



# **Strategic Agenda for Growth, Performance and Change**

## **The Evolution of Manufacturing Companies**

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## Introduction

This discussion paper deals with key issues of manufacturing strategy in a changing business environment. **Business evolution** is a term we use to provide some context for planning and decision making. Manufacturing organizations serve as the poster children for business evolution. For many years, progressive manufacturers have:

- Tackled issues in global trade and economics
- Applied new technology to operations and processes
- Reframed structures and resources for productivity
- Forged new solutions in speed, quality and value
- Bridged conventional models and innovation
- Reformed eco-business models for organizations

Manufacturers have charted the frontiers of the extended and adaptive enterprise. They have explored the many reaches and constraints of innovation. And, they have conceived better ways to engage ideas, people and value in the never-ending journey of business evolution.

## Three Questions

There are many serious questions that executives can use to shape a more meaningful conversation about their business strategy. We suggest the following as a place to start the conversation within your organization:

1. Given your company's goals and concerns today, what are the most significant strategic challenges on your plate?
2. Given those strategic challenges, who has a stake in your plans and what are their roles in making strategy happen?
3. Given the challenges of your business and your objectives, how do you balance the company's near-term and long-term focus?

These questions capture the essence of the conversation about strategy for manufacturing organizations in a dynamic era of business evolution. They can serve to help frame your strategic agenda. You can also use them as the anchors for an ongoing, disciplined review of strategy leadership and management practice in your organization.

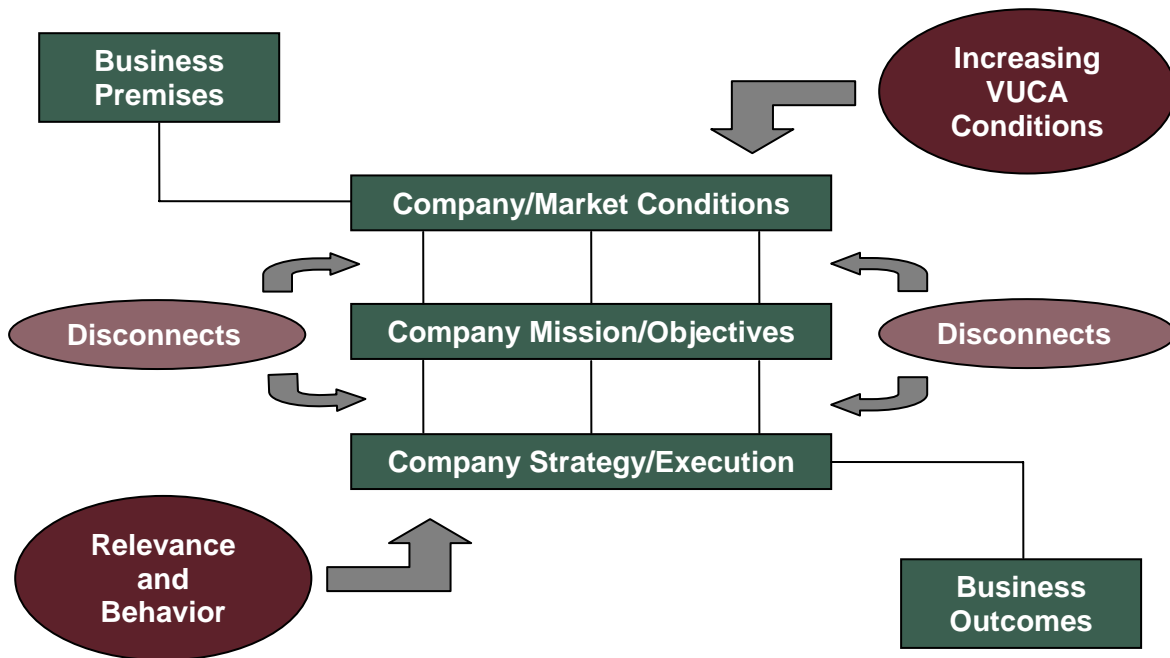
## Perspectives on the Strategy Problem

Experience in strategy leadership and management points to a series of common concerns and flash points. One of the disconnects in **conventional strategy** stems from the mismatch of a company's strategy with the realities of the business and the natural goals of the organization. Most manufacturing organizations have some level of mismatch of strategy, goals and realities, and in today's environment, these are stressed further by a combination of volatile, uncertain, complex and ambiguous or "VUCA realities" in every setting.

