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Leading people through change using S&T Trees

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Jelena has worked in Japan, Poland, Turkey, Italy, Russia, Ukraine, India, China, Chile, Colombia, Mexico and other countries throughout the world. Jelena is the author of the books *Behind the Cloud – Enhancing logical thinking* and *Through Clouds to Solutions*. The books present new developments in the area of working with assumptions, UDEs and UDE Clouds.

Together with Oded Cohen Jelena has co-authored the book *TOC Fundamentals*, recently published in Russian.

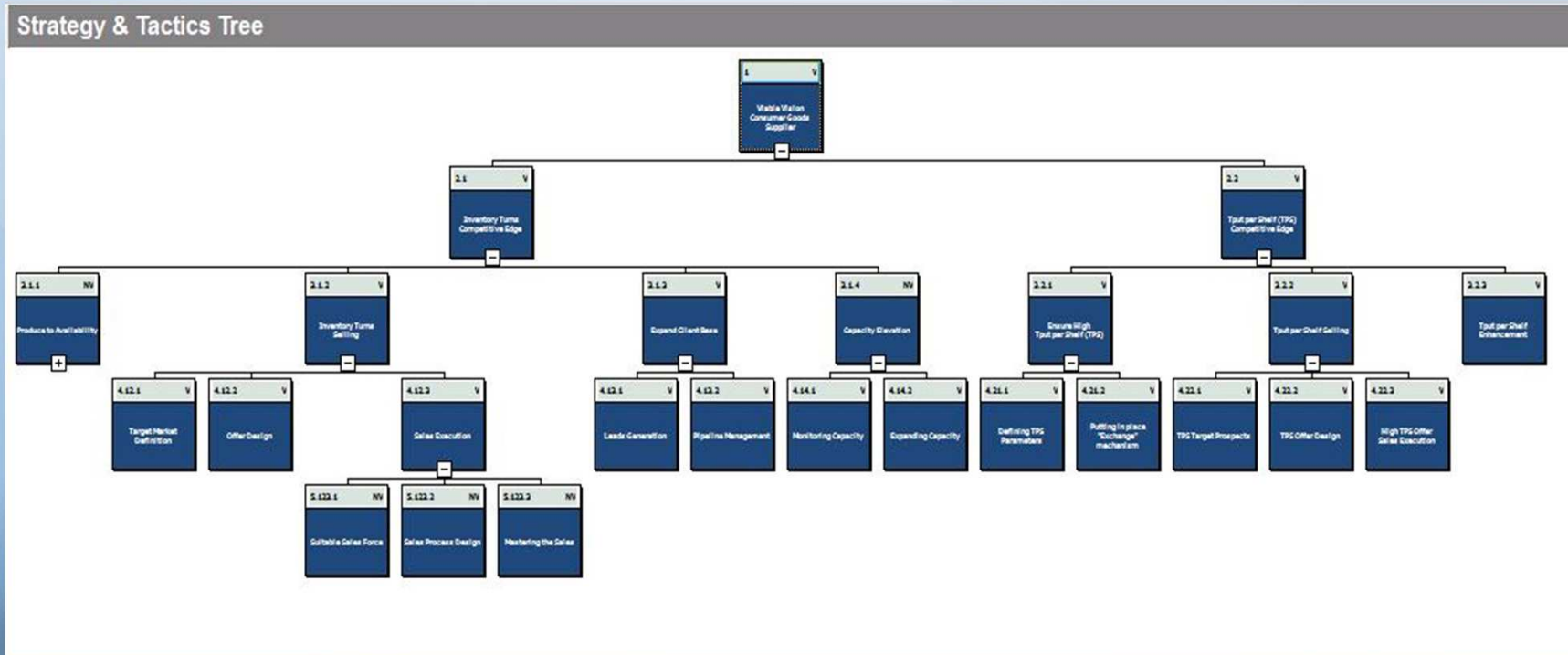
She has authored numerous articles on TOC concepts and implementation, and has contributed to and edited several TOC books.



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Hierarchical break down structure of the S&T Tree





Populating the S&T tree

In order to construct and populate an S&T Tree, **one has to have the direction of the solution.**

The S&T Tree is a tool for

- detailing and structuring the solution
- building the rationale under every planned step.

S&T Tree is NOT for finding a solution!



Populating the S&T tree

- It is relatively easy to follow the logic and flow of the entities of each step of the existing standard S&T trees.
- However, while building their own S&T Tree, many managers struggle with populating an “empty” step.



S&T Step – guidelines for generic questions

The entities within an S&T step are the answer to some generic questions.

Necessary Assumption

Why do we need this element of the strategy to be achieved?

Strategy

What has to be achieved?

Parallel Assumptions

Why will the tactic / action / activity achieve this element of the strategy?

Tactic

How do we accomplish this element of the strategy?

Sufficiency Assumption

Why is accomplishing this strategy/tactic at risk without providing another level of details?



