

Strategic Improvement Plan (SIP)

During the period 1987 – 1991 Dr. H. James Harrington developed the methodology to prepare a Strategic Improvement Plan (SIP). In the mid 1980s Harrington realized that most organizations had a hit or miss approach to their selection of improvement programs. Organizations were more influenced by what the flavor of the month was than their own individual situations. Organizations followed the “in-things” to do without understanding the impact it would have on their internal culture. As a result Harrington developed SIP.

Definition: A Strategic Improvement Plan (SIP) is a short-range plan (usually three to five years) which identifies projects that will have a positive impact upon the organization’s internal operations. They are directed at improving the overall value provided by the organization to all of its stakeholders. It provides a plan and schedule that is designed to transform the organization’s Controllable Factors (sometimes called “Key Business Drivers”) putting them in line with how the organization would like to be functioning five years in the future. Most Strategic Business Plans focus on how the organization will impact the external environment. The SIP differs itself by focusing on changing the internal operations or culture of the organization. The SIP becomes a key part of the organization’s total Strategic Plan. (See Figure 1.)

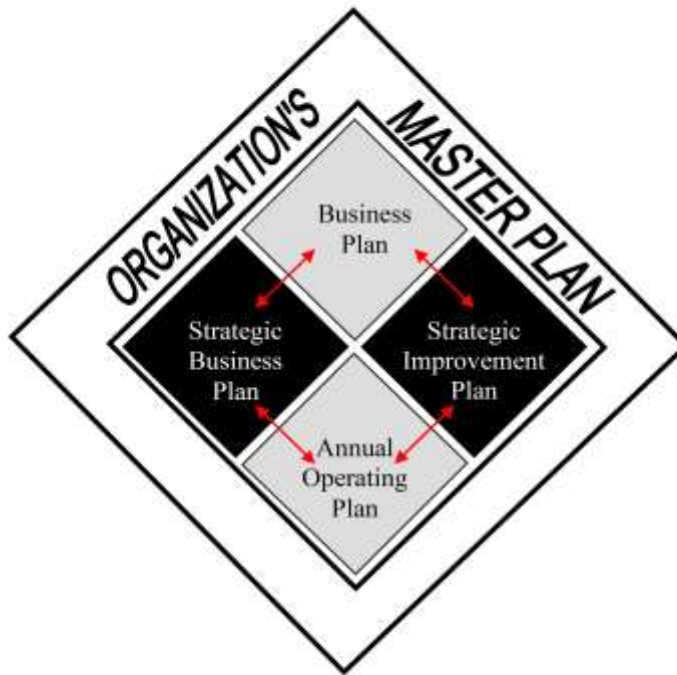


Figure 1. Organization's Master Plan

Benefits

The SIP has many benefits:

- It eliminates the reaction to “flavor of the month” improvement activities.
- It makes the internal improvement activities part of the total Strategic Plan.
- It defines the results that should be accomplished and then defines the projects that will be used to make the transformation.
- It results in an ongoing plan to continuously improve the organization's activities.
- It allows for a systematic evaluation of all of the potential projects at the same time.
- It allows the team to look at the many different improvement tools that are directed at improving the same thing and select the most appropriate ones.
- It requires the organization to define how it wants to change the organization's culture based upon the things that the organization can control.
- It is an approach where all the stakeholders gain a feeling of ownership in organization's future.

Features

Features of SIP typically include:

- A list of the organization's Controllable Factors is defined.
- Desired future behavioral patterns are defined.
- A statement of the AS/IS status of each of the Controllable Factors is defined.
- A vision statement about each Controllable Factor will function five years in the future that has been finalized that reflects input from the employees, suppliers, management, and customers.
- A list of approaches that will be used to close the gap between the AS/IS and future vision statements for each Controllable Factor is prepared.
- A year-by-year desired results for the SIP activities is defined.
- A combined prioritized time table for implementing the individual improvement activities is prepared.
- A 90 day running implementation action plan is developed that is updated every 30 days.