Another problem with conventional strategy is the disconnect between strategy formation and execution, and the engagement of people's heads, hearts and hands in the work of making strategy happen. Execution troubles are a common concern of manufacturers. A majority of mid-level and front line/first level employees do not understand what their company's strategy means to their position or their behavior.

Most manufacturers have experience with these critical disconnects, and the common result is a strategic plan that lacks the content, sense of urgency, adaptability and culture to make a difference. These problems cloud the prospects for success and they frustrate people at every level.

## Conventional Strategy is Not Adaptive



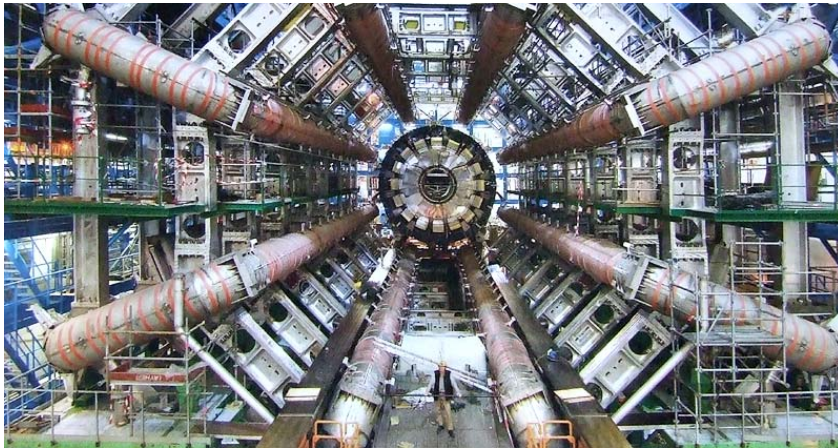
Strategy is more than a plan. It's a mindset for everyday thinking about decision making and problem solving. And, strategy is not just for owner/execs. It's a part of the roadmap for everyone in the manufacturing organization. Strategy is the cultural process for connecting ideas, people and value in the company's journey of growth, performance and change. And it appears that 70% of leaders are not satisfied with their current approach to strategy.

# The Strategic Agenda as an Alternative

A strategic agenda is a structured but adaptive framework for guiding decisions and planning in manufacturing organizations. While it encourages the development of conventional functions and resources, **the strategic agenda is a more contemporary new-school method** that embraces a number of important themes:

- Understanding the dynamics of the technical, market, political, social and economic **conditions of the business environment**.
- Understanding the **natural goals of your company** – economic performance, competitive advantage, customer connection, and corporate stewardship are four considerations that make up the intentions and objectives of most companies.
- Understanding the **connections of strategy** direction, integration and execution within and around the manufacturing organization.

Each of these themes suggests a more contemporary view of strategic leadership and management for today's manufacturing organizations. Making strategy more relevant to employees, customers, suppliers and investors is a key piece of the leadership and management equation. The strategic agenda connects people in your journey to the future.

