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**INSTITUTO TECNOLÓGICO Y DE ESTUDIOS
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**MEJORA DEL PROCESO DE RENOVACION DE
LA ESTRATEGIA ORGANIZACIONAL PARA
LA COMPAÑIA HOGAR**

MAESTRIA EN ADMINISTRACION

PROYECTO DE CAMPO PRESENTADO POR

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Executive Summary

“Hogar” is a company that sells convenience products in 150 countries around the world with plants in most of those countries. Hogar Company considers the Organization Strategy Renewal as one of the key processes for success. This Company has been following the Organization Performance Model (OP Model) developed by David P. Hanna 15 years ago. This model makes emphasis in adjusting the six organization design elements to improve results (task, structures, rewards, decision making, information, and people). The organization strategy renewal at Hogar is strongly focused in evaluating these design elements to understand the changes needed to restructure an organization. People at organizations where the Hanna strategy renewal process has been used have very diverse opinions, ranging from good to bad, to qualify the process effectiveness; this stresses the fact that the current process has clear opportunity areas.

The intent of this project is to upgrade (enrich) the current Hogar organization strategy renewal process and then apply it in a Brazilian plant (pilot test); learnings from the pilot test will be incorporated to the process. Once tested, the process will be expanded to other plants.

This project aims to upgrade the current Hogar strategy renewal process. This will be done by:

- Establishing what the deliverables of the strategy renewal process are.

- Incorporating the assessments of the external and internal context or business situation, which is the framework to develop a successful organization strategy.
- Developing an effective step by step strategy renewal model by defining the components to be created during the process, the sequence to do it, and the way to connect them.

The project team made an extensive bibliographic research to incorporate the best tools and concepts to the process. The final project was reviewed by Hogar directors and human resources managers who contributed to the project with their feedback

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1. Introduction

The organization strategy renewal is perhaps the most important process for the organization success. Even though the process is widely used by organizations, it is barely understood by managers. The result of this is:

- Poor organization performance that impacts business results.
- Lack of focus to priorities
- Organization rework and frustration.
- Dilution of competitive advantages and in the long-term, the organization extinction.

The organization strategy renewal must include the development of:

- Mission
- Compelling Business Need
- Vision
- Slogan, commonly known as equity or short vision
- Operating Strategies
- Score cards
- Master plans

The effective development of the organization strategy renewal process allows organizations to dramatically increase the organization success. Nowadays, managers recognize the importance of this process. When executing this process, it is important to have a holistic understanding of strategic management processes and tools. In general, top-management expects to:

- Know what the deliverables of this process are.
- Understand what an organization strategy renewal is and how this process helps their organization succeed in a highly competitive environment.
- Understand when to do this process.
- Learn to identify if the organization renewal process was correctly done and to identify the symptoms of a wrong design and the impact in business results.
- Have best-in-class models and tools that can be used to improve the organization strategy renewal process.
- Understand the competitive environment as an input to the process.

2.- Background

Hogar is a company that sells convenience products in 150 countries around the world with plants in most of those countries. In the laundry sector, the company has operations in several regions worldwide and, specifically, in Latin America Hogar Company has ten plants. The plants are located in Mexico, Brazil, Colombia, Chile, Argentina, Venezuela, Colombia, Paraguay, Chile and Paraguay. (See Figure 1)



Figure 1. LA Map

Hogar Company considers the organization strategy renewal as a key process for success; the current company's process has been used for the past 15 years. Since the Laundry business has commoditized in the last 20 years, local and global competition has dramatically increased. Hogar Company has been following the Organization Performance Model (OP Model) developed by David P. Hanna. This model makes a lot of emphasis in adjusting the six organization design elements to

improve results (task, structures, rewards, decision making, information, and people); these design elements are part of the Galbraith star model (see Figure 2), which represents how the organization design elements are linked. The Hogar OP Model is strongly focused in evaluating each design element to understand the changes needed to restructure an organization.

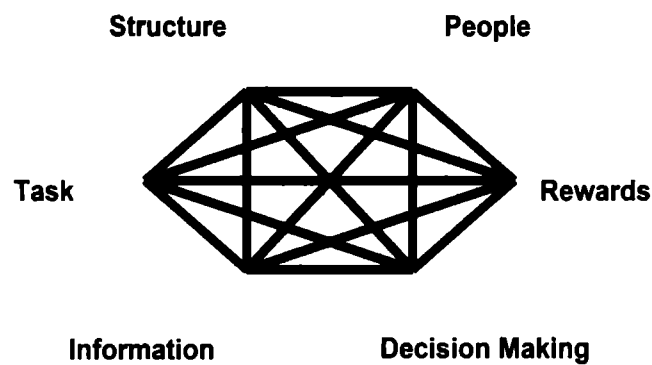


Figure 2 Galbraith star

As mentioned before, Hogar Company has been giving emphasis to adjust design elements to improve results. People at the organizations that have used this model have very diverse opinions, ranging from good to bad, to qualify the process effectiveness. Main strengths and opportunities are consolidated in the problem description section.

3.- Problem description

Hogar Company has decided to improve the current strategy renewal process as it is considered as a key source of competitive advantage.

Hogar process has clear opportunity areas as it has been customized; it can be said that it is “Made in Hogar Company”; the current process does not have an external touch with other corporations and has not incorporated new strategic management learnings or advances in this field. The intent of this project is to upgrade (enrich) this process under the scope of Organization Strategy Renewal and prepare a test in a Brazilian plant (pilot test); then learnings will be incorporated to the process and later it will be expanded to other plants.

Below is a resume of the main strengths and opportunities that the current Hogar OP Model Process has:

Strengths:

- The process has been a good starting point to understand the importance of designing organizations as part of the continuous improvement process.
- There is a structured process at the company that allows people to understand what the design elements are.

- The process has been deployed globally and all Hogar Company sites/plants are familiar with this tool.
- The process has helped organizations adjust organization design elements in an attempt to improve results.
- The process is also used as an assessment tool to find the root causes of problems in the design elements that are generating a low performance.

Opportunities:

- The understanding of what a strategy is and the way it works for the company's success is weak, and, quite frequently, there are misleading answers in the sites when describing their understanding in what an organization strategy renewal process includes or means.
- The deliverables of an organization strategy renewal (business situation, strategy renewal, organization design elements and key behaviors) are not clear for the people that are running the process. When asking people who are making an OP Model the question of "Why do you need to make this Op Model?" people cannot articulate assertive answers or are not clear in the deliverables of the process. This lack of understanding frequently causes that strategies do not match the business needs and, even worse, design

elements do not support strategies causing poor organization performance, effort lost, frustration and labor climate erosion.

- The understanding of the strategy renewal elements (Mission, Compelling Business Need, Equity, Operating Strategy, Score cards and Master plans) and the processes to develop them are not defined. The focus is only in the design elements adjustment as a final product; the mission and vision are developed apart and the operating strategies, score cards and master plans have no clear connection when deployed.
- The process to develop some of the components of the strategy and the design elements is done via “brain storming” sessions that can be either good or bad; moreover, there are no guidelines to develop each component.
- Except for the design elements section, there are no clear guidelines on how to develop the rest of the strategy elements as part of the OP model process.
- Making design elements adjustments (task, structure, rewards, decision making, information, and people) normally takes a lot of time and effort. Guidelines to increase focus and effectiveness are not available; thus causing that this process becomes extremely dependent on experience.

- One of the most frequently asked questions, “When to perform an organization strategy renewal process?” is commonly answered based on time guidelines, which can lead to wrong behaviors or decisions.
- All previous opportunities could be a consequence of a process that has remained the same for several years and has neither enriched from strategic management learnings nor learned from other organization strategic processes. Additionally, the learning of this model in Hogar Company has been done verbally, which leaves a lot of room for wrong interpretations or mistakes that have resulted in misunderstanding the Hanna model.

4.- Project Objective

The objective of this project is to develop an upgraded organization strategy renewal process for Hogar Company.

The expectation is that this new process helps the organization in:

- Improving the understanding of what strategy is, why the organization strategy renewal is needed, and what the main deliverables are.
- Clarifying why it is valuable to develop the strategy.
- Clarifying when to run an organization strategy renewal.
- Understanding how all strategy components and design elements are linked.
- Improving the way organizations evaluate external context or business situation, which is the framework to develop successful organization strategies.
- Better understanding how to do the process. This will be done by incorporating in the model best-in-class examples from the company and other organizations or companies.

This new process will incorporate information, tools and learnings from Strategic Management books; the process will be documented so that it can be reapplied in other Hogar sites.

The target is to have the process ready to be tested in a Brazilian laundry production plant (pilot test) in January 2008.

5.- Theoretical Frame - Organization strategy renewal

Porter (1980) defines the essence of formulating competitive strategy as the effectiveness to relate a company to its environment and the key aspect of the firm's environment is the industry or industries in which it competes. Industry structure has a strong influence in determining the competitive rules of the game as well as the strategies potentially available to the firm. Forces outside the industry are significant; since outside forces usually affect all firms in the industry, the key is found in the differing abilities of firms to deal with them.

The intensity of competition in an industry is neither a matter of coincidence nor bad luck. Rather, competition in an industry is rooted in its underlying economic structure and goes well beyond the behavior of current competitors. The state of competition in an industry depends on five basic competitive forces, which are shown in figure 3.

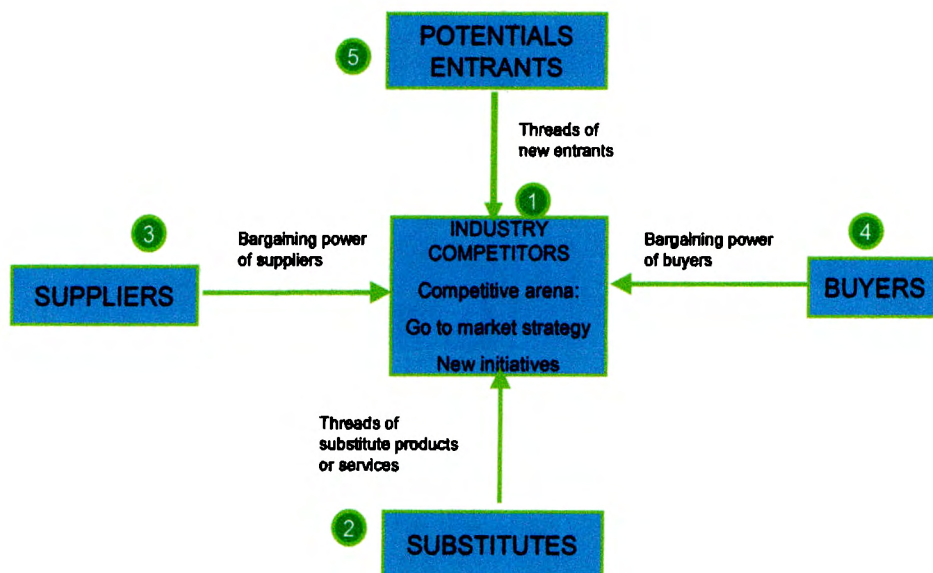


Figure 3. Forces driving industry competition.

Hanna (1988) identifies this competitive environment as a key component of his organizational design model as the forces driving industry competition are a key player of the business situation. See figure 4.

