

Bridging the gap between strategy and operations

- A critical management challenge in the supply chain

An article with a focus on how to link today's actions with future goals



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One of the key tasks for the top management in any company and organization, is to formulate a vision that explains what the company wants to achieve in the mid-term or long-term. This vision will be translated into a strategy or several strategies, that will help the company to succeed with the vision. But what happens after these two steps? How can the management ensure that people are executing the strategy? These questions are essential to address until you have a clear methodology that can give you the answers.

In this article you will be introduced to a road map together with tools and important dimensions to consider, when implementing a supply chain strategy. This will give you an overview and an approach to bridge the gap between long term goals for the management, and activities on operational level. The latter should be the starting point when beginning to shape your company's approach to align strategy with tactical level and day-to-day operations.

The Challenge

In the first phase of the strategic development, companies begin

with a vision of very little detail. Examples could be "Being the preferred IT business partner" or "Create a better life for people". These statements need to be translated into strategies, objectives and measures, that make sense to everyone in the company, regardless of level or function. The outcome should be considered as the drivers of the strategy, and will guide the company in the desired direction.

The main challenge is to phrase strategies into objects that are understandable and compliant in the whole organization. This step needs to be executed with a well-founded approach to get the full benefit of the strategy. In case of failure, managers, supervisors, operatives and even directors will prioritize areas and activities, that are not linked with the objectives of the company. Furthermore, employees will not understand how they contribute to the strategy in their day-to-day work, which will lead to frustration and non-compliance.

The result will be an organization that works in a counterproductive way, despite an intention of working towards the same goals.

The main foundation

The discussion above leads to the main foundation that needs to be in place,

when you need to mobilize people to change, and work towards specific objects. It consists of two dimensions:

- ▶▶ Compliance Management
- ▶▶ Motivation Leadership

Compliance Management considers compliance between strategic goals, and the actual activities being performed on the different levels of a company. It can be boiled down to the following three key factors, which can be seen in figure 1¹.



Figure 1: Compliance Management Key Factors

First, people need to know what is expected, in terms they can relate to, in order to support the strategy. Next, you need to consider how to make sure, that activities being non-compliant with the strategic objects, can be detected. Lastly, the consequences stemming from non-compliance are important to address. If any of the three mentioned objects are

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close to zero, you will not achieve full compliance throughout the organization.

Motivation Leadership might be the hardest dimension to manage. The primary reason is that people often feel that they are so far away from where the decisions are made, that their daily contribution seems meaningless. It cannot be stressed enough, that trying to implement a strategy without understanding people's desire to contribute and co-operate, will most likely fail. People management is very complex, and this dimension must be considered as important as having well defined objects and measures.

you need to give the employees the chance to grow and use their full potential. In this relation, it is important that you know your employees' skills and ambitions.

The way forward

With the main foundation in place, we are ready to see how these different dimensions can be structured using tools, and to understand how a road map can align strategy in all levels of the organization.

The journey begins by using the well-known Balanced Scorecard for the purpose of addressing the gap between strategy and operations³.

jects and measures, to be used as drivers and targets. In its classic form, it is divided into four categories: 'Financial', 'Customer', 'Learning and Growth' and 'Internal Business Process'. These categories cover the different levels that you need to consider, when setting objects and targets that support the strategy.

If you need inspiration to create your own Balanced Scorecard in a Supply Chain Management context, you should read the article: 'Performance measurement of supply chain management: Balanced scorecard approach' by Rajat Bhagwat & Milind K. Sharma⁴.

In figure 3, you see a Road Map that illustrates the incremental journey of closing the gap between strategy and operations from start to finish. By following these steps, you make sure that you align strategy with relevant objects throughout the organization. The aim is to make all employees work towards the same high level goals in their day-to-day work, regardless of their role being execution or business development.

First, the vision will be defined for the whole organization by the top management. In the second step,



Figure 2: Motivation Logic²

As shown in figure 2, the process is initiated by giving people a job description where they feel their tasks matter and create value. Furthermore, people want to feel that they are in control and not the opposite. At the same time,

The Balanced Scorecard is a solid approach and is still frequently used as a Strategic Management System in companies worldwide. It provides the management with a structured framework, helping to translate the strategy into ob-

