# LIEBOWITZ & ASSOCIATES, LLC

THE TRANS OCEANIC BRIDGE

## Becoming a Company of Excellence

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**CREATING A VITAL FUTURE THROUGH THE CASCADING OF GOALS**

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## INTRODUCTION

In today's marketplace, the rules keep changing.

New technology, new product introductions, new market niches, new competition, new customer demands…. Major change challenges a company's confidence and ability to thrive.

Opportunities and obstacles can appear quickly. How the firm responds and utilizes these events can make an enormous difference in profits, market presence, customer loyalty and company morale.Even the fastest-growing firms experience problems in the face of change, problems that can threaten the best companies despite having the best products -- miscommunications, decisions not made or not made fast enough, doing "anything" in order to get product out, "things" falling through the cracks, etc.

More than ever before, successful firms need teams of people that not only clearly understand corporate goals, but experience the importance and urgency of each individual's role in the organization's success. When people understand and embrace their roles, they tend to contribute at significantly higher levels of performance. They can see possibilities, actions and threats that were not as apparent to them previously.Of course, not everyone responds in the same way at the same time. Resistance to change can – and must -- be converted into a welcoming of innovation

and creativity, into interest in learning new ways of succeeding and pride in getting products and services recognized as first class.Companies that create environments like this keep their most excellent employees. We call these organizations Companies of Excellence.

Today, in these, the most challenging times in business history, how do you build a Company of Excellence, a Company[1] whose products are of the highest quality, a Company that improves on a continuous and innovative basis, a Company whose employees are personally identified with the future of the firm?

There are many roads to that goal, all overlapping and intertwining. But the one feature that characterizes each of these paths is the degree to which staff and employees are pulling in the same direction.

How do you ensure that everyone in your firm is heading in the same direction?

In working with scores of firms in many industries, Liebowitz & Associates has found that continuous communication of how each team member impacts the implementation of corporate strategy and corporate goals is the most significant factor in organizational success. Most firms do not realize the importance of "cascading" their goals throughout a firm so that every workgroup is aware of their contribution to corporate strategy!!

What causes businesses to stumble in many instances is the difficulty in undertaking this process. The consequence is that the business becomes like a multi-engine airplane, with each engine tuned and timed differently, causing the plane to slip-slide through the air. It does reach its destination, but late and at great fuel expense. It eventually wears out at a rate more rapidly than expected.

## THE BARRIERS TO EXCELLENCE

The Company of Excellence is distinguished by the fact that everyone in it is heading in the same direction. Everyone knows the Company's corporate strategy and its goals. And, most important, each person knows how his or her individual performance contributes to the overall success of the Company! Corporate goals have been cascaded down throughout each level of the firm, touching everyone in the firm.

What makes it so difficult, then, building a Company of Excellence?

Frequently senior managers either do not know how to cascade goals down through the company or do not feel it is necessary. In some companies the different divisions and departments act as if they are from different and competing businesses, making the necessary flow of information between them difficult, if not impossible. In other firms, workflow is so ingrained that departments find it to be an imposition to change in order to collaborate and meet corporate goals. And, in still other corporations, staff is not sure exactly what is expected of them.

But, in all these instances the establishing and cascading of goals is experienced as a burden rather than as a business necessity.

# THE BENEFITS OF OUR APPROACH

(1). Each workgroup becomes more productive, efficient and responsive, since they have a clearer understanding of how they specifically contribute to overall goals.

(2). Team-building is enhanced both within and between workgroups. Everyone knows their role on the team and what's expected of them. Performance is more easily managed. Because of the extensive negotiation process between workgroups, people know what to expect from each other and what is expected of them.

(3). Compensation programs can be more easily built and monitored with this system in place. People are paid for performance.

(4). A monitoring program allows management to evaluate progress and to do something about problems immediately. Without a system that enables management to review progress as needed, a firm usually has to wait until quarterly figures are in to detect problems; and, then it takes time to detect the causes of the problems.

(5). The system ensures that strategic goals and the planning process remain foremost in the minds of staff. In the absence of a system that monitors corporate goals and performance, staff too easily slips into downplaying the importance of achieving goals. The consequence is that strategic goals play a minimal role in business growth and the strategic planning process becomes a burden unhappily experienced once a year.

(6). Each work group can access, again at will, information about their progress and correct the problems then and there. This expedites decision-making and problem-solving rather than waiting until the problem becomes acute (usually when the quarterly financials appear).

(7). Possibly most important is that the creativity leading to new products and services, the learning the organization must achieve and the development of employees a company must undertake attain equal status to the usual business considerations of profit, sales, etc. A Company is asked to deliberately plan what its goals are with respect to this dimension. It is not left to chance or happenstance.