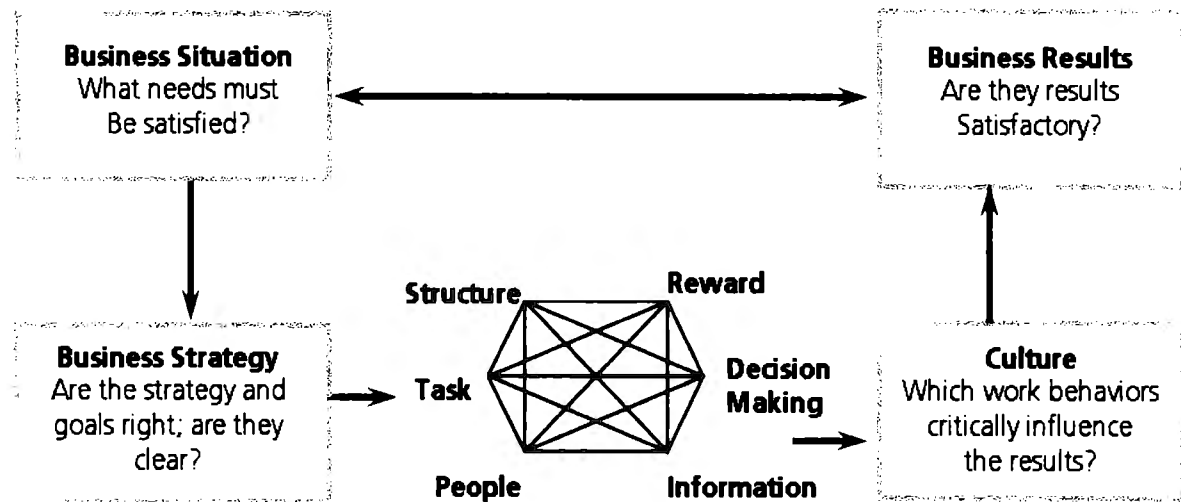


Figure 4: Organization Performance Model

The first factor is the business situation that is made up of elements and forces in the organization's environment. The environment has needs that the organization must satisfy; and also exerts pressures that must be managed. These needs and pressures may consist of:

1. Expected company numbers or goals.
2. Corporate expectations, such as budgets, growth patterns, rates of returns, development of technology and people, and so on.
3. Social, political, or legal expectations from the environment.

4. Competitive pressures, such as new innovations, pricing competition, and raw material shortages.

5. Expectations of employees and their families.

The business situation includes today's environmental needs and pressures as well as those that may have a strong impact on the organization in the future. Saloner (2001) confirms the importance of defining this business situation (context) through the industry forces (External Context) and the assets and organization strengths and opportunities (Internal Context). Both authors agreed on the fact that a good business situation is the key to create the business strategy. Barney (2001) defines this business situation as the organization SWOT (Strengths, Weaknesses, Opportunities and threatens). Opportunities and threatens are part of the organization external context, and Strengths & Weaknesses are part of the organization internal context.

The second factor in the Hanna Model is the business strategy or the organization's reason for being. Hanna (1988) and Barney (2001) define business strategy as the set of Mission, Vision and Operating Strategies. Kaplan (1996) in his balanced score card theory mentions that when defining strategies it is needed the definition of measures to assess the progress in the strategy implementation. From this performance measures a breakdown can be made to define specific action plans to integrate master plans.

According to Roberts (2004), several businesses have begun to use a short version of the vision named slogan or equity that pretends to complement the strategy. Additionally, the Compelling Business Need that is part of the organization mission defines the key numbers to be delivered to guarantee the business continuity in the long term. In this way a full set of strategy would be: Mission, Vision, Compelling Business Need, Slogan or Equity, Operating Strategy, Score card and Master plans.

In order to be successful, the strategy needs to meet Barney criteria: “Strategy is a pattern of resource allocation that enables firms to maintain or improve their performance. A good strategy is a strategy that neutralizes threats and exploits opportunities while capitalizing on strengths and avoiding or fixing weaknesses.”

Galbraith (2001) and Hanna (1988) mention that in order to have a successful strategy that faces the business situation, it is important to adjust all of the organization design elements that are shown in Figure 5.

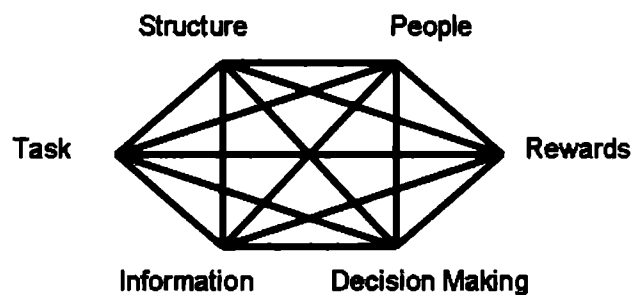


Figure 5. Galbraith Organization design elements.

Gailbraith recently changed this star model from six to five peaks. He modified some of the elements to incorporate the strategy as one of the peaks of the star (see figure 6). This was done as, in the previous model, the relevance of strategy was not self-evident, and organizations were giving more emphasis to redesign than in the usage of design elements to support the strategy.

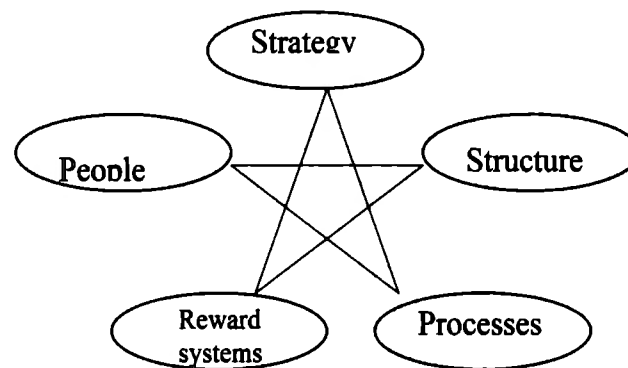


Figure 6. New Galbraith star

Today organizations and top management understand the key role of business strategy to succeed in a competitive environment.

6.- Solution

In order to upgrade the strategy renewal process for Hogar Company, the following stages were followed:

I Understand the strengths and opportunity areas of current Hogar Company process.

II Make a bibliographical search to identify improvements and tools that could be incorporated in the model.

III Suggest a model that includes the learnings (bibliographic search) and feedback from experts.

IV Include guidelines and best-in-class examples in the model.

V Improve the model with feedback from the customer (director in Brazil).

VI Prepare the implementation process agenda and training material for the implementation in a Brazilian laundry site.

In this following section a description of the upgraded model will be made.

New Organization strategy renewal process

The main contribution of this project is the development of a seven steps model that can guide the organization in the development of the organization strategy renewal.

In Figure 7, the suggested model is included.


Organization Strategy Renewal Model							
	1	2	3	4	5	6	7
	Organization Strategy Renewal What it is for	Organization Strategy Renewal When to do it	Organization Strategy Renewal Business situation	Organization Strategy Renewal How to Develop Strategy	Organization Strategy Renewal How to support your Strategy by redesigning your organization	Organization Strategy Renewal How to adjust culture	Organization Strategy Renewal Strategy Deployment and implementation
GUIDELINES	Deliverables of Organization Strategy renewal	When to run an Organization Strategy Renewal.	The organization strategy renewal needs a Framework	What's Strategy	Organization design What it is	Culture Behaviors Adjustments	Developing the details
	Why the organization Strategy Renewal is needed		Business situation	Doing the right questions to deliver:			agenda
			External & Internal context assessment	Mission	Task		ESCUINTLA Pilot model
				Vision	Structure		
				Slogan	People-processes		
				CBN	Rewards		
				Strategies	Information Capital		
				Competitive advantage	Decision Making		
				Master plan	Reward systems		
				Scorecards	How to recognize misaligned organization design		
Ref	1,2	2	3, 4,5	1,6,7 8,9,10,11,12,13	2, 5, 8, 11, 13	2,5	

Figure 7. Upgraded Organization Strategy Renewal Model.

Step 1 What the strategy renewal process is for

This section includes:

1.1 Deliverables of the process

1.2 Clarify why the process is needed

1.1 Deliverables of the process

The organization strategy renewal is the process that helps the organization deliver four main products:

1. **Business situation** Organization competitive environment / external and internal context that the organization must face.
2. **Strategy renewal** (new Mission, Vision, CBN, Slogans/equity, operating strategies, score cards, master plans and links among them) to succeed in the organization competitive environment/ business situation.
3. **Organization Design elements** adjustments to support the new strategy.
4. **Key behaviors needed for the strategy** that must be emphasized in the organization culture; these behaviors are essential to support the organization strategy.

The business situation, strategy renewal, design elements adjustment and key behaviors are needed to:

- Set the inspirational dreams for the organization.
- Set the organization challenges.

- Get everybody in the organization focused on what is important.

1.2 Clarify why the process is needed

This process is needed because:

1. The organization environment changes.
2. The business need changes.
3. The competitor changes
4. The social, economical and political environment changes.
5. The way we must compete changes.

The objective is to remind the organization that “What was enough yesterday is not enough today to compete in the industry and guarantee the business continuity in the long term”.

Step 2 When to do the strategy renewal process

This process can be done whenever one or several of the following situations occur:

1. When you are starting up a new company or division.

The company is starting up a division or changing the way of doing product or services. Clearly, a new business needs to be designed. If the company is starting up a new plant, if the innovation process changes, a redesign is needed.

2. When you have just assumed a new or more senior position.

If you are assuming a new role, it is important to use a structured process to understand the current organization and decide what needs to be modified. As part of your assimilation process, you should assess the current organization to determine if it facilitates or hinders your strategy.

3. When the company is planning to grow.

Changes in size should trigger a reassessment of the organization. Growth can mean new countries, markets, new channels, more sales, volume, products, more initiatives, or more complexity.

4. When your strategy has changed.

If your products or markets have changed, or you are adding a new line of business, or you are expanding into international territory, it is likely that your organization needs to change as well.

5. When the organization around you has just changed.

The organization design process can be triggered by an internal realignment. If the level above has just reorganized and key internal customers, suppliers, or partners are changing, then your organization may need to change too.

6. There has been a major change in the external environment.

New competitors, new technology, or new regulations are some of the forces in the external environment that can trigger a reassessment of the organization. For example, the opportunity to automate manual processes not only reduces the number of people needed, it also impacts the skills that the remaining employees and their manager need to have.

7. The organization is not delivering the performance expected.

If there are performance problems (customer complaints, loss of market share, missed financial targets, high turnover, etc.), it is important to make a redesign as performance problems are rarely the result of just one factor nor does addressing the most obvious symptom with a quick fix (training, marketing, cost cutting, etc.) address the underlying issues.

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Step 3 Business situation

In order to develop the new strategy it is vital to know and understand what the business situation is and make an external and internal context assessment.

Business situation means that in order to create a strategy, the organization must understand for its business:

- The challenges/threats the organizations find in a competitive environment.
- The opportunities the organizations find in a competitive environment.
- The strengths the organizations have to face a competitive environment.
- The organizations' weaknesses to be addressed to face the competitive environment.

This is known as SWOT; which means:

S trengths

W eaknesses

O pportunities

T hreats (Challenges)

This section includes:

3.1 What elements the organization must understand.

3.2 Industry analysis to identify challenges and opportunities.

3.3 Organizational labor & health assessments.

3.4 Internal and external surveys.

3.5 Consolidate the business situation.

The objective of this section is to consolidate a comprehensive business situation that is externally and internally focus, when understanding the business situation.

3.1 The organization must understand:

Business Plan

Category Strategy

Customer Company Strategy

Industry Analysis

Initiatives Plan

Growth plan and supply needs

Capacity and supply needs

Government policies, foreign laws, regulations & practices

Distribution challenges

3.2 The organization should make an industry analysis to identify challenges and opportunities (see Figure 8).

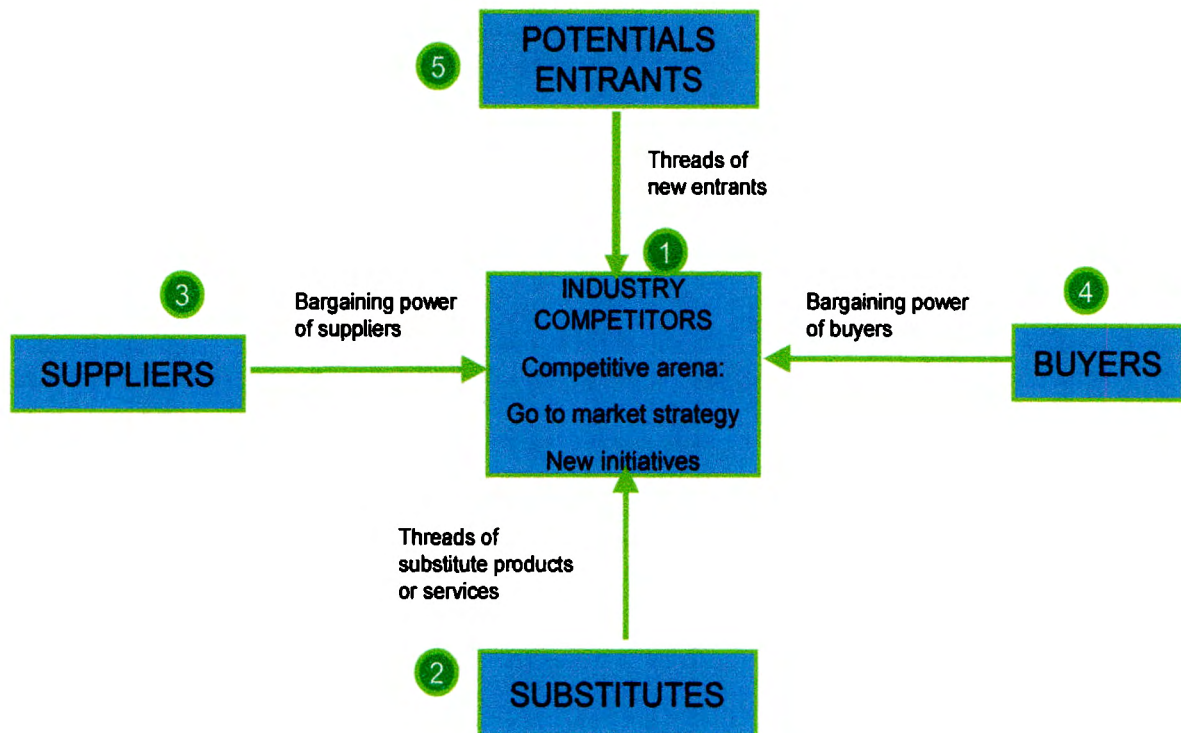


Figure 8. Industry Analysis

3.3 Perform an organizational labor & health assessments to identify weaknesses and strengths in the organization; these assessments represent the labor climate and the employees' satisfaction with their jobs.