Background

This approach was developed and refined starting in 1987 and was first published in Ernst & Young's Technical Report in April 1991 (TR 91.002) authored by H. James Harrington. The details of SIP methodology was published in Dr. Harrington's book, "Total Improvement Management," in 1995 by McGraw-Hill. Typical organizations that have used this approach are Hewlett Packard, Cape Canaveral, McDonnell Douglas Eastern Space and Missile Center, Earle M. Jorgensen Company, Martin Marietta, and Lambda Electric Company. The latest version of SIP is defined in Harrington Institute, Inc. technical report entitled "What Comes After Six Sigma?" – Harrington Institute, Inc. (Technical Report - TR 10.001 rev 1).

Overall Process

The Strategic Improvement Planning methodology consists of seven phases. (See Figure 2.) The SIP approach is often selected after an organization has tried a number of different approaches to implement a continuous improvement culture and management is pressured to invest in a number of different methodologies that all directed at improving their internal operations. The SIP methodology requires the management team to define the relatively few factors that they can invest in to improve the way the organization operates (Controllable Factors). Management has control over relatively few things; they don't control the economy, their customers, their competition, their suppliers, government regulations, the stock market, etc. The only things that management can change are the environmental processes that they control. If you want to bring about change in an organization, these environmental processes within the organization that impact the way the organization operates must be changed.

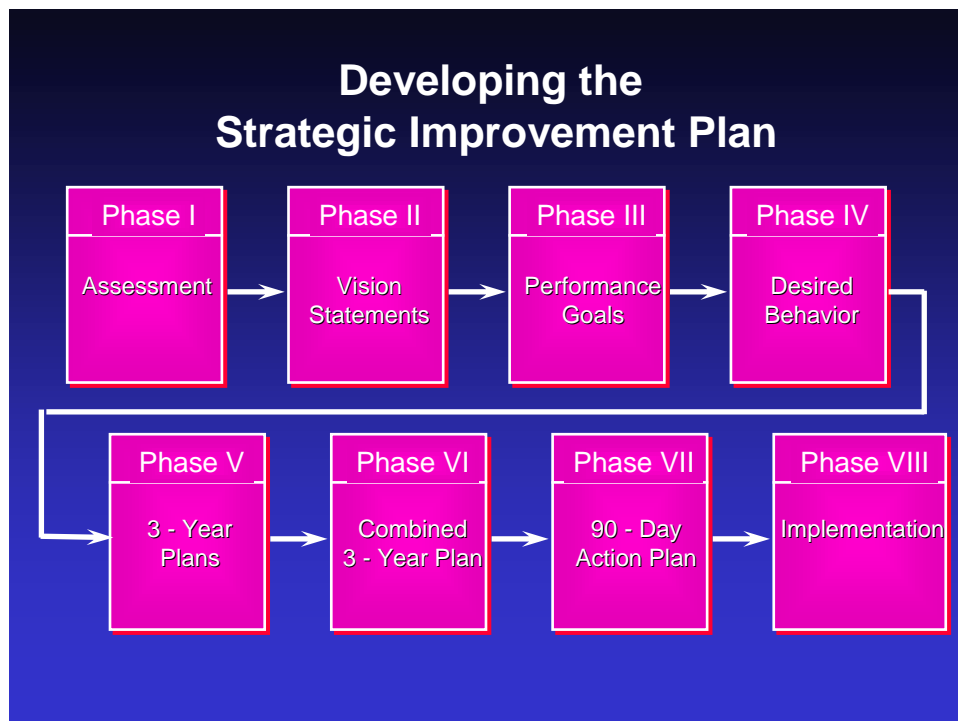


Figure 2. Developing the Strategic Improvement Plan

There is a relatively small group of things that management can invest in to control the way the organization operates. In most organizations it is between 8-12 different things that we will call “Controllable Factors.” Typical Controllable Factors are:

- Management processes
- Training processes
- Measurement processes
- Customer partnership processes
- Supplier partnership processes
- Business processes
- Production processes
- Employee processes
- Research and development processes
- After-sales services processes
- Knowledge management processes