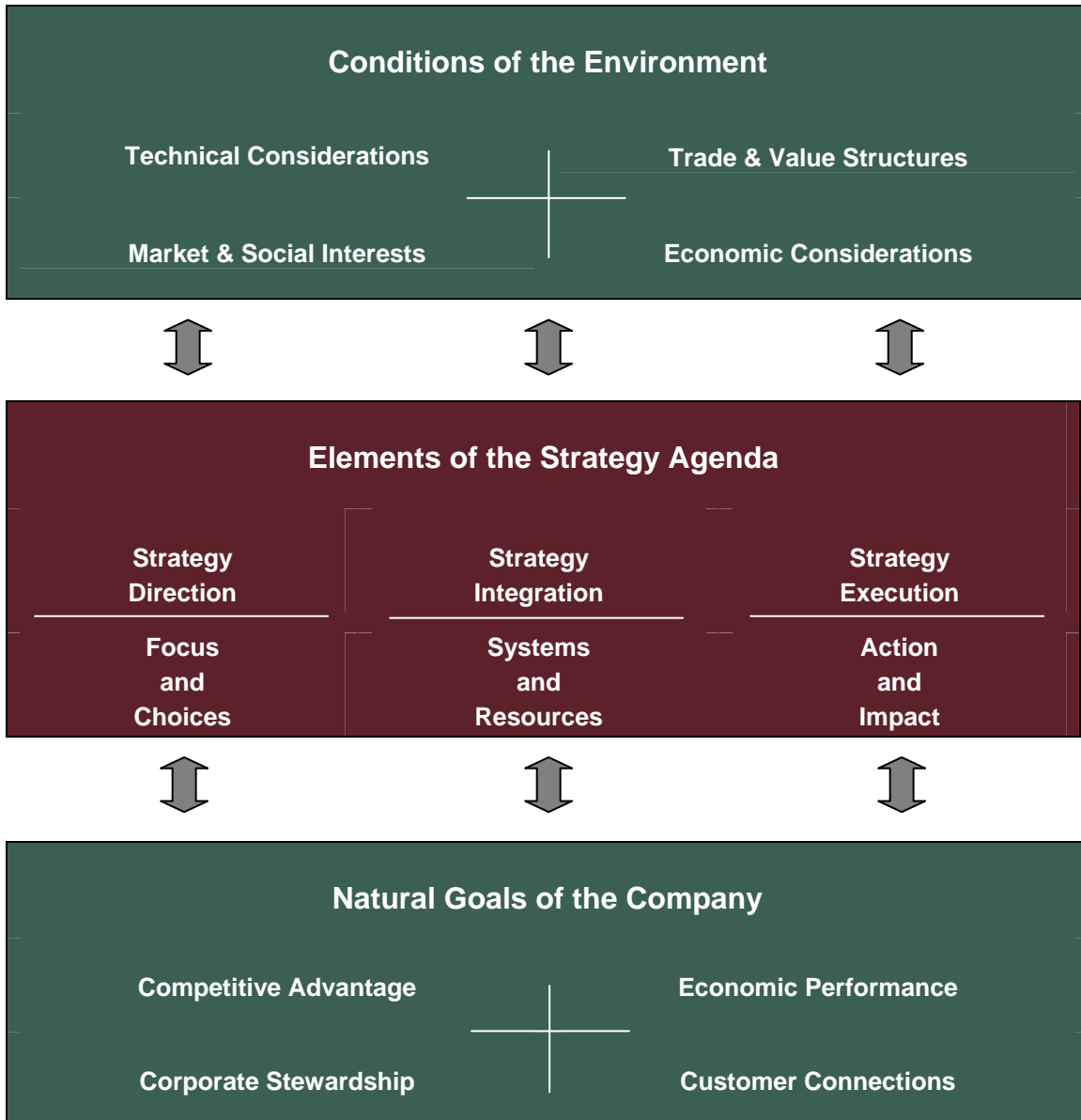


Your strategic agenda engages people in a mindset and a framework that provides meaning and purpose, sound processes for dispersed leadership and management of strategic priorities, and a roadmap for business evolution. The main elements of your strategic agenda go well beyond conventional plans toward a way of thinking and a way of working. These elements require more “forge work” than is possible from a one-day strategy retreat.

Your strategic agenda drives the **creation of new strategic and economic value**. That is the ultimate bottom line for today's manufacturing organizations. This approach helps an organization **get prepared** for growth, performance and change in a more dynamic VUCA environment. A greater level of engagement helps your company **stay resolved** to succeed.

## Getting Prepared and Resolved

The shift from **conventional strategic planning** to a more **contemporary strategic agenda** involves everyday thought and behavior about the connection between business conditions, elements of your strategy agenda and the natural goals of your company. The framework that brings these ideas together is summarized below.



Your strategic agenda is part of your framework for business evolution. It serves to get your organization prepared and resolved for growth and change in a dynamic and complex business environment. This applies to manufacturing organizations now, more than ever.

# Strategic Leadership and Management

A company's strategic agenda serves as a platform for developing leadership and management capacity. To better express what this really means for your organization, let's take a look at the definitions of leadership and management in the context of everyday strategic thought and behavior...

<b>Strategic Leadership...</b> is about building and encouraging the perspectives, relationships, connections, ideas, principles, focus and engagement of your strategic agenda.	<b>Strategic Management...</b> is about framing and organizing disciplines, information, processes, measures and practices for guidance of your strategic agenda.
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People in manufacturing organizations learn about **making strategy happen** through their experience in strategy direction, integration and execution. Everybody from the boardroom to the front lines is the "who" of strategy, and they grow into the leadership and management capacity for the organization to adapt, grow, perform, change and prosper.