3.4 Perform internal and external surveys for both internal and external context.

In attachment 1, an example of an external survey format is included.

In attachment 2, an example of an internal survey format is included.

3.5 Consolidate the business situation.

In attachment 3, an example of a business situation analysis is included.

It is important to remember that the business situation is the framework your organization needs to develop your strategy

Step 4 How to develop the strategy

This section includes:

4.1 Defining and understanding what strategy is

4.2 Developing the Mission

4.3 Developing the Vision

4.4 Developing the Slogan

4.5 Developing the Compelling Business Need

4.6 Developing the Values

4.7 Developing the Operating Strategies

4.8 Developing the Score cards

4.9 Developing the Master Plans and personal action plans

4.10 Understanding the interrelation among them to face the business situation.

4.1 Defining and understanding what strategy is

Once the business situation is clear, the strategy can be created. The strategy sets the organization's direction. The term is used to encompass the company's Mission, Vision, Slogan, CBN, Values, Operating Strategies, Short and long term goals in the scorecard and Master plans.

Strategy is the cornerstone of the organization renewal. If the strategy is not clear or not agreed by the leadership team, there are no criteria on which to base the success.

Strategy can be defined as:

“An integrated set of choices which positions the organization in its industry so as to create sustainable advantage relative to competition and superior financial returns. “

“A good strategy is a strategy that neutralizes and exploits opportunities “

4.2 Developing the Mission

With the business situation clearly understood by the organization, the business strategy can be developed.

An organization should always have a mission as it is:

- The basic reason to exist.
- Not what we do but the reason of why we do it
- The guide that inspires us by telling us the importance of what we do.

A mission is needed to:

- Clarify the firm’s goals.
- Define what makes us unique.

A good mission statement should answer the following questions:

Why does the plant exist? (Further than the responsibility of making products).

What makes us unique?

Who benefits from our work?

Some of the criteria used to evaluate a mission are described below:

1) It is focused in results, not methods

For example, in the case of railroads:

It is not: "Make railroads work"

It is: "Provide transportation services at the best cost and time"

For example, in the case of a hospital:

It is not: "Operate patients"

It is: "Improve the quality of patients' lives"

For example, in the case of a hotel:

It is not: "Provide rooms"

It is: "Give personalized and unconditional attention to the guests"

2) It defines the reason for not closing the business.

3) It is focused not only in revenues.

In attachment 4 there are examples of missions.

4.3 Developing the Vision

The mission tells us why we are here; the vision establishes the place where we want to take the business in the future.

A definition for vision can be:

“A vision is an ideal and attractive future that is reachable, but not necessarily easy to reach.”

A vision represents a challenge: it is an ambitious image of the future that requires that all employees do their best effort (see figure 9)

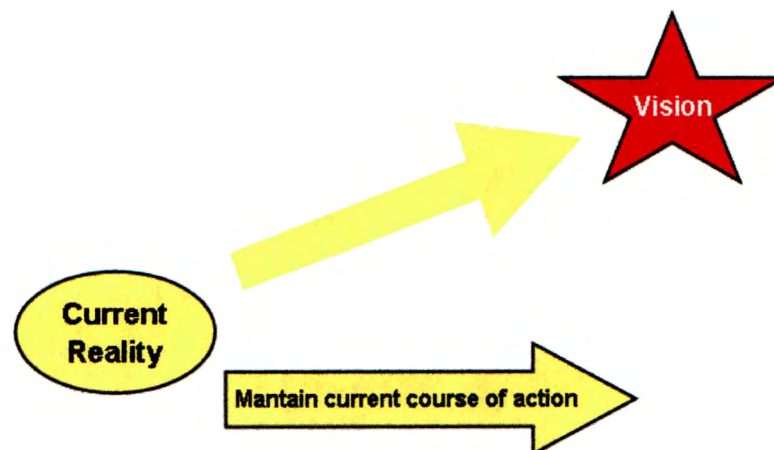


Figure 9. Vision.

A vision guides us:

“If we do not know where we are going, it does not matter which route we take.”

A vision is needed to:

- Establish a link between today and tomorrow.
- Give to the employees the energy and motivation that they need to reach that future.
- Give a “meaning” to people at work and establish a rule of excellence and integrity for the organization

Some of the criteria used to evaluate if a vision is good are:

- Link the present with the future. The vision links what is happening today with what the organization wants to become.
- Inject energy and attract people commitment.
- Release people from the day-to-day as it represents a challenge that requires their best effort.
- Give sense to people’s work. People must find dignity and sense in their work.
- Establish a norm of excellence and integrity.

Some of the characteristics for visions are:

- **INSPIRATIONAL.** Visions should direct to excellence and must demand people involvement.
- **DEFIANT.** Visions should force us to look for new forces, new abilities, and should develop virtues.

- **PASSIONATE.** A motivating description of what the organization will be in the future.
- **MOTIVATING.** Attractive to the organization. People must feel attracted to the challenge that the vision represents.
- **CREATE TENSION...**between what the organization is today with what the organization can become.

When creating a vision, the following questions can be used:

- What would you like to see if you could be in the plant in 5 years?
- How does the place look like?
- How does the place feel?

In attachment 5, there are examples of visions.

4.4 Developing the slogan or equity

A slogan can be defined as:

“A short phrase that involves what the organization wants to project or to be recognized for. It is also known as the organization’s equity.”

Equity means the winning customer proposition that the organization offers.

A slogan is needed to connect everybody with the reputation we want to have. As it is a short phrase, it can easily be remembered.

Some of the criteria used to evaluate a good slogan are:

- It must be short and easy to remember.
- It must identify the whole organization.
- It must be linked to the mission, vision (strategic plan).

In attachment 6, there are examples of equities (slogans).

4.5 Developing the Compelling Business Need

CBN means “Compelling Business Need”. It is also known as the numerical vision. It describes the organization’s key role in delivering the business objectives. It quantifies how much and how fast the business vital numbers must be achieved.

When making a CBN, it is important to select the most important goals and objectives from the scorecard (Volume, Production, Quality, Service, Financials, Safety, Labor health); those numbers are vital for the organization in order to guarantee the business continuity in the long term. For example, an organization can select cost since having the best cost will guarantee that the organization can compete in the market.

The Compelling Business Need is needed to:

- Ensure business continuity in the long term.

- Ensure we are a competitive business option against key competitors and benchmarks.
- Explain why we need to change behavior.
- Create structural tension to drive superior results.

Some of the criteria used to evaluate effective CBN's are:

- Simple and easy to understand - Few words vs. paragraphs.
- Within the control or at least the influence of the organization.
- Specific, precise, measurable.
- Challenging - stretch to achieve.
- Highlights the highest need.
- 3-5 year timeframe to reach the CBN.

The process recommended to develop a CBN is:

1 Understand the:

Category Business Plan

Customer Strategy

Category Operating Strategy

Market Supply Strategy

Make industry analysis (Competition environment).

Benchmarking

Review your business Measures Goals & Targets

External Laws, Regulations, Practices

2 Discuss and gain alignment on CBN with top management.

3 This is your job - do not delegate it!

In attachment 7, there are examples of CBN's.

4.6 Developing values

Missions and Visions alone are not enough to create peak performance. We need to make decisions as we approach the vision and those decisions must be made according to values.

The importance of values is to show what will be rewarded and what not in the road to the vision and results delivery.

When defining values, the following key questions can be used:

- What values do you share with your family and you would like to preserve as they grow up.?
- What values do you follow in your life even though they are not rewarded?
- What values would you have in the company if it were yours?

Trying to reach the Vision, Mission, Compelling Business Need and goals in your scorecards puts a lot of pressure in your organization. In an environment like that,

we must always do the right thing for people. We can not afford making organizational mistakes when making decision to reach results in a faster way. Our values help us do the right thing for the business and for our people; in fact, values belong to our employees and are the main tool to decide.

There are several examples in the industry that reinforce the importance of values. In the case of Enron, they over-focused in their short-term business goals and destroyed their business reputation and labor climate by breaking values and principles. There are other organizations that have achieved great results but based in poor labor environments; the consequence of this is risk in the continuity of the organization due to an unhealthy labor climate.

In attachment 8 there are examples of values.

4.7 Developing operating strategies

Having a mission to define a reason to exist, a vision to define where to go and the compelling business need to reinforce the main goal (to guarantee business continuity), does not imply that the entire organization will start to work. At this moment, we only have a common direction but putting all the engine to work needs patterns of action, these imply defining specific action plans to be executed by the organization, that is the role of the Operating Strategies.

The Operating Strategies link the Business Strategy (mission, vision, etc.) to the Supply Chain design, planning and execution by translating the Business Strategy in a way that:

- Identifies the capabilities needed in the Supply Chain to deliver the Business Strategy.
- Documents choices about how the supply chain will be operated.
- Define the action patterns to define specific activities to be done by all the organizational levels.

Operating strategies are needed to:

- Define the course of action that will be taken to comply with the strategic plan.
- They are actionable and drive the organization to get the results.
- They help the organization to focus the effort and prioritize when needed.

In attachment 9, there are examples of operating strategies.

4.8 Developing balanced score cards

If you define new strategies for a business and you do not define measures to follow up strategies progress or implementation, the new strategy is worthless.

It is important that once you define your strategies, you need to define the measures you will use to evaluate progress in your strategies. That is why you need a balance score card.

Balance score card means that you must define measures in several fronts: Financial, Growth, Customer satisfaction, Quality, internal or efficiency measures.

If you are going to ask a division or a corporation to change their strategies, you would better change or adjust the system of measurement to be consistent with the new strategy.

Today, managers recognize the impact that measures have on performance, but even more than knowing the measures, having a measurement system is an essential part of their strategies.

If you have defined the strategies. there must be performance measures related to the strategies.

In Figure 10 you will see that your vision defines your operating strategies and your operating strategies define your scorecards.

