Executive Summary: Mastering the Management System

Surprisingly, studies indicate that 60% to 80% of companies fail to realize the success predicted in their strategies. For many, it is a matter of inability to balance the tension between strategy and operations. As a result, immediate operational concerns distract management from thinking long-term. In order to successfully develop and execute a plan that balances strategy and operations, a company must understand the management cycle, which consists of processes that link strategy and operations, and to correctly choose tools used in each process of the cycle. The management cycle consists of five stages: developing the strategy, translating the strategy, planning operations, monitoring and learning and testing and adapting the strategy.

The first stage, developing the strategy, occurs when the management team holds an annual meeting to either improve the current strategy or to formulate a new one. Management team members reexamine and determine the company’s mission, vision and value. Then, they conduct a strategic analysis to determine the company’s internal and external situation and summarize the situation in a SWOT matrix. From this, the team will develop a set of actions that will differentiate the company from its competitors.

The second stage, translating the strategy, communicates the company’s goal, strategy, and course of actions to employees. Management must create a strategy map that clarifies cause and effect relationships among strategic objectives. Next, managers link the strategy map to a balanced scorecard that consists of performance metrics and goals for each strategic objective. From this, strategic initiatives can be identified that help the company to reach the strategic objectives.

In the third stage, planning operations, management must identify operational activities that enable the company to achieve its strategic objectives. This involves process improvement using operational tools such as Six Sigma, TQM, and reengineering. The program to enhance performance of ongoing processes must, in turn, be linked to the strategy map and balanced scorecard. Management should focus and identify key factors that employees can routinely concentrate on to achieve the strategic objectives. From the key factors, a sales plan and a resource capacity plan can be developed, from which management will create operating and capital budgets.

The fourth step, monitoring and learning, requires two distinct meetings that occur after the company implements the strategy and operational plan. At operational review meetings, managers review performance and discuss and solve problems, usually quite frequently, to stay on top of results. In contrast, at strategy review meetings, which are held monthly, the management team examines the strategy, determines whether it is being successfully executed, identifies challenges, and sets a course of action to resolve them.

The fifth step, testing and adapting, closes the management cycle loop. In this stage, cost and profitability reports and/or statistical analyses test the strategy. If results are not as anticipated, management examines the strategy for flaws to determine if it is best to adapt the current strategy or formulate a new one. Thus, begins another cycle of management system.

In order to achieve long-term success, a company must have an effective long-term strategy as well as an effective operational plan delineating the steps to achieve it. By following the suggested steps of the management cycle a company can manage its strategy and operations and maintain balance between them.