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**Sample of
Applications of Strategy and Tactics Trees in Organizations
Chapter 34 of the Theory of Constraints (TOC) Handbook
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Overview

Change is difficult to achieve. The *Strategy and Tactics (S&T) tree* is a powerful tool for addressing the question of "How to cause a change?" in an organization. If you are considering implementing any kind of change, you will discover why the S&T tree is a compelling enabler of change. When implementing a change in an organization, the basic requirements for success are communication and effectively synchronized actions in the plan. The S&T tree is the asset for achieving your goal because it presents all the logic of the plan and is easy to communicate to others. After writing a *strategic plan* using the S&T tree, a Fortune 500 executive referred to his company's past planning efforts as "amateurish." This chapter provides an understanding of how to cause the change through descriptions of various applications of S&T trees for organizations to become "ever-flourishing."

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..... INTRODUCTION BY

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**THEORY OF
CONSTRAINTS
HANDBOOK**

EDITED BY

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CHAPTER 34

Applications of Strategy and Tactics Trees in Organizations

Lisa A. Ferguson, PhD

Introduction

After being exposed to writing a strategic plan using the application of the *Strategy and Tactics* (S&T) tree (a Thinking Processes tool of TOC), a Fortune 500 executive referred to his company's past planning efforts as "amateurish." How can organizations be much more effective in strategic planning and execution of that plan? This chapter explains why the S&T tree is the tool for achieving this.

In order to address how to improve strategic planning, let's first discuss the purpose of a strategic plan. This plan provides an explanation of the specific actions to be implemented over the next several years to achieve the high-level strategy or goal of the organization. Strategic plans are divided into the necessary strategies and tactics that have been agreed upon by top management.

We tend to think that strategy is what the top level of the organization focuses on, while the tactics are what the lower level of the organization implements. How do we move from strategy to tactic in our planning process? The literature does not provide clear answers on this subject. To find the answer, it is helpful to understand how this type of obstacle has been overcome successfully in the past. When Einstein came up with his Theory of Relativity about time and space, he first had to begin by defining time. Once he realized that there was no agreement in the literature on a definition of time, he came up with his own:

Time is what is measured by a clock. With this definition, he was able to develop his theory. Dr. Eli Goldratt (founder of TOC) followed Einstein's example in order to develop a theory and application for strategic planning. He defined strategy as the answer to the question "What for?" and tactic as the answer to the question "How?" With these definitions, we realize that for every action, both of these questions can and should be answered.

Strategy (S): Answer to the question "What for?"
Tactic (T): Answer to the question "How?"

The S&T tree is the name of the theory and application of strategic planning in TOC. The purpose of this chapter is to provide an understanding of various applications of the Viable Vision S&T trees for organizations. A *Viable Vision* (VV) is a plan for how to become an “ever-flourishing” organization. An ever-flourishing organization is one that continues to grow exponentially, while maintaining stability at the same time.

S&T trees are a powerful tool for synchronizing all the actions needed to achieve the high-level strategy of an organization and for communication of this detailed plan to all within the organization. S&T trees can be used by any organization to achieve its strategy, not just ones focused on achieving a VV.

On Becoming an Ever-Flourishing Organization

The top strategy of the VV S&T trees is: The Company is solidly on a *Process of Ongoing Improvement* (POOGI). For a company to prosper it must be on POOGI; otherwise, competitors will just wipe out the company (eventually). What is the meaning of POOGI? Performance of the company must improve over time. Under this definition, two conceptually different curves exist—the red and green as shown in Fig. 34-1. Note that each curve represents a concept and that there are multiple possibilities for each curve.

Both show performance improving. Which curve looks more realistic to you and to the people in your company? Most will answer that the green curve looks more realistic and believe that a red curve may only be possible for a short period of time for an organization. What is the real difference between the green and red curves? In a green curve, the increment in improvement each year is less than the increment the year before. The increment in absolute terms continues to increase on a red curve. Have you ever seen a company grow 5 percent (or more) year after year? This level of growth is not uncommon. Which curve demonstrates 5 percent growth per year? A red curve; the absolute growth is higher each year than the year before—5 percent of \$2 million is smaller than 5 percent of \$10 million. If you plot the performance of the U.S. economy over time, you will see that it is also a red curve. Companies traded on Wall Street must grow faster than the economy—this means that they must grow faster than a red curve, regardless of the size of the company.

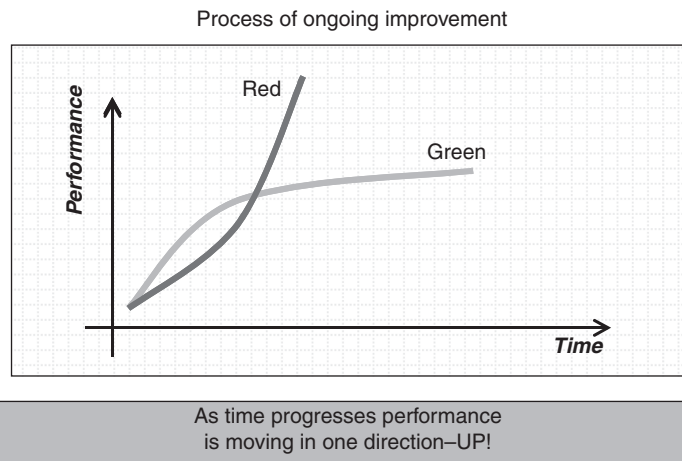


FIGURE 34-1 Process of ongoing improvement. (© E. M. Goldratt used by permission, all rights reserved. Source: Modified from E. M. Goldratt, 1999)

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