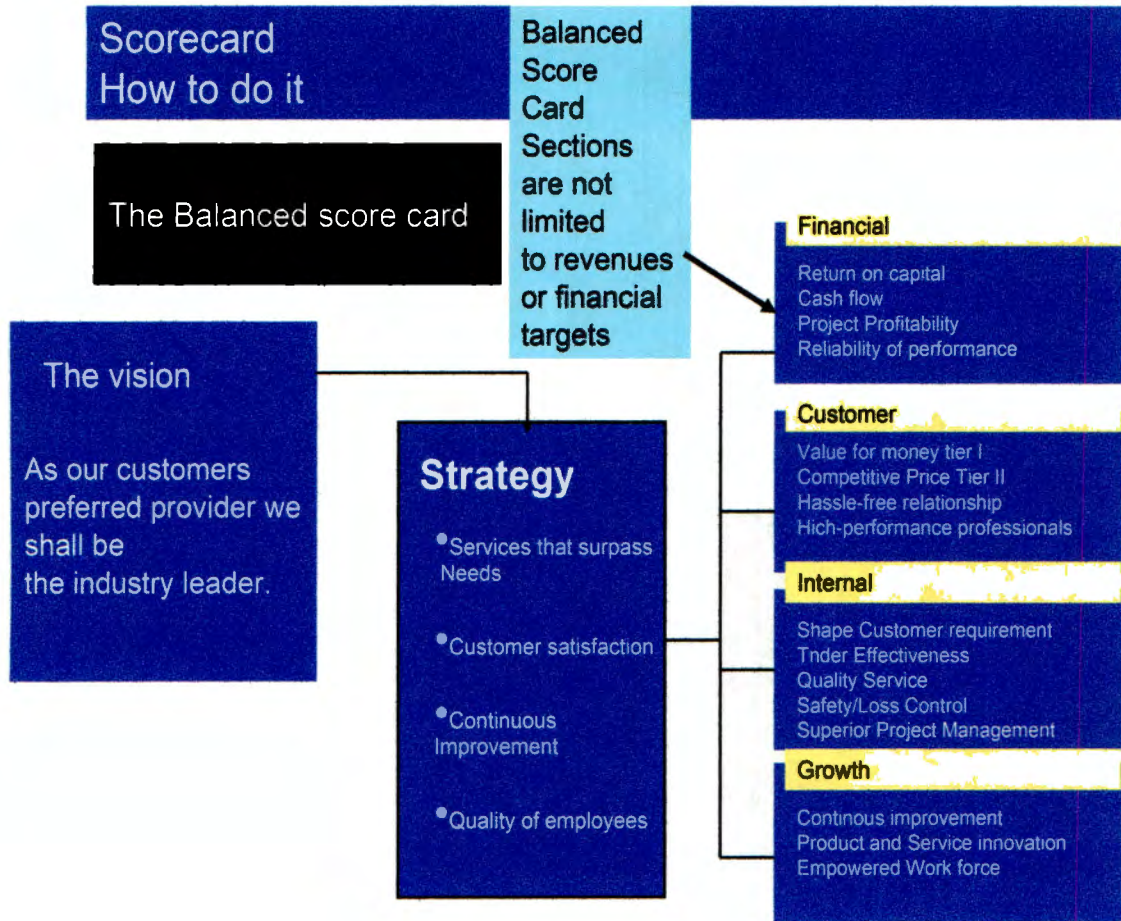


Figure 10. Balance score card.

4.9 Developing the master plans

A Master plan links the capability development needed to achieve the business goals and make the cultural shift. It determines the overall pace of the implementation and the extend and speed of capability development.

Once the performance measures in the organization are defined, a master plan is needed to be defined to reach these performance measures.

In order to make a master plan, a Quality Evolution Chart should be done to find the building blocks of your score card measures and be able to define the action plans needed to improve each measure. In Figure 11, you can see an example:

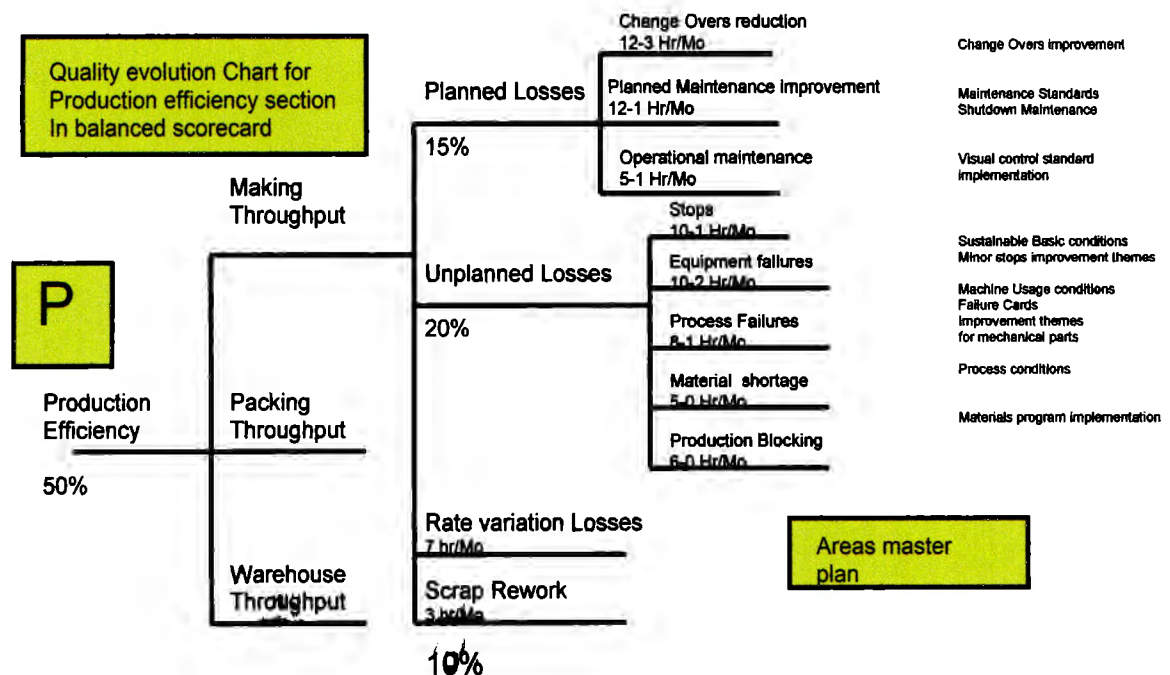


Figure 11. Action plan for production efficiency

In attachment 10 there is an example of a master plan.

4.10 Understanding the interrelation among the elements of the strategy

When you define the Mission, Vision, Compelling business need and your equity, you have defined the business direction for your organization, which is a key component of your strategy; however, this is not enough, you need to define operating strategies to define the specific action plans and move your organization. It is important to define goals and targets for each strategy; to reach the goals in each strategy the organization needs specific action plans that will integrate the business master plan.

In a demanding and competitive environment (that was analyzed and included in your strategy), you need to have values defined so as to ensure that you achieve your goals doing the right things and making high quality decisions. There is not value in achieving the goals by breaking company principles and rules that in the long term will prevent the company from succeeding and will create a business labor environment with low performance issues.

4.11 Understanding the strategy relation with the business situation.

Once the organization has developed the organization strategy, a double check versus the business situation is needed for the Vision, Mission, Compelling business needs, Equity, Values, Operating strategies, Score cards and Master plans.

The organization must confirm that in all of these components there are elements, measures, action plans, trends that proactively face the business situation (by managing challenges/threats and opportunities and at the same time building on the organization strengths and fixing weaknesses).

Step 5 Organization design to support strategy

This section includes:

5.1 What it is

5.2 Adjusting Task

5.3 Adjusting Structure

5.4 Adjusting Reward and recognition

5.5 Adjusting information

5.6 Adjusting making decision

5.7 Having all the design elements ready

5.8 How to recognize misaligned organization designs.

5.1 What it is

It is not enough to clarify your strategy; you must review how well your organizational design elements create an effective organization that is capable of supporting the business strategy. You must adjust the design elements that could prevent your strategy from succeeding (Mission, Vision, slogan, values, strategies and master plans).

The answer on how to align design elements to support your strategy is in the Galbraith star Figure 12.

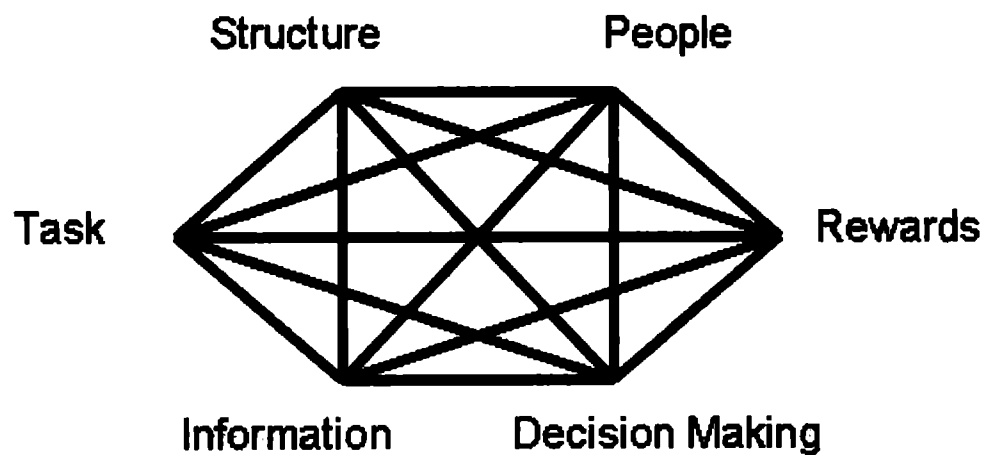
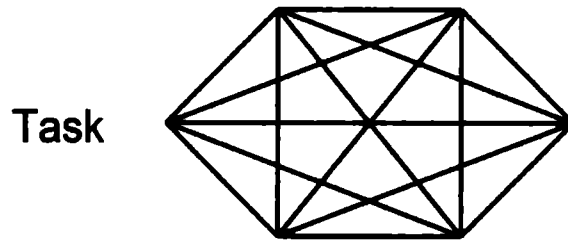


Figure 12. Galbraith star

5.2 Adjusting task



In order to support your strategy renewal you must find the new task that need to be performed and those task that need to be different.

The organization needs to be selective so as to redesign only the tasks-jobs that will have a significant impact on your organization's ability and capability to perform (support) the most critical processes of your strategy.

These job families or tasks often represent less than 20% of a company effort. Identify those tasks to perform the critical processes for your strategy, and then list the skills and capabilities/knowledge needed to execute them.

Some examples of the tasks that need to be integrated in an organization when the strategy demands an external focus, flexibility to produce a big number of products and responsiveness to innovate faster, are:

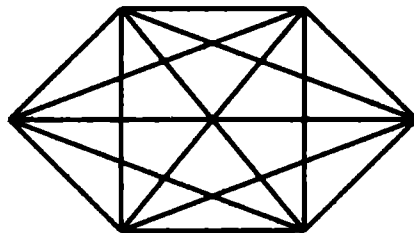
- Perform improvements that benefits the whole supply chain not a section.
- Perform benchmarking
- Foster reapplication
- Reduce production cycles

- Inventory reduction management
- Quick changeovers
- Strong marketing working relationships
- Effective and faster on boarding program

In this case the organization needs to look for the tasks that need to change first and that have the biggest impact in triggering the new strategy adoption. The rest of the tasks and roles will change as a consequence of the critical ones which will begin to demand a different performance.

5.3 Adjusting Structure

structure

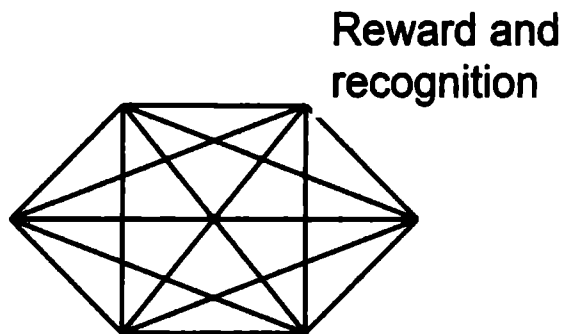


Based on the key task needed to support the strategy, define:

- Power and authority. Evaluate changes in the organizational chart.
- Reporting relationships
- Roles

For this element, the organization evaluates changes to perform new or different tasks. For example, in the case of the task section, a new role or a modification of an existing role is needed if an owner to perform benchmark has to be assigned. In the case of pursuing total supply chain performance, a new role may be needed to look for supply chain optimization versus local or functional improvements.

5.4 Adjusting reward and recognition

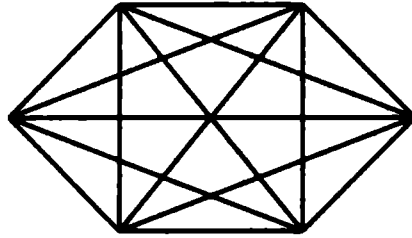


In this design element, it is important to:

- Align recognition to performance measure score card compliance.
- Define key values and behaviors to recognize.
- Modify the promotion system

In this element, it is needed to evaluate the rites and rituals the organization follows to recognize improvements during the new strategies implementation. In the case of an organization that pursues a supply chain improvement, the organization needs to recognize kaizens or improvements that impact the supply chain numbers versus the area or functional goals.