Once the Controllable Factors are defined, the present status for each of them needs to be defined and a set of vision statements (desired future-state) needs to be prepared for each of the Controllable Factors. Now the gap between the AS/IS and the desired future state can be defined. Based upon this gap, a set of key yearly performance goals is developed (see the example in Figure 3) and the desired behavioral changes are defined. Behavioral changes occur before results can be measured. These vision statements define how the Controllable Factors should change over the next five years. Once the gap between the

AS/IS status and the desired future-state status is defined, the approach to making the transformation can be selected out of the more than 1100 different improvement approaches that are available today. (See the 1119 improvement approaches listed in H. J. Harrington's book, *Performance Improvement Methods: Fighting the War on Waste*, published by McGraw-Hill in 2000.)

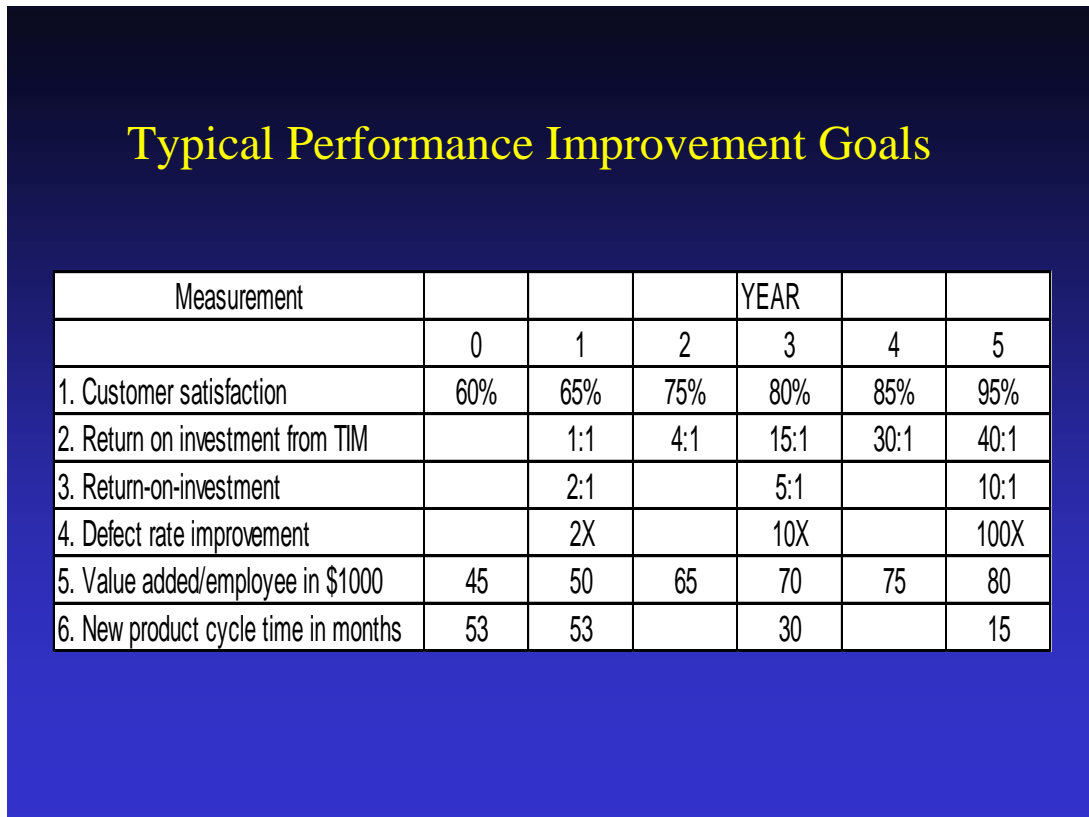


Figure 3. Typical Performance Improvement Goals

After the improvement approaches for each of the Controllable Factors has been selected, they need to be combined together and prioritized. Then they can be scheduled, taking into consideration all the other activities that are going on within the organization. This schedule of improvement activities is then integrated into the Strategic Business Plan

creating the total Strategic Plan. It then becomes part of each annual planning and budget cycle.