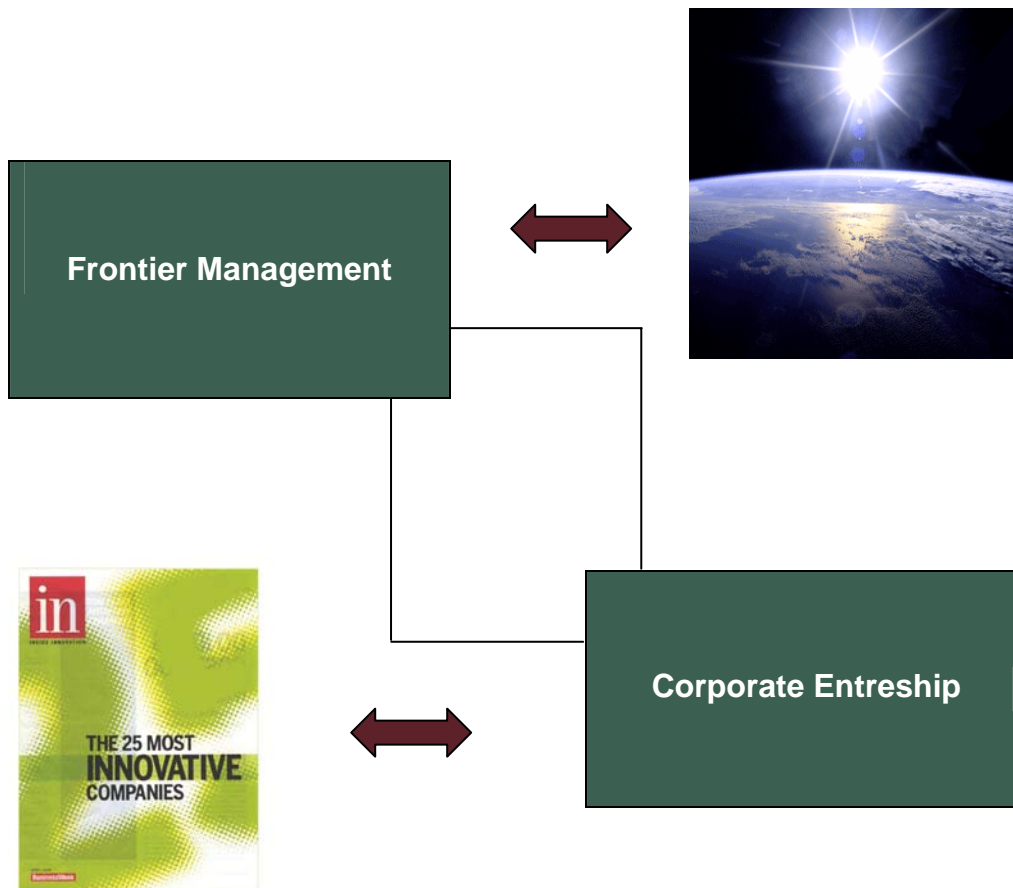
Part of the problem with conventional strategy is the lack of engagement. Our research suggests that while most employees are generally aware of their company's strategy, only a fraction are truly engaged at a level that makes them part of the serious value-creating work of making strategy happen. Real engagement makes a big difference.

<b>From Strategy Awareness to Engagement – A Journey</b>			
<b>60% to 70%</b> Are Aware	<b>35% to 40%</b> Understand	<b>20% to 25%</b> Appreciate	<b>10% to 15%</b> Are Engaged

Real engagement means that **people become the strategy through their everyday work, thought and impact**. They are not bystanders. They are in the game, connecting business conditions, strategy elements and natural goals. It's not about the plan – it's about people's engagement in the strategic agenda... their energies and efforts are what drive results.

# How Manufacturers Get Evolutionary

Manufacturers are faced with many challenges, and the conversation points to anxieties related to strategic moves and evolution. We look at two components of the strategic agenda as central themes for business growth, performance and change: **Frontier Management** and **Corporate Entreship**. These are essential to business evolution.