5.5 Adjusting information systems



Information

Information Capital

Very frequently, the information systems are oversight with big consequences in performance. Information systems have to be recognized by organizations as the veins that go to the heart; information systems need to transport (send) the right data to people to make right decisions.

The organization needs to identify the IT (information and technology) systems needed to support each critical internal process. These may include:

Infrastructure

Central servers

Communication Networks

Software applications

Managerial expertise

Standards

Disaster planning

Security

Processes

The information systems or processes allow the organization to simplify the work by grouping the different decisions that need to be made in several groups of processes that make sense.

Each of the organizational process must help the decision process by:

- Setting objectives for critical business measures, output measures (the ones coming out from the processes), the ones occurring inside the processes.
- Determining the start of the process.
- Determining the end of the process.
- Establishing key interfaces.
- Defining which process are part of the daily management systems and which ones are work processes.

The leadership team should define or adjust the processes that are critical for the task that is being changed in the organization.

Some typical processes in an organization are:

MANAGEMENT & FINANCIAL

- Project planning and management
- Priority setting
- Resource (people) allocation and assignment
- Budgeting and forecasting
- Asset management and tracking
- Problem escalation and conflict resolution

PEOPLE MANAGEMENT

- Performance management
- Succession planning & development
- Recruiting and selection
- Communication and feedback
- Talent management

CUSTOMER SERVICE

- Service requests and satisfaction
- Service pricing
- Service-level agreement setting and monitoring
- Account executive/CRM

- Solution development

OPERATIONS

- Change management (infrastructure)
- Supply chain management
- Storage management
- Capacity planning
- Order fulfillment

RISK MANAGEMENT

- Contingency planning
- Disaster recovery
- Information security
- Quality assurance

TECHNOLOGY

- Standards development
- Technology transfer (from development through testing to production)
- Application development
- Software licensing and distribution
- Desktop service & support

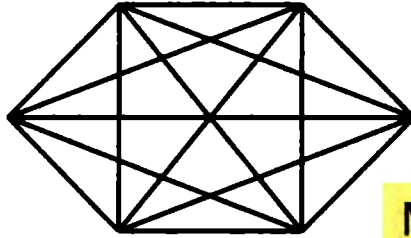
BUSINESS DEVELOPMENT

- Service and product design
- Prospect and lead development
- New business/customer acquisition
- New product development
- Market research

LEARNING

- Knowledge management

5.6 Making decision process

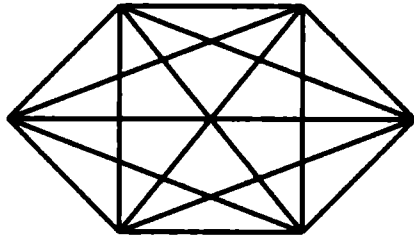


**Making
decision
process**

When implementing a strategy, the organization must define the adjustment needed in the following systems:

- Business reviews for score card measures
- Results reviews for plant, departments and teams
- Horizontal processes
- Meetings in the organization and the people that must attend them.
- Communication systems to inform the organization on what is going on.

5.7 People practices



People practices

Last but not least, a key adjustment element is the people practices review that is needed to:

- Align personal action plans to Master plans.
- Define skills needed by the organization and training development.
- Define a performance assessment process to evaluate personal contributions to the goals.
- Provide the basic reward and recognition.
- Staff the organization.
- Review assessments and selection process to ensure the right people are hired
- Review on-boarding systems.

If the organization redesign is in response to a fundamental change in direction, employees at all levels will have to “retool” their skills sets.

5.7 Having all the design element ready

All the design elements are interconnected; the success criteria should be that design elements are adjusted to support the business strategy. The recommended order is the same order as in these steps, but that is not a mandatory order.

5.8 How to recognize misaligned organizational designs

Once the design elements are ready it is very useful to have some indicators of misalignment among them. Figure 13 has typical situations, their symptoms and the design elements that need attention.

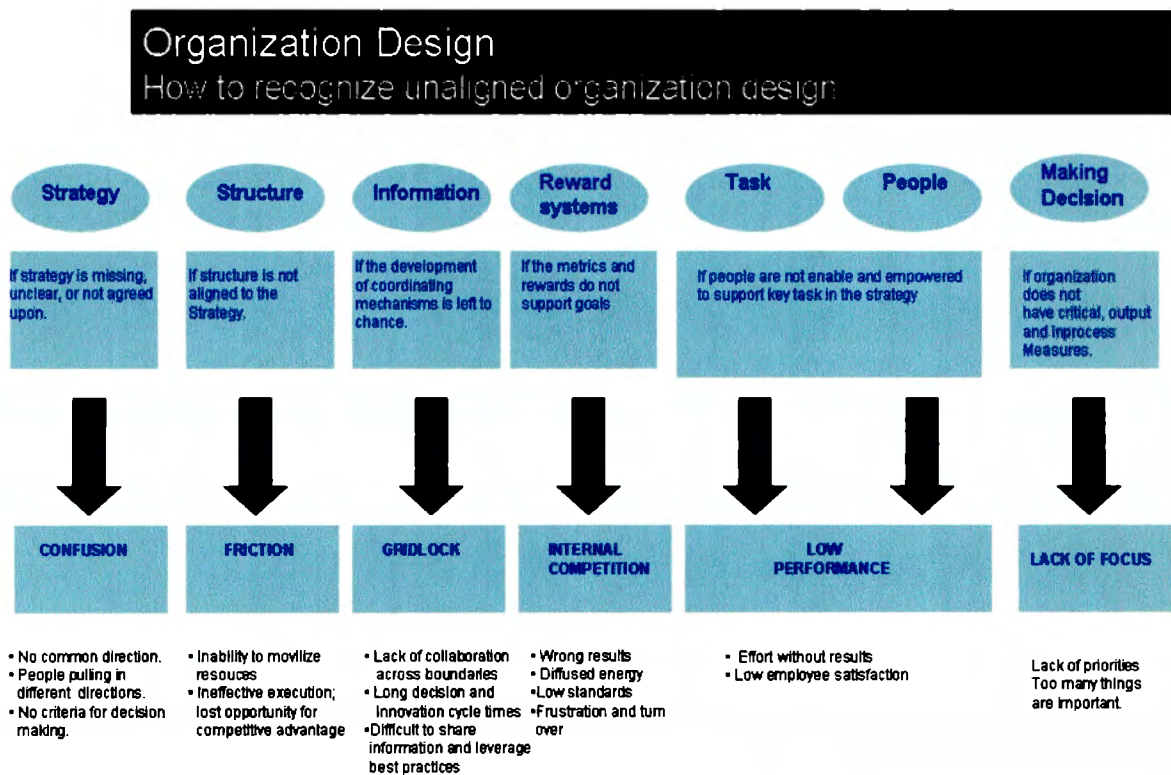


Figure 13. How to recognize misaligned organization designs

Step 6 Adjust culture

As you are defining your design elements, you must evaluate what behaviors/attitudes (i.e commitment to customer satisfaction, respect, innovation, teamwork, etc) are needed to support your strategy and which ones you need to modify.

These behaviors or attitudes are a consequence of your design elements. Current behaviors or attitudes that are opposed to your Strategy must be modified or eliminated.

Step 7 developing and Implementing the new strategy

During this stage of the process, the model will be implemented at a pilot site/organization in Brazil.

The Process Agenda to develop the organization renewal model in a Brazilian plant is shown in Attachment 11.

7.- Benefits for the company

The outcome of this project is the development of a structured and documented strategy renewal process that can be deployed to Latin-American plants of Hogar Company.

The main benefits for the company are:

- Upgrading the strategy renewal process will allow the organization to effectively focus the organization on what is important and have a competitive advantage.
- This is a holistic process with an external and internal focus. The process developed is structured in a way that can be followed by any organization and is not a brainstorming process.
- This process is based in Strategic Management books and recommendations from an expert in this field, which helps the company have an updated process with tools that can help achieve the results faster.
- Increasing sites' capability in strategic management process allows the organizations to effectively evaluate their particular business situation to deliver the right strategy in each country and to increase the chances of succeeding in a highly competitive environment, in which global and local competitors demand sites to make decisions according to their particular needs and not necessarily following global trends.

- **The process that was developed allows the participation of people no matter what level of knowledge they have on organization strategy or if they have participated in other strategy renewal processes.**
- **This process covers all the steps needed to develop a strategy renewal process and shows the activities that need to be done to do it.**

8.- Next Steps

Suggested implementation plan

The Project included the development of a model for the Strategy Renewal Process.

For the implementation, the following steps are recommended:

1. Select a pilot plant to test the model
 - a. Review agenda for the process (see Attachment 11)
 - b. Train Plant Manager, Human Resource Manager and facilitator in the process
 - c. Update timings in the suggested agenda
 - d. Prepare pre-work for the session
 - e. Make session
 - f. Define teams to finish the detailed work
 - g. Summarize learnings from the process in the pilot plant and incorporate in model
2. Train other Plant Managers in the process to search reapplication.
3. Define implementation plan for the sites.

Organization for the solution

To implement the strategy renewal process, it is recommended to follow the agenda included in Attachment 11.

9. Project quality

Compliance vs. objective

The objective of the project was to develop an upgraded Organization Strategy Renewal process for Hogar Company. This objective was reached as a documented process was developed.

Below is an evaluation of some of the expectations from the project:

Project objective	Compliance
Improve the understanding of what strategy is, why the organization strategy renewal is needed, and what the main deliverables are and their contributions to the business.	These needs were included as part of the model developed by the team. (100% compliance)
Clarify why it is valuable to develop the strategy.	The model includes an explanation of why it is important to develop each part of the strategy (mission, vision, etc.) (100% compliance)
Understand that all strategy components are linked and show that if they are created separately from the rest, this can lead to have a poor organization strategy	The model links the development of the different part of the strategy with the business situation and competitive environment understanding. Once the

<p>performance.</p>	<p>pilot test in a plant is done, it can be evaluated if the perception from participants changed vs. the original survey results. (100% project documented)</p>
<p>Improve the way organizations evaluate external context or business situation, which is the framework to develop successful organization strategies.</p>	<p>The model includes a section on how to make an evaluation of the external context and business situation. (100% compliance)</p>
<p>Develop effective strategy components and design elements adjustments by giving guidelines to do so.</p>	<p>The model includes a section on the OP Model and what each element of the star means. (100% included)</p>
<p>Better understanding on how to do the process by incorporating in the model best-in-class examples from the company and other organizations or companies.</p>	<p>Examples of vision, missions, etc. are included in the project. (100% done)</p>

Compliance vs. action plans

The original CPS was followed and action plans were completed (100%).

During the development of the project, one of the main issues that the team had was time availability of the project owner (as he is located in Brazil) and team members.; however, the team was able to deliver the professional version to the project owner on time (several conference calls and a face-to-face meeting was needed to finalize on time).

10. Benefits vs. customer's expectation

As mentioned, the customer needed a process that:

- Could be used in his organization
- Were structured and be used by all levels in the organization (from technicians to managers).
- Were updated and had tools that make it easier to apply

Below is a comparison of the customer needs vs. what the team delivered.

Customer needs	Evaluation
The process should allow his organization understand what a strategy renewal is, how it is formed, what the deliverables from the process are and that can be understood by all levels in the organization.	The model developed explains what each part of the process is and how it should be done. As it includes an explanation of each of the strategy elements, it can be used by all levels in the organization (100% compliance vs. customer need).
His organization understands when the process has to be done as nowadays it is done every three years.	The model includes a section of when to do the process. It explains under which circumstances it is recommended to do the process. (100% compliance vs. customer need).

<p>The process should be a “best in class” in Strategic Management and should use Tools that can help the organization in its renewal strategy process.</p>	<p>The process was upgraded based on Strategic Management books and recommendations from an expert (100% compliance vs. expectation)</p>
<p>The process should allow the organization understand the competitive environment, specially, key competition.</p>	<p>The process includes a section of business situation where an analysis of competition has to be done (100% included)</p>
<p>Allow the organization identify the changes that need to be done and make the change.</p>	<p>This expectation will be met once the model is done by the organization. Based on the model, the organization will need to evaluate the Galbraith star elements based on the business situation context.</p>
<p>The model should make the organization connect with the strategy, there should be commitment from the people to the strategy renewal</p>	<p>As the process is done in a structured way, it allows participation of people from all levels of the organization; therefore, their commitment should be easily reached. Once the pilot test is done, more evidence of this will be available.</p>
<p>The process can be done in 2008 and it</p>	<p>The strategy renewal process has been</p>

is documented	documented and is ready to be tested.
---------------	---------------------------------------

As a resume, this project complies with the customer expectations, and his organization can benefit from having a structured strategy renewal process that can help them reach their business results.