S&T Step – guidelines for generic questions

The entities within an S&T step are the answers to some generic questions.

As presented in MTA Webcast by Eli Goldratt:

Necessary Assumption

What is the major concern of the company/company's market in this area [the area of the discussed step]? What need is there, answering which, would give us advantage over our competitors?
What is the company/company's market suffering from now?

Strategy

If we are able to meet this need remove this negative, do you realize that it will have a major impact on [the market, level of performance, effectiveness of the offer, etc]? For this we need to adopt a strategy, as follows...

Parallel Assumptions

How can we achieve this strategy? Is it possible at all? Can we change our way of operation to the extent that we achieve the strategy? What are the facts of life that we do not capitalize on?

Tactic

What should we do, if we want to achieve this strategy?

Sufficiency Assumption

Can we deliver on such a tactic? What changes in our way of operating do we have to make in order to do it? For that, we'll need to go into the details. Before we go into the details on how to deliver on such a tactic, there is something we should not overlook.



Frequent questions while populating a step of an S&T Tree

- How do I know what exactly I should write in this step?
- How can I be sure that what I wrote in each of the entity types is actually this type of entity?

It speaks about the frequent difficulty in recognizing which of the various facts, assumptions, suggestions, ideas, desired deliverables, planned actions that relate to this specific S&T step fall under which of the five entity types:

- Necessary Assumptions (NA)
- Strategy
- Parallel Assumptions (PA)
- Tactic
- Sufficiency Assumptions (SA).



A hint helping to populate an individual S&T Tree

I suggest looking at developing an individual S&T as

a process of understanding in detail what you will be “selling” as improvement to all stakeholders –

your boss, peers, subordinates, clients, and suppliers.



Why looking at it as “understanding what to sell”?

We can sell something only when:

- **We have what we want to sell.**

In other words, we have the detailed and structured solution.

- We are clear in **the way our solution solves the need** of those we are selling it to, and has **advantages over any other solution** that currently exists.

- We know **how to communicate the solution** so that the people we are talking to will listen to us.



Identifying the pattern within Necessary Assumptions (NA)

Necessary Assumption entity speaks about the opportunity we see to “sell” the improvement idea.

This opportunity is expressed as:

- a significant **need** of the company’s market – levels 1 and 2 of the S&T Tree
- something **negative** in the company’s current reality – any level
- a **threat** to the company’s future reality that may result from incomplete implementation of the solution – levels 3 and lower



Necessary Assumptions – need in the market/negative current/ threat for the future

Consumer Goods Company S&T Step 2.1 – NA:

When most cash is tied up in inventory,

current negative

and availability is still an issue,

current negative,

improving inventory turns is a client's significant need.

explicit need

Retailer S&T Step 2.1 – NA:

Expecting to find an SKU and being disappointed severely

erodes the consumer's impression of good availability.

current negative

First presented in 2011 in my article 'Some Thoughts about Populating and Communicating an S&T Tree' (GS book 'Leading People Through Change'). All examples from standard S&T Trees are used with the permission of the author, Eli Goldratt.



Necessary Assumptions – need/negative/threat

Pay Per Click S&T Step 3.1.4 – NA:

*A well presented business deal results in very high hit ratio (>80%)
and most sales organizations don't know how to deal effectively with
a high number of good prospects.*

current negative

Consumer Goods Company S&T Step 3.1.4 – NA:

*When sales are growing, a permanent bottleneck may appear (a
future threat). Existence of a bottleneck ensures that stocks will be
depleted and shortages are unavoidable*

future threat

Projects Company S&T Step 3.1.1 – NA:

Not meeting promises, (especially when hefty penalties are involved,) may bring a company to its knees.

future threat



Identifying the pattern within Strategy

Strategy entity expresses **what NEW we are offering as a result of our solution.**



Strategy – What **NEW** we are offering that is resulting from our solution

Consumer Goods Company S&T Step 2.1 – Strategy:

A *decisive competitive edge*

new and resulting from our solution

is gained by providing a "partnership" that delivers superior inventory turns (better availability coupled with substantially reduced inventory),

new and resulting from our solution

when all other parameters remain the same.



Strategy – What **NEW** we are offering that is resulting from our solution

Consumer Goods Company S&T Step 3.2.3 – Strategy:

For many TPS partnerships, the Company has the ability to increase traffic in the shop (department)

new and resulting from our solution

due to new collections it offers frequently.

Manufacturing RRR Company S&T Step 4.11.3 – Strategy:

Orders are shipped on time (over 99%).

new and resulting from our solution



Identifying the pattern within Parallel Assumptions (PA)

Parallel Assumptions explain **why we claim that the strategy is possible at all.**

We show that there is

- **knowledge and experience** that leads to achieving the offered strategy, and that the
- **company's environment is conducive and favorable** to it.