## CORPORATE GOALS

Corporate goals can be grouped into four categories:

- Financial (including Profits, Margins, etc.)
- The Customer
- Internal Processes (including productivity, efficiency, etc.)
- Organizational Learning and Development

The number of goals within each category is limited only by the corporation or organization itself, not by the "logic" of goal setting. And, each goal can have a nest of sub-goals attached to it. For

example, the goal of a division may be to increase sales revenues to $100 million. Nested within that goal may be sub-goals of $25 million for Product #1, $50 million for Product #2 and another $25 million for Product #3.

The only restriction on the process of goal setting is that each goal at all levels be measurable, i.e., be expressed numerically. This restriction often raises eyebrows, particularly around issues related to customer perception and by service-oriented firms.

For example, how can an art design department measure the creativity of its output? By sales? Well, sales does measure "saleability," but does it measure "creativity?" The real question, of course, is how does the department define "creativity?"

After some very intense and in-depth discussions, one art department came to the conclusion that "creativity" meant the number of times its work was mentioned in the national trade journals relative to the mention of the works of competitors. Obviously, this is not "creativity" but rather "competitiveness," but for this department this particular measurement was their criterion of successful creativity.

This example is intended to illustrate that, in fact, virtually all goals can be expressed numerically and the discussions around those that seem to defy this requirement can be very enlightening for a business.

Table #1, entitled "Corporate Goals", illustrates how goals at this senior level might be displayed.

## TABLE #1 CORPORATE GOALS

| (A) FINANCIALS/ PROFITS, MARGINS, ETC. | (B) THE CUSTOMER | (C) INTERNAL PROCESSES | (D) ORGANIZATION LEARNING & DEVELOPMENT |
|---|---|---|---|
| (1). | (1). | (1). | (1). |
| (2). | (2). | (2). | (2). |
| (3). | (3). | (3). | (3). |
| (4). | (4). | (4). | (4). |
| (5). | (5). | (5). | (5). |
| (6). | (6). | (6). | (6). |

# DEPARTMENTAL GOALS

Table #2 plots how corporate goals are distributed across a firm's departments (or, divisions) and implies that each department can contribute to goals in more than one category. A specific department would utilize Table #3 to specify to which goals it would contribute and to define how it would contribute to these goals. Similar tables could be designed for each workgroup within each department or division.

## TABLE #2 CORPORATE GOALS DISTRIBUTION

| | (A) FINANCIALS/ PROFITS, MARGINS, ETC. | (B) THE CUSTOMER | (C) INTERNAL PROCESSES | (D) ORGANIZATION LEARNING & DEVELOPMENT |
|---|---|---|---|---|
| CORPORATE GOALS | | | | |
| SALES | | | | |
| ACC'TING | | | | |
| ENGIN'ING | | | | |
| OPERATIONS & PRODUCT. | | | | |
| SERVICE/QC | | | | |
| PURCHASING | | | | |

## TABLE #3 GOALS CONTRIBUTION

| | (A) FINANCIALS/ PROFITS, MARGINS, ETC. | (B) THE CUSTOMER | (C) INTERNAL PROCESSES | (D) ORGANIZATION LEARNING & DEVELOPMENT |
|---|---|---|---|---|
| CORPORATE GOAL | | | | |

| | (A) FINANCIALS/ PROFITS, MARGINS, ETC. | (B) THE CUSTOMER | (C) INTERNAL PROCESSES | (D) ORGANIZATION LEARNING & DEVELOPMENT |
|---|---|---|---|---|
| Dept'l Goal: | | | | |
| How measure? | | | | |
| Who measures? | | | | |
| Start value? | | | | |
| Aim or goal? | | | | |
| Resources needed? | | | | |
| Action steps? | | | | |
| Dates? | | | | |

## GOALS BY CATEGORY

Once each department and each workgroup within each department develops their goals that "roll up to" (that contribute to) the corporate goals, senior managers might review Table #4 or one similar to it to ensure that each category (in this case, it is Internal Processes) is adequately covered.

### TABLE #4 INTERNAL PROCESSES

| DEPARTMENTAL CONTRIBUTION TO CORPORATE GOAL # ____ |
|---|
| (enter goal )_____ |
| Dept. _____ |
| Dept. _____ |
| Dept. _____ |

Dept. _____

# IMPLICATIONS OF THE MODEL

The preceding brief overview of the goal-setting process follows a simple logic: namely, that the goals and action programs of all divisions, departments and workgroups are designed to "roll up to", contribute to or add up to the corporate goals of a firm. For example, one could imagine a bottom row in Tables #2 or #3 that is labeled "TOTAL". Theoretically, were the numeric value of the goals of all departments added by columns, their sum would equal the numeric value of the corporate goals listed in the row labeled "Corporate Goals".