11 Experiences & Comments

The development of this project represented a big challenge to the team. The challenge was not related only to timings (as they were very stretch), but related to the magnitude of literature or information available.

The team considers that the development of this project has helped us enrich and learn more on the strategic management concepts and this can be reapplied now to the company.

When sharing the developed model, it made a lot of sense to key people in the organizations; this model was presented to Directors and Human Resources Manager to get feedback and people showed a great interest in getting more details and expressed very positively in the potential impact that this work could have in their organization capability to improve strategy development and organization's involvement.

Choosing organizational topics to develop projects is a great field to improve contribution to business results since organizational topics impact the whole business as well as the human capital.

12 Conclusions

The organization strategy renewal is the process that helps the organization deliver four main products:

- **Business situation**
- **Strategy renewal** (new Mission, Vision, CBN, Slogans/equity, operating strategies, score cards, master plans)
- **Organization design elements**
- **Key behaviors needed for the strategy**

The organization strategy renewal is formed by: Mission, Vision, Slogan, Compelling Business Need, Values, Operating Strategies, Score cards, Master Plans and personal action plans.

The strategy renewal process is recognized as a key process for organizations to reach the organization business results. Therefore, the development of the strategy should be led by the leadership team of the organization and should not be delegated.

Due to the pressures of cost or competition, organizations tend to try to simplify the process, thus causing that the elements of the strategy are not aligned or people are

not committed to the strategy or the strategy developed does not help the organization to reach its business results.

It is important for the organization to have a best-in-class process that guarantees that the strategy developed will help the organization reach and surpass its business objective.

During the bibliographic review, a lot of information related to strategy was found, however, none of the books or articles reviewed had the complete process (end-to-end) explained in detail or with examples that help readers clarify the process. In the case of Hogar Company, there was a process that had been followed but had not been updated in the past 15 years. When trying to understand the current process, the information was splitted in several procedures or in people's memory (not documented), thus making the process difficult to standardize. The other opportunity found was that the process had been customized to the company and several important aspects of the process were lost during these 15 years.

This project main contribution is the development of an upgraded strategy renewal process that has the following advantages:

- It is a structured and documented process that can be easily reapplied by organizations.
- The process can be used by people from all levels in the organization.

- The process links all the parts of the strategy (mission, vision, etc.) to the business situation of the company.
- The process includes information on how to do the different parts of the strategy

13. References

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14. Attachments

**ATTACHMENT 1
EXTERNAL SURVEY**

Plant: _____

**Dreaming and building today the Business and Organization we wish for
tomorrow**

SURVEY

This is the survey we kindly ask you to complete in order to identify our strengths and opportunities to ensure we take full advantage of our renewal process to take place this January. This process tries to accelerate and comply with business goals while building a winning and proud organization.

Feel free to answer honestly and use all the space you need. The answers will be summarized, and we will identify common issues that will be analyzed in detail; these will be key inputs for our session.

Thanks for your collaboration and please send your feedback to Ms. Diaz no later than Nov 30th.

- 1. Please provide your input about business environment opportunities and threats that you identify in the competitive arena that we need to be aware of as well as the strengths and opportunities you see in our organization. Please help us by filling the following matrix:**

	Strengths	Opportunity areas
Internally focused (Plant)	<ul style="list-style-type: none"> • Section I 	<ul style="list-style-type: none"> • Section II
	External opportunities we could leverage and / or take advantages from	that could impact the Plant Business
Externally focused (consumers, customers, competitors, community)	<ul style="list-style-type: none"> • Section III 	<ul style="list-style-type: none"> • Section IV

2. Do you feel satisfied with the business results achieved by the plant?

VERY SATISFIED SATISFIED REGULARLY SATISFIED NOT
SATISFIED

3. Give us two to three words (not necessarily connected) that can describe your perspective of the plant as of today.

**ATTACHMENT 2
EXTERNAL SURVEY**

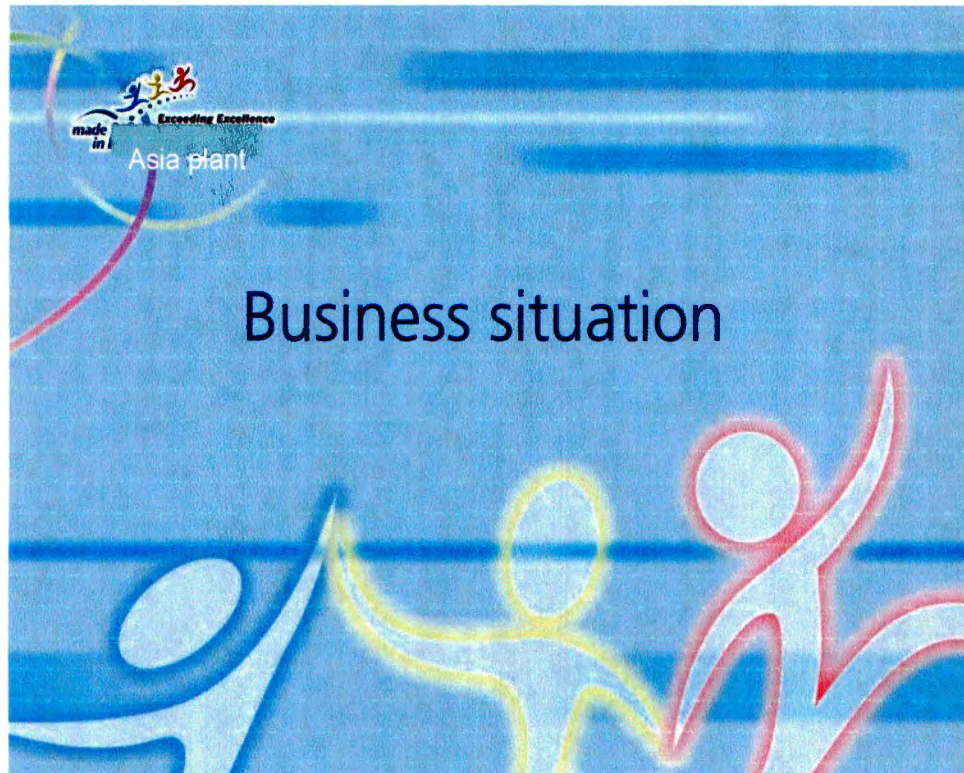
**HOGAR COMPANY
RENOVACION DE ESTRATEGIA ORGANIZACIONAL
ENCUESTA INTERNA**

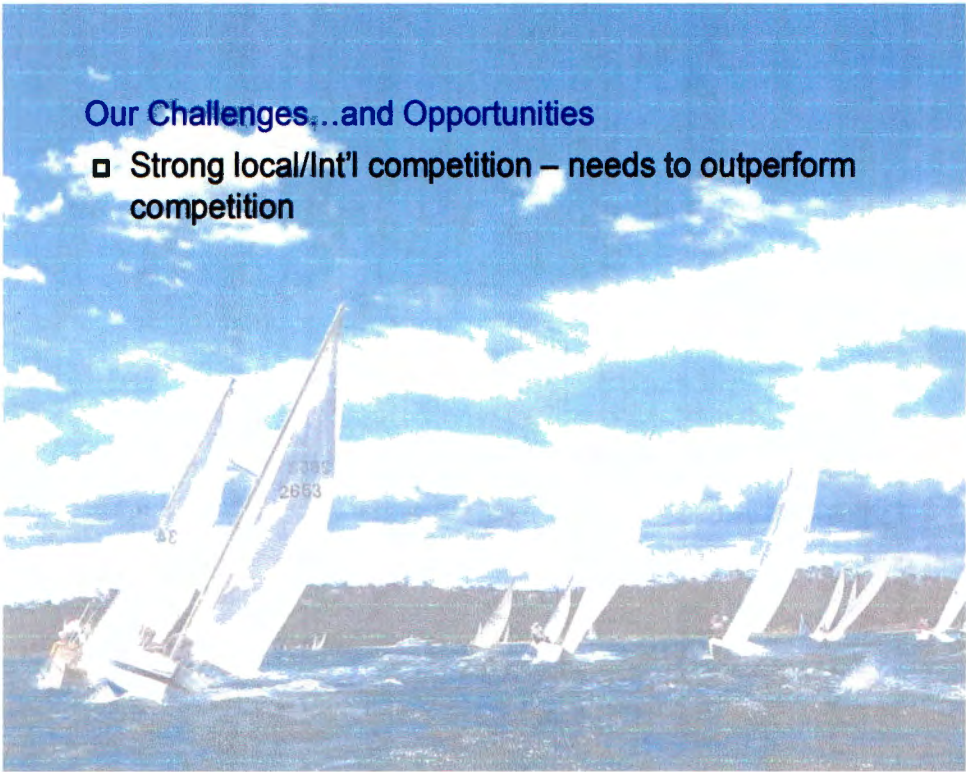
1- De manera breve describe que es lo que más te enorgullece de la Planta (hoy) y que quisieras QUE SE MANTUVIERA en 2010?

2- Que características o comportamientos actuales en La Planta quisieras QUE CAMBIARAN para 2010?

3- Cuales son los logros o características que en tu visión de 2010 haría única y exitosa a la organizacion?
(Responde en máximo 5 palabras, que puede ser una frase o palabras no necesariamente conectadas entre si)

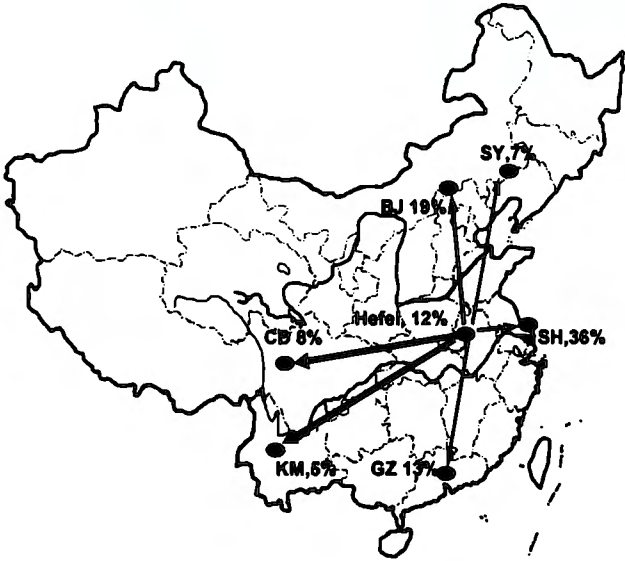
ATTACHMENT 3
EXAMPLE OF A BUSINESS SITUATION ANALYSIS





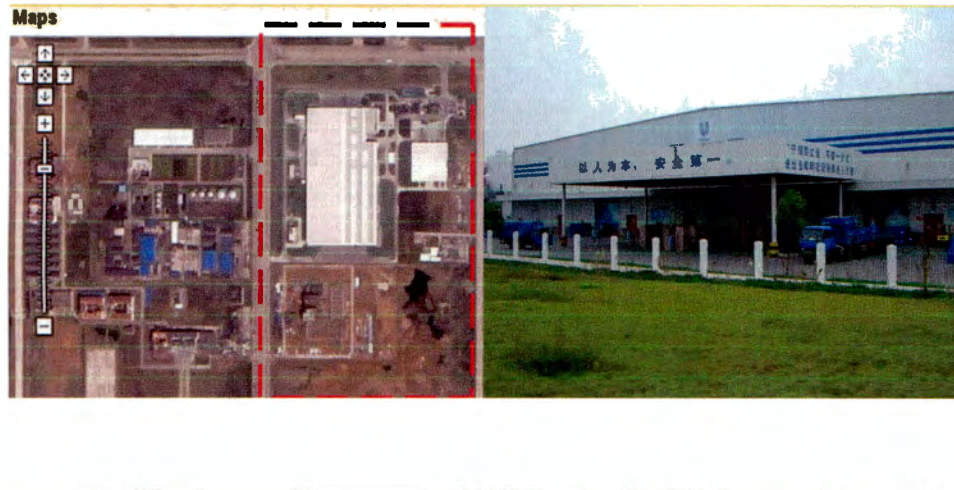
Unilever China

- Integrated multiple sites to a mega-site (for Hair, Oral, Personal Care, Laundry, Tea)