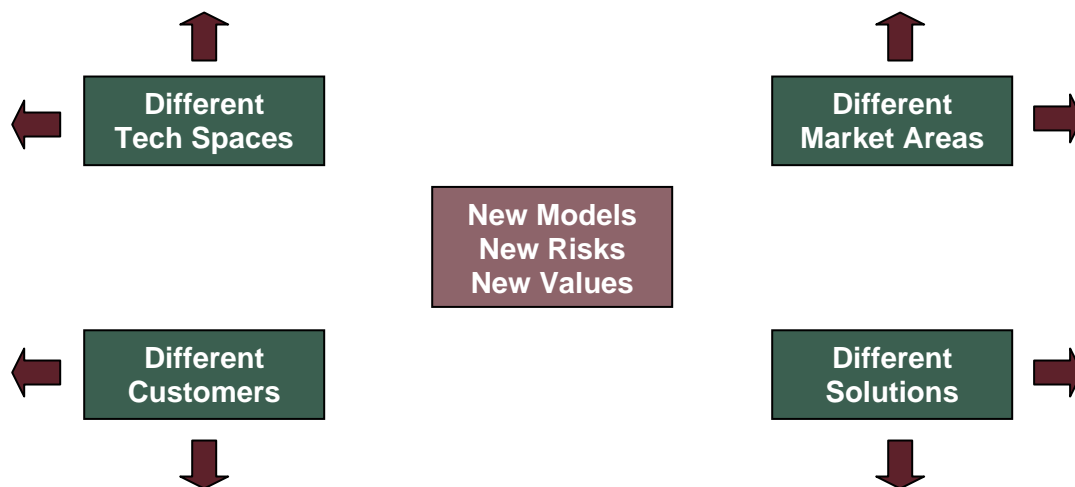
In **Frontier Management**, we have some ideas for dealing with emerging opportunities and challenges. In **Corporate Entreship**, we have a general formula for generating profitable, capital-efficient growth based on deliberate practices, not corporate hype. These practices are **bound together by the strategic agenda and a culture of business evolution**.

## Frontier Management

Business frontiers reflect the emerging risks and options for company growth, performance and change. Frontier Management is our summary name for the work of looking ahead, planning ahead and moving ahead. The best practices in Frontier Management include:

1. Foresight – Building perspectives, knowledge
2. Insight – On challenges, realities, risks, conditions
3. Assumptions – Customers, competition, solutions
4. Exploration – Disciplined research and analysis
5. Space Maps – Summary picture of opportunities

Frontier management is a continuous process. It supports everyday thought and behavior about business evolution, and it connects the dots between near-term and long-term strategy. The four general frontiers a company could explore are captured here in the context of core, business and frontier moves: different tech spaces, different market areas, different customers and different product and service solutions:



Frontiers could include opportunities that are relatively close to the core business, or quite apart from the core. How these match up with a company's strategic agenda is an open question. They may involve collaborative open business models, as well as avenues for diversification and creative destruction. Most companies have the inherent brainpower for Frontier Management, but they simply don't take the time or make the time to consider the issues and implications of what lies on the horizon of the business. The economics of core industries pose critical frontier issues for manufacturers.

# Corporate Entreship

Corporate Entreship is the broad, extended work of creating new stuff that has strategic and economic value. The practices, cultures and structures of corporate entreship connect ideas, people and value through scoping/sensing opportunities for innovation, active discovery and experimentation programs, and learning and knowledge management systems.

Corporate entreship engages inventive behaviors that connect strategy, resources, structure and culture. Corporate Entreship paves business growth, performance and change through a combination of **strategy engagement** and **process disciplines**. The real challenge is to build a culture of corporate entreship that drives continuous business evolution. Here is what we mean by strategy engagement and process disciplines for corporate engagement:

## 1. Strategy Engagement and Corporate Entreship...

- Discretionary effort in developmental work
- Effective collaboration, constructive leadership
- Accountability from concept through execution

## 2. Process Disciplines and Corporate Entreship...

- Discovery structures for idea management
- Methods, practices, frameworks for advancement
- Portfolio approach to focus and decisions

## Entreship 3.0

Our experience and research suggest that manufacturing firms can be grouped into three types of corporate entreship effort:

**E1 Companies** have occasional success with new product and resource development, but no repeatable practices.

**E2 Companies** have more routine development successes and individual effective practice leadership in place.

**E3 Companies** have a deep culture of corporate entreship that derives from deliberate practice and habits.

Research by groups like the PDMA suggests that strategy leadership and process development are key parts of the E3 equation. However, getting beyond E1 and E2 practice is apparently much harder than it looks. **Entreship 3.0** is built on a deliberate practice of sensing and scoping, discovery, experimentation, learning and knowledge management.