Reality sets in during the course of the year. Programs don't work or have to be reedited, monthly goals are not met, employee turnover impedes progress, the nature of the market place changes... any myriad of complications occurs to make expectations turn pale. To repeat, this is reality!

Our approach asks a firm to anticipate this reality by developing a monitoring system that is being regularly consulted and whose output is being frequently discussed by and among the various teams, leading to a periodic reframing of the picture and corrective changes.

Without a monitoring system that watches over progress on a continual basis, unexpected and undesirable events go unnoticed until late or too late to do anything meaningful about them. And, in the absence of a monitoring system, the "goal of achieving these goals" tends to go by the wayside. The usual excuse is, "We are too busy to monitor," but not too busy to be reacting to the many problems that could otherwise be anticipated!

# OUR METHODOLOGY

The model presented here requires a commitment on the part of senior management to the values expressed in the statement, "Everyone in the firm is on board and heading in the same direction." The commitment is demonstrated by having a senior manager appointed as "Advocate" or "Champion" for the process, thereby guaranteeing the success of the project in a timely and efficient manner.

(1). Once the firm's strategic plan is in place and the specific goals for each department and/or division are specified, we meet with the group of managers responsible for achieving these goals and the Champion. This meeting is devoted to outlining our model, explaining how we go about the cascading process, answering questions and scheduling meetings.

(2). For any one division, we facilitate a retreat with the manager in charge and those directly reporting to him/her.[2] In this meeting we focus on their goals as they relate to corporate goals, what is required to attain them, the difficulties that might stand in the way, the sub-goals for which

each work-group within the division is responsible, the specific action plans underpinning these activities, dates by which certain actions are to be completed and measures of the success of these activities. In addition, we provide guidelines and instructions about how to cascade goals, sub-goals and action steps downward, as well as how to solicit feedback and suggestions. This group then meets on a scheduled basis to review progress, to evaluate feedback and suggestions, to make any necessary revisions in program and, in particular, to report back to the senior management cabinet. This process ensures that corporate goals are being continually monitored for their relevance, suitability and achievability.

(3). One immediate outcome of this process is the recognition on the part of division staff that work- and information-flow needs to be redesigned. We work with staff to develop new designs that support their attainment of objectives.

(4). We meet regularly with the Champion to review progress, address issues that might arise, anticipate problems down the road, and develop plans and structures that ensure progress.

(5). Throughout the consultation we work with managers and their staffs in creating a monitoring system[3]. As indicated earlier, the value of having an installed software-based system is enormous.

(6). To further support our objectives in consultation we engage in the following activities as and when needed:

> (a). Facilitating the negotiations between divisions that are dependent on each other to attain their respective aims.
> (b). Team-building among various groups that are having difficulty in cohesion or that are undergoing changes that hinder their productivity.
> (c). Coaching of executives and managers to support their efforts in cascading goals downward. Our coaching program is a structured, time-limited program designed especially to manage this process.

## CONCLUDING STATEMENT

There have been many "fads" (e.g., Just-in-Time, Business Process Re-Engineering, Total Quality Management, Continuous Improvement, etc.) that have grazed on the business scene. Many of them have failed and have been forgotten; some have survived in diluted form; the few that have persevered have been adopted by business and industry. All of them, however, have contained a kernel of truth, however veiled these gems might have been. Our program is based on:

- A careful review, distillation and integration of what might have constituted a "gem"
- Decoding the common themes underlying these insights
- Translating these themes into a set of essential business practices
- And, providing a program within which these practices become the foundation of a Company of Excellence

Thus, our program is characterized by goals, communication, a constant flow of information,

continual feedback, employee involvement and management commitment. These are the elements that ensure the success of any program and are the cornerstones of ours. These elements are designed to create a Company of Excellence.

**Footnotes**

1. The principles outlined here apply to all levels and tiers within a firm, be it Corporate, Division, Department, etc. To underline this fact, "Division" and "Department" are used interchangeably. "Company", "Corporate" and "Firm" refers to the entire organization. Liebowitz & Associates has been invited to consult at all three levels. [back]
2. This process might be repeated down the hierarchy depending on the number of tiers existing in the Department, as well as on other factors (e.g., geographical dispersion, size of the Department, etc.)[3] In developing the software for a monitoring system that is uniquely tailored to the needs of the Firm, we engage an associate consulting firm whose specialty is the development of performance measurement applications. [back]

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