Lesson:-07

PLANNING AND STRATEGIC PLANNING

Case Study

Citizenship

To honor our obligations to society by being an economic, intellectual and social asset to each nation and each community in which we operate.

	Sales Rs. bn	Profit Rs. bn	Revenues per employee Rs	Research and development per employee Rs.
1993	20.3	1.2	215.200	1.8
1994	25	1.6	256.9002	2
1995	31.5	2.4	314.100	2.3
1996	38.4	2.6	358.600	2.7
1997	42.9	3.1	366.900	3.1
1998	47.1	2.9	382.000	3.4

Table I

Recent results:

The corporate culture of XP is known as The XP Way, which is the title of the book which employees are issued with when they join the business. This book charts the success of the company but also makes it very clear that it is the set of values and beliefs held within the organization, which forms the basis of its corporate culture. From these values come the objectives, and from the objectives come the strategy.

There are five organizational 'values', which form the basis of the XP way.

1. Trust and respect for individuals; the belief that XP people want to do a good job and must be given the correct support and training. The business attracts capable, innovative people who are encouraged and expected to contribute enthusiastically to the business.
2. A high level of achievement and commitment; customers expect the highest quality so all employees must focus on the customer; continual improvement is therefore expected from everyone.
3. The business has integrity i.e. there is an expectation for everyone to be open and honest in order to earn trust and loyalty.
4. Objectives are achieved through teamwork; only through co-operation between different parts of the business can the best results be attained. In a sense this is another application of synergy, in that the value of the whole team is greater than the total value of the individuals working on their own.

5. Flexibility and innovation – XP employees are encouraged to produce new ideas, which help XP to achieve its objectives. It is said that one employee, who came from another large US business to work at XP, left after three months, returning to the former business. The reason he gave was that no one actually told him what to do!

Strategy

In order to achieve the objectives, the business employs several strategies, one of which is known as MBWA or managing by walking around, whereby leaders are seen to be actively involved in talking with employees, reserving time for impromptu discussions. Another is management by objectives, which means all employees have objectives which are integrated with other employees, hereby allowing flexibility to satisfy customers. The Open Door policy is a sign to encourage employees to 48 16.001G Essentials of Management ©Copy Right : Rai University share their feelings, and rasise the level of trust between manager and work – force. Finally, open communication promotes strong teamwork and a close relationship with the customer. In 1999, XP decided that the business should divide into two separate parts – the computer business and the electronic testing business. The latter was the actual business, which formed the start of XP,
and therefore the initial values and objectives were based on electronic testing. It will be interesting to see whether the values of the present XP business become equally ingrained in the two new companies.

1. **Briefly explain each objective in the context of the business and its operations.**
2. To what extent do the figures in Table 1 reflect the achievement of objectives?
3. What other information, apart from financial data, would you require to assess whether the company has achieved the objectives?
4. What is the corporate culture of the business?
5. What characteristics do you think XP employees need to possess if they are going to enjoy working at XP?
6. The objectives of XP are written with a degree of priority in mind i.e. profit is the most important objective, citizenship the least. Discuss the significance of this order of priority for XP. Balanced Scorecard Why it Matters

Performance measurement in general and the Balanced Scorecard in particular attempt to address a key management issue. Namely that companies often fail to turn strategy into action. This is the conclusion of a recent survey conducted by Renaissance Solutions in association with Robert Kaplan of Harvard Business School.

The fact that a clear, action oriented understanding of an organization's strategy could significantly influence that organization's success was believed by ninety percent of surveyed companies. However, the same survey showed that less than sixty percent of senior managers and less than ten percent of the total company believed that they had a clear understanding of their company's strategy. In addition, less than thirty percent of senior managers who understood their company's strategy believed that it had been effectively implemented.

These findings raise a series of key issues for major corporations that need to be addressed urgently.

These can be summarized as follows:

1. A clear strategic vision is not enough. It requires communication to the entire company to be understood.

2. When a strategic vision is in place, it typically has little or no impact on the operating goals of departments and individuals. It must be tied to the goals and objectives of the individuals and departments concerned.
3. Day-to-day decisions ignore the strategic plan. The plan must be broken down into objectives and initiatives that have a direct relevance to the day to day activities of personnel.
4. Companies fail to collect the right information to monitor progress toward their strategic goals. It requires the right data be gathered and input to provide effective measurement of objectives.
5. Companies do not identify or learn from their mistakes. If an objective is not attained, it must be clearly understood which initiatives should be created to modify the objective or change the approach.
The Balanced Scorecard is a management approach that addresses these precise issues. Its purpose- ”...to translate strategy into measures that uniquely communicate your vision to the organization” as defined by Robert Kaplan and David Norton in their book, ‘The Balanced Scorecard’

Realizing the true potential of the Balanced Scorecard

A properly deployed and automated Balanced Scorecard approach to managing the business can result in several critical accomplishments.

