's fun; and when they get back to work, they're rejuvenated. Also, the employees once again have a chance to get close to the people riding our motorcycles.

**So you believe in being a user of the product and having employees who are users and who are in touch with customers?**

Absolutely. If the employees are not in touch with their internal and external customers, the company will fail. At our rallies, we do a ride-in show, which gives everybody the chance to ride his or her motorcycle into a display area and show it off. What a wonderful way to conduct real-time market research. It's real-time, and yet it's fun. We also raise money for muscular dystrophy. I gave Jerry Lewis a check this year for \$3 million. Not one dollar of that was corporate money. We raised it by having fun. At rallies, we go on rides and make a contribution to fighting muscular dystrophy while we're having fun. What is so rewarding to me is to sense the excitement the riders have about helping people while they have fun. We have rallies all over the world, and when their over, we're always asked to come back. Because the riders come to have fun, not to damage property. We're in the business of having fun. **EE**

*Richard Teerlink is president and CEO of Harley-Davidson, Inc. in Milwaukee, WI (414) 342-4680.*

three to eight major strategies, and c) more detailed explanations of each backed up with a Strategic Action Plan. Employees should understand the strategies, see why they will work, identify those in which they can play a role in accomplishing, and believe the organization will achieve its objectives and realize its vision.

### **Five Modes of Creative Thinking**

Regardless of your specific planning approach, all strategic thinking should incorporate the following five modes.

**1. Analysis:** Examine all aspects of the situation and your business today and in the future: markets (both external and internal), competition (direct and indirect), products or services, operations, organization, and profitability. Identify and prioritize the issues, opportunities, trends, blocks, customer pet peeves, core competencies, success factors.

**2. Creativity:** Visualize ideal solutions to the overall situation, and to each of your top insights. Develop variations to strategies, make connections between ideas, and use benchmarking to apply successful strategies from other organizations.

**3. Judgment:** Improve ideas to make them feasible (reduce cost, minimize risk,

*A compelling vision describes a future state that is aggressive but achievable.*

etc.), and combine them into alternative strategic concepts. Develop strategic selection criteria (return on investment, risk, strategic fit, timing, etc.) and use them to select your best options.

**4. Planning:** Write the strategic plan. Minimize risks by brainstorming everything that could go wrong with your strategies, and build preventative into your plan or refine it as necessary.

**5. Action:** Sell your strategy to your superiors, peers, and subordinates. Test each of your final strategies, and aggressively fund the winning ones. Observe the results achieved on a regular basis, adjusting as needed.

Imagine an organization that can create and implement breakthrough strategies at all levels. It combines rigorous strategic analysis with imagination, takes creative leaps out of the box, makes good strategic decisions, communicates its plans, and implements with enthusiasm. And its plans at each level of the enterprise are clearly stated and aligned. **EE**

James F. Bandrowski, author of Corporate Imagination: Five Steps to Translating Innovative Strategies into Action, is president of Strategic Action Associates, a training and consulting firm in San Ramon, CA (510) 820-8838.

**KEN BLANCHARD**

# Managing Energy



*In an ultimate organization, people not only know where they are headed but are empowered and energized to get there.*

**A**T A RECENT FORD COMMERCIAL truck convention in Montreal, I started my speech by asking participants to stand up and move around the room, greeting as many people as they could in 30 seconds. I first told them to greet people as if they were unimportant.

After 30 seconds, I stopped them and said, "Now I'd like you to greet each other as if you were meeting a long-lost friend and were glad to see him." After they had done that, they took their seats.

My first instructions "de-energized" the group as they wandered around looking very uninterested in the people they were meeting. With the new instructions about the importance of the people they were greeting, the energy in the room rose.

I had these managers engage in that activity because it's very clear to me that future leaders must manage energy.

I've learned from a colleague and friend, Tony Robbins, the best-selling author of *Unlimited Power* and *Waken the Giant Within*, that if people are going to be peak performers, they have to know how to change their energy state. According to Robbins, there are two ways that people can change their energy state. The first way involves what people focus on. In the activity, I gave the group a positive focus and a neutral or negative focus. The positive focus increased their energy, while the negative focus limited their energy. For years, the late Norman Vincent Peale, who wrote *The Power of Ethical Management* with me, told people that positive thinkers get better results than negative thinkers. This simple exercise supported his argument.

The second way people can change their energy state is by changing their physiology—that is, how they breathe, act, walk, and so on. Very often physiology follows focus. When the managers held positive thoughts about the people they were greeting, their physiology

changed accordingly, and they acted happy, uplifted, and energized. If you put negative thoughts in your mind, you are apt to get negative results. Positive thoughts tend to lead to positive results.

The mind gets confused, however, when you send the mental message, "I feel great," and then you walk with your head down, your breathing is shallow, and your voice is muffled. When there is a difference between what you tell your mind and how you behave, the mind believes your behavior over your words. But if your words and body are in sync, you influence your energy state.

But how does changing energy states impact the leader of the future? To help people win, the leader of the future must manage energy and help change people's states. This is done by 1) helping to set a

*If people are going to be peak performers, they have to know how to change their energy state.*

vision and 2) getting directly involved in the implementation of that vision. Setting the vision will focus people's attention and provide direction. Once that vision is set and people are committed to it, the leader needs to turn attention to how people are acting and performing.

While the vision has to start at the top, everyone has to give input and at least buy into that vision and direction.