Unilever China

- Core + Satellite supply chain capability
- Local supply base
- Lower labor cost



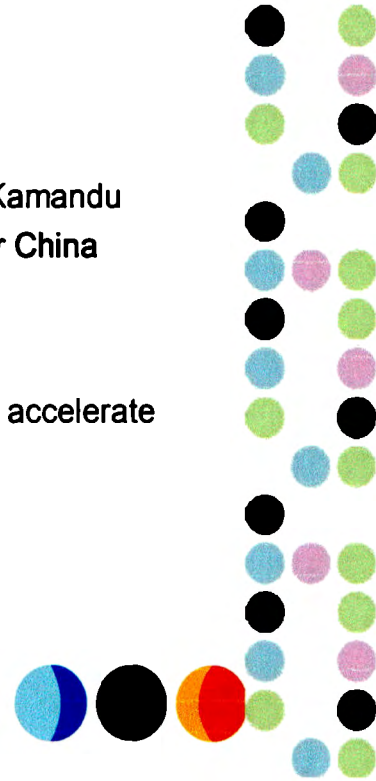
Our Challenges...and Opportunities

- ▣ Strong local/Int'l competition – needs to regain business momentum
- ▣ Expansion of China Supply Network
 - ▣ Start-up of multi corporate modules in Asia
 - ▣ Kamandu – no longer the only supplier
- ▣ Phase Change in Kamandu
 - ▣ Fast growing/expansion to being mature and stable

Compelling Business Needs

❑ Expand the competitiveness of Kamandu Supply Chains to enable Greater China business success

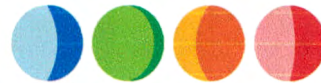
❑ Leverage Kamandu capability to accelerate other partners' success



**ATTACHMENT 4
MISSION EXAMPLES**

Chile Misión

Ofrecemos siempre la mejor solución de suministro de producto, generando crecimiento del negocio, desarrollo de los empleados y bienestar a la comunidad.



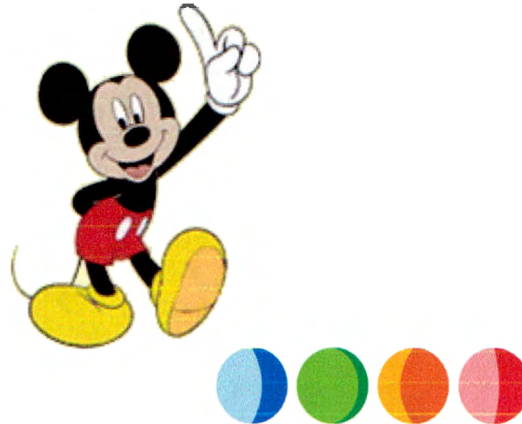
Australia Mission

Best supply option for customers and consumers !!!



Disney

“Hacer Feliz a la gente”



Toyota



Mission Statement

"To attract and attain customers with high-valued products and services and the most satisfying ownership experience in America."

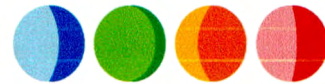


Procter & Gamble



"P&G mission is to make life better for nearly 5 billion consumers in more than 130 countries."

Our mission as a company is to improve everyone's quality of life every day, everywhere.



ATTACHMENT 5
VISION EXAMPLES

Asia Plant Vision

We, the Asia Plant, are the leading detergent supplier for both P&G globally and China soap industry locally. We deliver global benchmark results at local benchmark cost.

- **Product: The quality and cost of our products are so competitive that our consumer's expectations are always met and exceeded.**
- **Operation: We operate a loss-free supply chain that is the competitive advantage for the business. Our products are always available, always appealing and always the first.**



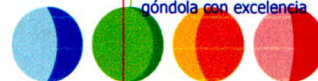
Thailand plant VISION:

- A Best-value Supplier
- A Talent Exporter
- A Global Leader
- An End-to-end Supply Solution Provider



Un nuevo sueño para plantaUruguay

<p>No hay límites para NOSOTROS "El futuro es nuestro"</p> <ul style="list-style-type: none"> • Creemos y alcanzamos nuestros sueños • Planeamos y dedicamos nuestro tiempo a aprender, crear e innovar • Fomentamos el equilibrio entre trabajo y vida personal • Somos parte y ejemplo de nuestra comunidad • Exportamos talento 	<p>No hay límites en nuestra CULTURA "Juntos construimos el mejor lugar para trabajar"</p> <ul style="list-style-type: none"> • Nuestro compromiso con el trabajo es nuestra pasión y orgullo • Juntos hacemos más • Igual trato, iguales oportunidades para todos • La comunicación es clara, abierta, respetuosa y constructiva • Nuestros logros son reconocidos • Anticipamos los cambios y actuamos con flexibilidad 	<p>No hay límites en nuestro AMBIENTE "El mejor lugar para los mejores logros de la mejor gente"</p> <ul style="list-style-type: none"> • El diseño de la planta facilita nuestra productividad e integración • Nuestros estándares establecen modelos mundiales • Tecnología, una herramienta para nuestra excelencia 	<p>No hay límites en nuestros RESULTADOS "Pasión por el éxito"</p> <ul style="list-style-type: none"> • Nuestras marcas son líderes y las más rentables para la compañía y nuestros clientes • Margen Bruto > 50% • Tiempo de Cadena de Suministro < 35 días • Ciclos de producción < 1 día • Iniciativas: De la idea a la góndola < 30 días • Volumen: producido > 30 MM cajas, • Siempre presente en la góndola con excelencia
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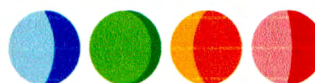


Toyota



Vision Statement

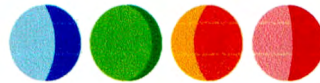
"To be the most successful and respected car company in America."



Unilever



Unilever's vision is to become the 'fastest growing, fast moving consumer goods company.



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ATTACHMENT 6 SLOGAN EQUITY EXAMPLES



“Somos parte de tu familia”



“Sintetizamos deseo y aspiración”

Barcelona Plant Slogan



Slogan – Barranquilla Plant



**ATTACHMENT 7
COMPELLING BUSINESS NEED EXAMPLES**

**50 & 10 (50 USD &
10 MM cases)**

**40% reduction in cost &
20% reduction in
inventory**

ATTACHMENT 8 VALUES EXAMPLES

Values

Oaxaca site

Liderazgo:

Somos dueños de nuestro negocio y creamos juntos un futuro exitoso

Pasión por ganar:

Nos entregamos con pasión para alcanzar el éxito

Disciplina:

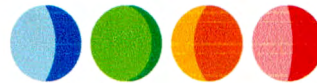
Actuamos de forma sistemática para alcanzar nuestros objetivos

Integridad:

Somos consistentes entre el pensar, sentir y actuar; haciendo siempre lo correcto y aprendiendo de nuestra diversidad.

Excelencia:

Nuestro modo de vida es ir más allá de los mejores.



Disney

- Creatividad, Sueños e Imaginación
- Atención a los detalles
- Preservar la “Magia”



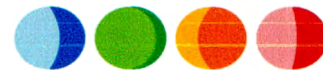
SONY

- Elevación de la cultura Japonesa y de la reputación nacional
- Ser pioneros
- Hacer lo que parece imposible

ATTACHMENT 9 OPERATING STRATEGIES

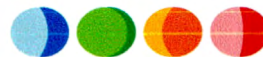
Uruguay Strategies

- 1 - Breakthrough Cost/Inventory Reduction
- 2 - Basic Reliability with high Flexibility
- 3 - Reliability
- 4 - Winning Organization



5 - WINNING ORGANIZATION

- TPM acceleration
- Autonomous Teams Capability Increase
- Working Environment
- CostReduction Plan



ATTACHMENT 10 MASTER PLANS

Kamandu IM Master Plan

				Resp.	Status		Jul 05 - Jun 06	Jul 06 - Jun 07
1	PAT implementation for every Project > \$200 M	AT	Done	Objective Real				
2	Loss Analysis & LFE for PAT < 85%	AT/MC	50%	Objective Real				
3	Base Systems implementations on every Projects							
3.1	EWP - EWP Plan for Every Project	JEP	Done	Objective Real				
3.2	Capital Management - Implement PLAT for every project	AT	Done	Objective Real				
3.3	IRS - Implement IRS for all projects above \$ 200 MUSD	LB	80%	Objective Real				
3.4	GSUM - Define Baseline for RM/PM Qualification Time	CB	15%	Objective Real				
3.5	LFE - Implement LFE for all projects with PAT below 85%	Done	50%	Objective Real				
3.6	LCOS Plan - Implement LCOS for every projects	AT	Done	Objective Real				
4	Every BSO is Trained and Qualified							
4.1	GSUM - Global Start Up Management	CB	70%	Objective Real				
4.2	EWP - Engineering Work Process	JEP	60%	Objective Real				
4.3	CM - Capital Management	AT	80%	Objective Real				
4.4	LFE - Learn from Experience	MC	80%	Objective Real				
4.5	LEDS - Line Event Data System	FD	10%	Objective Real				
4.6	TD - Technical Documentation	CA	70%	Objective Real				
4.7	IRS - Integrated Readiness System	LB	50%	Objective Real				
5	External Benchmark performed once a year							
5.1	Warehouse cost \$/m2	JEP	20%	Objective Real				
5.2	Cost of 100 m piping installed	JEP	0	Objective Real				
5.3	Competition formula cost	CB	0	Objective Real				
5.4	Competition packaging cost	LP	0	Objective Real				
6	Internal Benchmark is executed on every Project							
6.1	Depreciation \$/SU	DA	Done	Objective Real				
6.2	Depreciation as % of MOE	DA	Done	Objective Real				
6.3	Capital as % of NOS	DA	Done	Objective Real				
6.4	PLAT	JEP	Done	Objective Real				
6.5	PAT	JEP	Done	Objective Real				
6.6	Engineering cost as % of ETC	DA	Done	Objective Real				
6.7	Construction Supervision as % of ETC	DA	Done	Objective Real				
7	External Resources participating on Audits	CF	NO	Objective Real				

ATTACHMENT 12
AGENDA TO DEVELOP THE ORGANIZATION STRATEGY
RENEWAL IN A BRAZILIAN PLANT

Day 1: UNDERSTANDING THE KEY ELEMENTS OF ORGANIZATION strategy RENEWAL January 8 th	Time	Who	Materials
INTRODUCTION WHY ORGANIZATIONAL RENEWAL IS IMPORTANT			
Welcome & Directions <ul style="list-style-type: none"> • Welcome • Share logistics: breaks, bathrooms, etc • Splits attendance in teams and give them materials to work (Markers, Rotafolio sheets, hand outs and post its). • Define the person taking and consolidating notes and comments. • Define the time Keeper. • Define parking lot owner. • Everybody with identification/name on the table. 	14:00 to 14:10	Plant manager	Rotafolio sheets by team Markers Gafetes
Agenda <ul style="list-style-type: none"> • Share agenda for 3 days • Ask the group their perspective organization strategy renewal: <ul style="list-style-type: none"> What it is for Why we needed When we need to do it • Present slides of: <ul style="list-style-type: none"> What it is for Why we needed When we need to do it 	14:10 to 14:20 14:20 to 14:30 14:30 to 14:45	Plant Manager	Capture comments From the group Capture comments From the group
UNDERSTANDING THE MAIN ELEMENTS IN ORGANIZATION			

RENEWAL: BUSINESS SITUATION BUSINESS STRATEGY DESIGN ELEMENTS			
Understanding business situation & business strategy role			
<ul style="list-style-type: none"> Each team will develop a definition of strategy 	14:45 to 14:55	Facilitator	
<ul style="list-style-type: none"> Each team will share his definition of strategy 	14:55 to 15:10		
<ul style="list-style-type: none"> Each team will read the strategy document provided in this exercise. 	15:10 to 15:25		Strategy document Print one hand out per each participant
<ul style="list-style-type: none"> Each team will give their learnings after comparing their strategy definition and the one provided during the exercise. 	15:20 to 15:35		C:\Documents and Settings\TW8435\My Strategy definition Document Print one per participant. C:\Documents and Settings\TW8435\My
WHAT ARE THE COMPONENTS OF BUSINESS STRATEGY			
<ul style="list-style-type: none"> Show the teams an example of the elements of the organization strategy to compete in the market: Mission, CBN, Vision, Slogan/Equity, Operating Strategies, Score cards & master plans. 	15:35-15:45	Facilitator	Show the new Organization Strategy Renewal model
Break	15:45 to 16:00		
BUSINESS STRATEGY AND DESIGN			