## Making Everyday Sense of Strategy

A company's strategic agenda is the framework for everyday thinking about what it stands for and where it is headed. Your strategic agenda is the foundation for connecting your people with your purpose and intentions for growth, performance and change. Your strategic agenda emerges in the conversation that is shaped by the three questions we posed earlier:

1. Given your company's goals and concerns today, what are the most significant strategic challenges? What about external conditions? What about organizational competence?
  - Where is the conversation about goals?
  - Where is the conversation about conditions?
  
2. Given those strategic challenges, who has a stake in your plans and what are their roles in the decisions that will make things happen? Who is leading and managing your strategy?
  - What is the level of strategy engagement?
  - What connects people in the conversation?
  
3. Given the challenges of your business and your objectives, how do you balance the company's near-term and long-term focus? What matters today? What about tomorrow?
  - Where do your near-term plans take you?
  - Where do your long-term plans take you?

These questions are relevant at every level of the organization, and in serious conversations from the boardroom, to the c-suite, to mid-levels, and to front line people who are closest to the action. When people are connected and engaged in these conversations, they are more likely to contribute to the work of **making strategy happen**.

Your strategic agenda is a framework for leadership and management. It provides a good and flexible set of guideposts for manufacturers whose options include everything from diversification to core development. Getting more serious about Frontier Management and Corporate Entreship will provide a foundation for business evolution.

# Bringing the Strategy Conversation Forward

Your company's strategic agenda is not an isolated plan, but rather, a framework for thinking about the dynamic match of business conditions, strategy elements and natural goals. In the evolving world of manufacturing organizations:

- **Business Conditions** are dynamic and complex, and they are shaped by many factors and forces. When stakeholders are joined in the strategic conversation about business conditions, they have the opportunity to exchange ideas and knowledge that will serve the organization.
- **Strategy Elements** encompass a balance of strategy direction, strategy integration and strategy execution. When stakeholders have some exposure to the strategy elements, they develop and exchange perspectives on the who, what and how of your strategic agenda.
- **Natural Goals** are founded in a company's values and culture, and in the intentions of the business. When stakeholders have a voice in the conversation about natural goals, they discern and appreciate the relevance of the company's strategic agenda.

There are many lessons here for manufacturers. For example, people at every level need to function in sync with your strategic agenda. And, they need to play different roles in your strategic agenda. Your strategic agenda blends together a view of the horizons and frontiers of the business with a series of options and **“could do -vs- should do” decision making**. Through the everyday consideration of three questions, you actively engage the ideas and people of your organization on matters that shape growth, performance and change.

Mapping out your strategic agenda connects the broader mission and intentions of the company with the capacity and culture of people whose efforts deliver business results. Your strategic agenda is a framework for communicating and a platform for fierce conversations about choices, resources, priorities, risks and measures. Your strategic agenda is the construct that binds ideas, people and value together.

Making your strategy relevant to employees, vendors, customers and suppliers is a key piece of the puzzle. These stakeholders and others have a vested interest in your success.

**A Final thought...** stakeholders consider two things in the conversation about strategy – what companies say they want from their strategic agenda, and what they show through their everyday actions and decisions. Consider the implications at every level of your company.

## About Dewar Sloan

Our practice serves corporate boards and management with counsel on business strategy, organization structure, resources and governance. Our research on strategy leadership and management addresses challenges that shape growth, performance and change in a wide range of manufacturing organizations. Our team serves executives and boards through consultation, retreat programs and assessments. We also serve as advisory counsel to executive and technical groups, industry associations and professional groups.

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***Prepared & Resolved*** is our 2007 book on strategic leadership and management. Our approach to strategy and our framework for the strategic agenda is outlined in detail in this book. The general themes defined in ***Prepared & Resolved*** have become part of the language for management and boards in corporate, middle-market and small business organizations, and these same ideas are finding their way into nonprofit organizations.

www.preparedandresolved.com



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### Other References Worth Noting

We maintain summary references on more than 400 strategy leadership and management books, and many business articles. These include popular business references from the best seller lists, as well as emerging ideas and practices noted in business and technical journals and on the front pages of notables like ***Fast Company*** and ***Business Week***. For notes on issues in strategic leadership and management, contact dwolf@dewarsloan.com.