Alignment of strategy with key performance objectives at all levels of the organization
Over 90% of organizations have not effectively aligned their strategy at all levels of the organization.
The result is an organization that is not operating at maximum efficiency, typically leading to less than optimal performance as well as missed opportunities. With a Balanced Scorecard, the corporation,
down to each organizational unit and even to the individual level, can understand the key performance indicators that they have control and responsibility for and understand the relationship to the overall success of their organization.
More effectively measuring and managing business performance.
The Balanced Scorecard provides management with visibility into operations and issues of all business units and enables them to easily monitor and understand how organizations are progressing against plan. However, a truly effective scorecard also goes a step further and enables organizations to implement and track key initiatives for addressing problem areas or pursuing business opportunities.
By having visibility across organizations, senior management can also provide more visibility across organizations, and, when appropriate, more effectively cross-utilize resources.
A strategic feedback and enterprise communication platform - An automated Balanced Scorecard that has been deployed across the enterprise offers an organization an unsurpassed communications
platform for feedback and information sharing. Often looked upon as “the strategic knowledge management system” within an organization, a scorecard focuses on proactive communication for addressing problems earlier and pursuing business opportunities faster and more effectively than traditional management models. Maximizing the overall IT investment.

Most organizations have significant investments in Data Warehouses, Data Marts as well as OLTP and ERP systems, such as SAP, Peoplesoft and Baan. These back-office systems are the primary source of data collected within an enterprise. A Balanced Scorecard solution, as the strategic analytical application within an organization, should work in harmony with existing sources of data, extracting and packaging this information and sharing it as part of the scorecard.

CASE 2

Is Quaker Quaking?

The Quaker Oats Company began with a merger of seven millers in the late 1800s, although it didn't adopt its name until 1901. It dominated the oats market early on and has never lost that domination.Quaker diversified its product line into animal feed and some grocery items and, in 1911, bought AuntJemima pancake flour. During the early part of this century, then, Quaker concentrated on productionand marketing and grew to be one of the large corporations in the United States with two of theoldest brand symbols in America.Beginning in the 1960s Quaker management decided to pursue diversification as a strategy for growthand profits. Quaker purchased Burry Biscuit Company, the leading supplier of Girl Scout toys (and sold it in 1991); a Chicago Pizza restaurant, Celeste; and a San Francisco crepe restaurant, required Needlecraft Corporation of America and again sold it later. In 1983, Quaker bought Stokely its sports
beverage, Gatorade.Quaker then decided to focus its acquisitions on food companies. In 1986 it purchased the Golden Grain Macaroni Company, makers of Rice-a-Roni and Noodle-Roni brand products. That same year Quaker purchased Anderson, Clayton & Company, producers of dog-food products, including Gaines Burgers and Gravy Train. Quaker became number one in hot cereals, pork and beans, and sports beverages and number two in dog food. Quaker Oats sports beverage Gatorade had more the 85 percent of the market in 1993, but competition from new entrants such as PepsiCo's All sport and Coke's PowerAde was increasing fast. The Gatorade unit decided to become a more aggressive marketer – introducing promotions and improving its distribution network. In addition, Gatorade introduced its SunBolt, a chilled break-fast beverage that came on the market during the summer of 1994. Quaker also began to work with Sunkist to produce a powedered beverage targeted at U.S. Club stores, and it bought Snapple. In 1994 Quaker decided to begin a restructuring effort. It combined its in-house promotion, packagedesign, and media services divisions. About three hundred persons were let go and another fifty vacant positions were not filled, a far cry from the thousands laid off by many other companies as a result of downsizing.

One reason for this small impact from restructuring may well be the human resource policies and practices used by Quaker. Quaker offers employees several childcare services and benefits such as work flexibility to recruit and retain the best personnel it can. Those benefits grew out of an employee developed benefits program. Fifteen persons representing as many varying demographics of its employees as possible were assembled as The Flex Team. They ranked one hundred proposed benefits and met with coworkers to check their rankings. The plan was communicated to Quaker personnel in small group meetings and a print dampening. This high-involvement approach enabled Quaker to identify problems with the plan and ensured its enthusiastic acceptance by workers.

Case Questions:

1. What kinds of decisions are described in this case? How would you classify them in terms outlined in the chapter?
2. Are the problems and solution in this case unique to the food-products industry or could they be found in other products industry or could they be found in other products and situations?
3. What role might groups decision-making play in firms like Quaker?