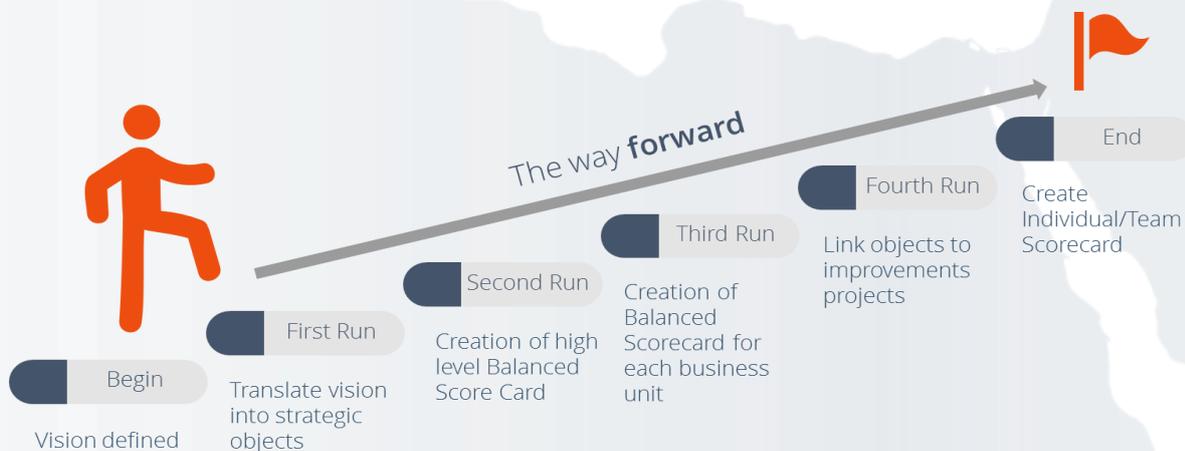


Figure 3: Road Map — Bridging the gap between strategy and operations

the vision is translated into strategic objects that explain how the vision will be achieved. Afterwards, a Balanced Scorecard will be presented including objects, targets, measures and initiatives for the whole organization. From this point, the generic vision and strategy are translated into terms that will build consensus and commitment to the strategy.

The Balanced Scorecard will later be the point of reference, that the business units will use for creating their own Balanced Scorecards. In this regard, it is important to understand that business units contribute to the strategic objects in different ways. The respective objects might be very different as the business units represent different links in the supply chain such as sales, procurement, production, distribution etc. It is vital to understand that each business unit needs to assess all objects communicated from top management, and determine how they contribute in the best way.

All cross business initiatives need to be aligned and approved by top management, to make sure that all activities contributing to the strategy, are possible to carry out. One example could be an initiative where two business units need to join resources, but only one would benefit from it. A case like this needs to be emphasized and solved, so cooperation between the business units is possible whenever it makes sense.

After this is done, it is necessary

to look at all ongoing activities and planned investments including process improvement initiatives, new software, equipment etc. Those that are not linked with the strategy should be eliminated. In the end, a new list with objects will remain, that solely contributes to the new strategy, which should be prioritized.

Each prioritized object needs to be allocated to an improvement program, where it follows through a structured improvement cycle, e.g. DMAIC or CADIC* (figure 4).

latter as a part of their personal development and job activities. It is even more important, that they can see their individual activities matter in order to avoid, that people spend time on tasks they perceive as meaningless. To further increase commitment, empower people to come with their own ideas of how they can contribute to the objects, together with individual initiatives including targets.

It should be stressed that Individual Scorecards only can be seen as a helpful tool to motivate your

First step - Prioritize Objects



Second step - Improve Objects



Figure 4: Link between objects and improvement projects

When objects are prioritized and improvement programs are planned, it is necessary to revisit the motivation part that was emphasized earlier. You should address the three dimensions: 'Work needs to matter', 'Feel in control' and 'Using full potential'. A helpful tool in this relation is

employees. You still need managers with great leadership skills, that can translate objects into activities that motivate people. Furthermore, use the Scorecards as a way to follow up on activities, and have some goals to aim for.

To find the right level of control is not easy, and people tend to feel that they are being controlled, rather than in control. This balance is difficult, but necessary in order for people to use their full potential, which in the end leads to a successful implementation/execution of the strategy.

This article has focused on how to

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"Individual Scorecards" that are aligned with business objects. The Scorecards need to be fully understood by each employee, in order for them, to embrace the

* Improvement cycle developed by Syncronic Management Consulting

link today's actions with future goals by highlighting the most important dimensions to consider in the management. The article introduces some simple tools and a road map, that will increase the transparency and the link between supply chain strategy and operations.

The management can use the described approach as an inspiration and a guideline on how to excel, when implementing strategies and pursuing the potential benefits of the investment. It can be a long and difficult journey to get the full benefit, and it will take time to align all activities with the strategy. However, if the effort of bridging the gap between strategy and operations is seen as important as creating the strategy itself, there is no reason to doubt success./

Appendix

¹ Andersen, T. T. & Tandrup, N. 2015. Can Leadership be codified? ...and what about Danish Leadership Tradition. AT Kearney: VL DØGN 2015

² Pink, D. H. 2009. Drive: The surprising truth about what motivates us. Riverhead Hardcover

³ Kaplan, R. S. & D. P Norton. 1992. The Balanced Scorecard – measures that drive performance. Harvard Business Review 70(1):71-79

⁴ Bhagwat, R & Milind, K.S. 2007. Performance measurement of supply chain management: Balanced scorecard approach. Computers & Industrial Engineering 53 (2007) 43-62