ELEMENTS USAGE EXAMPLE. 300 years BC. ALEJANDRO THE GREAT DID IT.			
<p>VIDEO</p> <ul style="list-style-type: none"> Play the Alexander the Great film. <p>Show the new model process with this example</p> <ul style="list-style-type: none"> Explain to the group the External and Internal Context (business situation), the business strategy and the usage of strategy definition and design elements that Alexander the Great used to succeed. <ul style="list-style-type: none"> Ask the people to share what they have learnt. 	16:05 to 16:35	Facilitator	DVD/DVD Player/Screens to project
	16:35 to 16:50		Bullet points document of the Movie.
	16:50 to 17:05		
<p>Recap</p> <p>What we have done today</p> <ul style="list-style-type: none"> Understand why organization strategy renewal is necessary. When we need it. What organization strategy renewal means. What is the organizational strategy renewal process. What strategy strategy. What are the steps to create a good strategy: identify in the external context the opportunities and threats and in the internal context the strengths and weaknesses. The role of business situation, business strategy and Design elements in a successful organizational renewal. <p>What is next? We will apply what we have learnt to make the organization strategy renewal tomorrow Renewal.</p>	17:05 to 17:15	Facilitator	
<p>DEFINE BUSINESS SITUATION: EXTERNAL CONTEXT/ENVIRONMENTAL ANALYSIS & INTERNAL</p>			

CONTEXT/ORGANIZATIONAL ANALYSIS			
<p>CHANGES/CHALLENGES IN THE BUSINESS</p> <p>Share:</p> <p>1 Business situation/SWOT Summary from:</p> <ul style="list-style-type: none"> • Category Business Plan • Customer company strategy • Operating strategy • Market supply strategy • Industry analysis • Initiatives plant • Volume projections • Lines/capacity projections • Capacity plan Master plan • External Laws, Regulations, practices. 	<p>17:15 to 17:50</p>	<p>Plant Manager</p>	<p>BUSINESS SITUATION DOCUMENT</p>
<p>CRITIQUE TO THE SESSION</p> <p>Continue Next day</p>	<p>17:50 to 18:00</p>	<p>Facilitator</p>	
<p>2 Share CUSTOMER SURVEY- Internal survey.</p>	<p>8:15 to 8:35</p>	<p>Plant Manager</p>	<p>Customer survey Summary</p> <p>Internal Survey Summary</p> <p>Print 3 hand out hand outs per team</p>
<p>3 Share the cultural relevant points in latest organization and labor surveys.</p>	<p>8:35 to 9:00</p>	<p>Plant manager</p>	<p>Organization and labor summary DOCUMENT</p> <p>Print 3 hand outs Per team</p>

<p>Create the organization SWOT Matrix</p> <ul style="list-style-type: none"> • Give perspective on the SWOT quadrants (share plant example and ask each team to give comments). • Split the team in 4 groups (S-W-O-T). Ask the teams to take the info from the SWOT, analyze the info gathered from: <ol style="list-style-type: none"> 1 Business requirements. 2 Customer survey—internal survey 3 Latest labor surveys • Consolidate and prepare the summary with key messages for the organization. Summary must have at most 10 bullet points in each section. • Make a drawing to summarize the idea. <p>Organizational Analysis</p> <ul style="list-style-type: none"> ○ Strengths(green) ○ Weaknesses (Red) ○ Environmental Analysis ○ Opportunity areas(red) ○ Threats (black) 	<p>9:00 to 9:20</p> <p>9:20 to 9:50</p>	<p>facilitator</p>	<p>Show examples</p>
<p>Share the matrix with the whole team</p> <ul style="list-style-type: none"> • Receive feedback • Each group to share the bullet points (10 max) and drawing with summary of each SWOT • Make further questions to the teams if necessary. • A person will summarize SWOT exercise conclusions 	<p>9:50 to 10:30</p>	<p>Teams</p>	<p>Document the SWOT ANALYSIS</p>

Break		10:30 to 10:45	
DEFINE A BUSINESS STRATEGY WHICH FITS THE ACTUAL BUSINESS SITUATION			
CBN			
<ul style="list-style-type: none"> • CBN Sharing 	10:45 to 11:00	Plant Manager	CBN training Material & Examples
<ul style="list-style-type: none"> • Team will give their perspective on the CBN 	11:00 to 11:10		
MISSION Exercise: Mission draft		Facilitator	Mission training material & Examples
<ul style="list-style-type: none"> • Share current Mission 	11:10 to 11:15		
<ul style="list-style-type: none"> • Mission training & explain Mission dynamic 	11:15 to 11:30		
<ul style="list-style-type: none"> • Each team to generate a proposal for mission 	11:30 to 12:00		
<ul style="list-style-type: none"> • Have different missions on hand outs 			
<ul style="list-style-type: none"> • Develop/adjust our Mission – Why is the organization here? 			
<ul style="list-style-type: none"> • Each team to choose a representative who will continue working on the final wording for mission statement along with representatives from the other 3 teams. 	12:00 to 12:35		
<ul style="list-style-type: none"> • Match with Business situation/SWOT 			
<ul style="list-style-type: none"> • Each team to share their proposal 			
<ul style="list-style-type: none"> • <u>Place the missions draft under the Mission plant wall.</u> 			
Claudia to summarize the Mission proposal and comments			
Lunch		12:35 to 13:35	
CORE VALUES Exercise: Choose our Values			
<ul style="list-style-type: none"> • Present Current values (If exist). 	13:35 to 13:45	Facilitator	Values training Material & Examples
<ul style="list-style-type: none"> • Values training 			
<ul style="list-style-type: none"> • Have a set of values from P&G, other Plants & other sources printed on papers 	13:45 to 14:15		
<ul style="list-style-type: none"> • Ask each of the teams to choose 3 values and preferences/priority 			
<ul style="list-style-type: none"> • After all the teams selected their values ask them to interchange one value if they want from those left 			
<ul style="list-style-type: none"> • Each team to define the 			

<p>meaning of each of the chosen values (write the meaning under the value)</p> <ul style="list-style-type: none"> • Have the 12 values summarized and ask teams to give 3 votes to values • Select the 6-7 values with the highest score • Match Business situation/SWOT. • Ask for feedback and compare with Hogar values – confirming our values – <p><u>Place the Values in the Plant Values wall</u></p>	<p>14:15 to 14:40 14:40 to 15:00</p>		
<p>VISION 2010: exercise explanation</p> <ul style="list-style-type: none"> • Vision presentation • Vision training • Explain the exercise dynamics 	<p>15:00 to 15:20</p>	<p>Facilitator</p>	<p>Vision training material & Examples</p>
<p>VISION 2010: part 1:Understand the Feedback</p> <ul style="list-style-type: none"> • Split in to 4 teams 10” <ul style="list-style-type: none"> ○ External Survey (Q2 y Q3): What others see from the plant as of today ○ Internal SurveyQ1: What to maintain ○ Internal SurveyQ2: What to change ○ Internal Survey Q3: Which would be the organization we want for 2010 ○ <p>Ask the teams to take the info from the hand outs, analyze the info gathered from the surveys, digest and prepare the summary with key message to the organization. Summary must have maximum 10 easy to share bullets.</p>	<p>15:20 to 16:20</p>	<p>Facilitator</p>	
<p>VISION 2010: Part 2: Dreaming our future - behaviors descriptors by focus area</p> <ul style="list-style-type: none"> • The idea is to define specifically what we want for us. We will work on 4 focus areas: Business, Organization 	<p>16:20 to 17:00</p>	<p>facilitator</p>	

<p>(culture), Environment (community, competition, key suppliers and customers, our Families (work-life balance). Close your eyes and just imagine the future for each one of the pictures described.</p> <ul style="list-style-type: none"> • Write down max. 4 descriptors that can represent the picture of the future • Ask the teams to prepare a big page with the 4 descriptors and present them. • Match Business situation/SWOT • <u>Place the descriptors under the Plant Plant Vision wall</u> 			
<p>VISION 2010: Part 3:Short VISION brain storming</p> <ul style="list-style-type: none"> • Split in to 4 teams and each team to prepare 1 or 2 max slogans for the short vision which represents our equity in the future. <p>CRITIQUE TO THE WORKING DAY</p> <p>To continue the following day</p> <ul style="list-style-type: none"> • Instructions: each of the Team members suggest one slogan and then build together one slogan for each team. • Classify and select one short vision among all <p>Place the slogan under the Plant vision wall</p> <ul style="list-style-type: none"> • If needed, assign one team to make the final wording of the Equity. 	<p>17:00 to 17:15</p> <p>17:15 to 17:40</p> <p>17:40 to 17:50</p> <p>8:15 to 8:40</p> <p>8:40 to 9:10</p>		<p>Equity training</p> <p>Equity Examples</p>
<p>Day 3: MAKE ANY NEEDED CHANGES IN THE DESIGN ELEMENTS TO FIT THE BUSINESS STRATEGY.</p> <p>January 12th</p>			
<p>Revisit organization 's strategy draft</p> <ul style="list-style-type: none"> • Revisit the organization strategy elements: 	<p>9:10 to 9:40</p>	<p>Plant Manger</p>	<p>Organization strategy</p>

<p>Mission CBN Values Vision Operating strategies Score cards Master plans</p>			
<p>With the new Business Strategy the next step is modify the various Design Elements to be in sync with the new direction</p> <ul style="list-style-type: none"> • Organizational Design elements training. • Validating Current design elements in the organization. Each team to choose one of them and two teams will have 2 design elements. • Each team to share the update. • Begin the design elements adjustment. 	<p>9:40 to 10:00 10:00 to 10:30 10:30 to 10:50</p>		
Break			
<p>TASK</p> <p>Whatever strategy the organization chooses, there will no doubt some new tasks in the whole supply chain will have to be eliminated and some old tasks will have to be handled more effectively than in the past.</p> <p>What changes needs to be performed in task to successfully adopt the new</p>	<p>10:50 to 11:05 11:05 to 11:25</p>		

<p>business strategy?</p> <p>What needs to remain the same in organizational tasks to successfully adopt the new business strategy?</p> <ul style="list-style-type: none"> • One team will list all the key tasks in the wall that will have to be done in order to fulfill the strategy. • The rest of the teams to present their proposal on what needs to be added in the task list. 	<p>11:25 to 11:45</p> <p>11:45 to 12:10</p>		
<p>Lunch 12:10 to 13:10</p>			
<p>Structure</p> <p>What changes needs to be performed in structure to successfully execute the tasks to fulfill the business strategy?</p> <p>What needs to remain the same in organizational structure to successfully adopt the task to support the new business strategy?</p> <ul style="list-style-type: none"> • One team will list the structure mechanisms changes that will have to be done in order to fulfill the strategy. • The rest of the teams to present their proposal on what needs to be added. 	<p>13:10 to 13:30</p> <p>13:30 to 13:50</p> <p>13:50 to 14:20</p>		
<p>Reward, Decision Making, Information, and People development.</p> <p>Each team to choose one of the following design elements to define:</p> <p>What changes needs to be performed in Rewards, Decision Making, Information and people development elements to successfully execute the tasks to fulfill the business strategy?</p> <p>What needs to remain the same in the</p>	<p>14:20 to 14:50</p>		

<p>design elements to successfully adopt the task for new business strategy?</p> <ul style="list-style-type: none"> • Each team will list the design element changes and things to keep. • The rest of the teams to give feedback. 	<p>14:50 to 15:20</p> <p>15:20 to 17:20</p>		
<p>The team defines key behaviors for the new strategy implementation</p>	<p>17:20 to 17:40</p>		
<p>CRITIQUE TO THE SESSION</p>			
<p>IMPLEMENTATION FOLLOW UP</p>			
<p>Quarterly follow up during consulting session to close gaps in strategy implementation based on Score cards Master plant Continuous improvement cycles Methodology to achieve results</p>	<p>Quarterly</p>	<p>Internal consultant</p>	