Once everybody knows where they are going, however, people in top management cannot divorce themselves from the implementation process. They have to roll up their sleeves and be facilitators, cheerleaders, and supporters of getting the system, the strategies, and the behaviors in line with that vision.

There needs to be an alignment of people's performance with the vision. Here's where the leader needs to excel as a cheerleader, supporter, and encourager rather than a judge, critic, or evaluator. Helping people align their behavior with the vision will move energy in the desired direction. **EE**

Ken Blanchard, co-author of the One Minute Manager series and Everyone's a Coach, is chairman of Blanchard Training and Development in Escondido, CA 1-800-728-6000.

# Four Keys to Better Performance



*Organizations that will be successful in the future will be fast, flexible and obsessed with continuous improvement.*

**I**N BUILDING A HOUSE, YOU FIRST construct a firm foundation; you then form a basic outer shell; you next add the essential fixtures and ensure that all systems work together; and you then maintain the house. Our research and experience shows that companies that improve customer satisfaction practice four parallel steps.

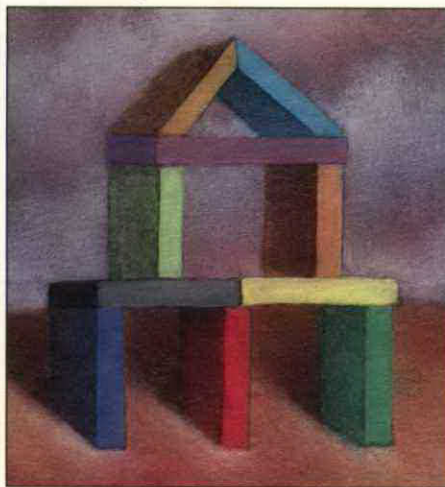
**Step 1. Align senior management in the commitment to excellence.** The first step requires an alignment of attitudes. This has to actively involve senior management. A meaningful budget must be allocated to enable the organization to achieve its customer satisfaction objectives. There must also be visible executive involvement in customer satisfaction initiatives as well as a reasonable timeline and measurable goals for improving customer satisfaction and its payoffs, so that staff throughout the organization have something tangible to work for and can see the benefits of their efforts.

Part of a management commitment to improving customer satisfaction also includes a focused reward program designed to recognize excellence-in-service within the organization. Successful organizations know the magic of incentives and performance-based reward systems for employees. Less successful organizations recognize the error of their ways—when asked to identify those factors that limited their potential to succeed, they resoundingly stated insufficient budget, lack of management support, and inadequate rewards and recognition.

**Step 2. Listen to the voice of the customer.** Successful organizations survey their customers extensively and regularly to determine their needs and the extent to which the company is meeting—or exceeding—them. Successful companies are more likely to survey customers on a

variety of areas, including the effectiveness of complaint handling, customer satisfaction, conformance to standards, customer needs, and new product ideas.

But successful companies don't stop there. Not only do they measure their actual performance against the standards they have set, they research and compare themselves against their competition to see how they measure up. They know that a commitment to customer satisfaction must be backed up by a complete understanding of the customer, the competition and the marketplace, and an ability to identify and respond to areas where change is needed.



**Step 3. Focus on customer-related processes.** In addition to constantly surveying customer needs, companies that improve their customers' satisfaction levels are more likely to take a hard look at their customer-related processes and reengineer them. These processes include customer order fulfillment, billing, complaint systems, account management, sales force management and other processes that deal directly with customers. Companies that focus on these systems see positive effects on both revenue and customer satisfaction; less successful companies tend to focus on systems that drive cost improvements and reduce labor—strategies that bring only temporary advantage in the marketplace.

Successful companies also track customer complaints. These companies

operate under the philosophy that "what gets measured gets done" and they actively encourage customer feedback. Management is made aware of customer complaints received in all departments and the corrective action being taken. This tracking information is shared with the entire organization.

Knowing where to begin a process improvement initiative requires an understanding of the company's options. This is where differences in company philosophy become strongly apparent. Companies that are achieving improved customer satisfaction know that a good rating from customers must be measured against ratings received by the competition. If, for example, Company A is seen as an "excellent" service provider, then Company B's "good" rating obviously isn't good enough. Company B must understand why Company A is seen as excellent and look at a variety of ways to make improvements, researching direct competitors as well as other industry segments. That's where process benchmarking comes in—and where less successful companies often drop the ball.

Process benchmarking is the art of finding out how others do something better, with the ultimate goal of imitating—or perhaps improving upon—their techniques. It is a continuous process already being practiced by Kodak, Milliken, Motorola and Xerox, and is an essential part of an approach to improving customer satisfaction.

**Step 4. Support a culture of continuous improvement.** Successful companies state the importance of understanding that improving customer satisfaction is an ongoing process, one that must be constantly nurtured with attention to the "human" side of the equation. It has to become part of the day-to-day operation of the organization, which means creating an internal service culture throughout the company.

## **Create a Service Culture**

Use five main strategies to create a service culture.

1. *Communicate with employees to determine their needs and level of job satisfaction.* Successful companies follow the Golden Rule of Service: "Do unto your internal customers—your employees—as you would have them do unto your external customers." Satisfied employees create satisfied customers. And satisfied customers create momentum. They help the company innovate, by offering ideas on how it can improve.

2. *Empower senior management with the responsibility for developing and maintain-*