Identifying the pattern within Parallel Assumptions (PA)

From the point of view of the “selling idea” process, Parallel assumptions state why the company should “buy” the idea (solution) from ME, and not from someone else:

- because I have the **knowledge** that others do not have, and/or
- because there is something in the company’s reality that is playing **in favor of the strategy** I am “selling”:
 - ✓ the **result of previous steps in implementation** of MY solution
 - ✓ an **obvious fact, or a general principle, playing in favor of the strategy** that I offer



Parallel Assumptions – knowledge/achieved result/general fact favorable for the strategy

Make to Order – Reliable Rapid Response S&T Step 3.1.2 – PAs:

The knowledge to effectively capitalize on the Reliability competitive edge (in selecting market sectors, prioritizing prospects, designing offers and selling them) exists.

The knowledge exists and I have it.

The improvements implemented in production increased DDP, reduced LT and exposed capacity.

This resulted from previous steps in implementation and is favorable for the strategy.

(Strategy: Sales generated by the Reliability offer are increasingly growing.)



Parallel Assumptions – knowledge/achieved result/general fact favorable for the strategy

Make to Order – Reliable Rapid Response S&T Step 4.15.2 - PAs:

The knowledge of what type and amount of capacity is needed for the next expansion step is available when operations is run by DBR-BM.

The knowledge exists and I have it.

The time and needed preparations to add capacity depend on the type of resource(s) needed.

Obvious fact playing in favor of the strategy.

(Strategy: Capacity expansions are timely done.)



Identifying the pattern within Tactic

Tactics entity shows what **mechanism or logistical performance** level we are “selling” that the company did not have before.

- **Mechanism** – depending on the level in the tree, will be identified as
 - ✓ **generic “ability”, “capability”, “mechanism”, “plan”, “mode of operation”**. The verbs used to explain what will be done about this mechanism are non-specific: “develop”, “plan and execute”, “switch to”, “shift”
 - ✓ **a specific logistical TOC mechanism** (SDBR, BM, pull distribution, CCPM)
 - ✓ **instructions** – non-specific on level 2, and more specific starting from level 3 or 4
- **Level of logistical performance** – DDP, short lead time



Tactics – new mechanism or logistical performance

Retailer S&T Step 2.1 - Tactic:

The Company switches (from a forecast-driven mode of operation) to an effective consumption-driven mode of operation.
a generic mechanism

Pay Per Click S&T Step 4.21.1 - Tactic:

For each product family, a buffer time is set to be equal to 50% of the current lead-time
a specific instruction



Tactics – new mechanism or logistical performance

Manufacturing RRR Company S&T Step 2.1 – Tactic:
The Company is remarkably good at meeting its promised due-dates

level of logistical performance

and offers hefty penalties for each time interval of delay.

a non-specific instruction

Manufacturing RRR Company S&T Step 3.1.1 – Tactic:
The Company implements S-DBR and BM.

a specific logistical TOC mechanism



Identifying the pattern within Sufficiency Assumptions

Sufficiency assumptions express a **generally known fact that it is risky to overlook or underestimate.**

Including it in the SA entity helps keep it in the span of managerial attention – not be forgotten in the implementation.



Sufficiency Assumptions – not to overlook or underestimate

Projects company S&T Step 4.11.6 – SA:

Many times, things not under the Company's direct control are still under the Company's (strong) influence.

Pay Per Click S&T Step 2.2 – SA:

A new initiative brings two sources of risks: the risks inherent to the new initiative, and the impact of the new initiative on the existing business (usually, the latter is the bigger and more overlooked).



Let's look at a real individual S&T – Co XYZ

Level 1

1	XYZ assets are valued at \$XXX by 30/6/2016 (THE GOAL)
<p>NA - need in the market/ negative current/ threat for the future</p>	<p>XYZ doesn't currently have a high enough valuation to raise the funds to achieve our objectives negative in the current reality of the company OK</p>
<p>Strategy – what new will result from solution</p>	<p>XYZ revenues from XYZzyzy licenses and royalties are \$XXX per year and growing new and resulting from our solution OK</p>
<p>PA – knowledge/ result of prev. step in implem./ general fact favorable for the strategy</p> <p><i>How is strategy possible at all through tactics</i></p>	<p>Increasing shortages of finite materials (hardwood) have created the need for XYZ. an opportunity for the company due to the need in the market NA? There is a market for sustainable materials but the market is not willing to pay a premium price. an opportunity for the company and current negative NA? XYZ.can easily fall into the trap of putting our credentials too far in front of the economic viability of our offer. a threat for the future (due to incomplete solution??) (usually in L3 and lower) NA? SA? The market is not willing to put high value on the unfulfilled potential of Intellectual Property. current negative NA?</p>
<p>Tactic – mechanism (generic capability/ specific TOC mechanism/ instructions) or level of logistical performance</p>	<p>Sales of XYZzyzy are \$XXX per year and growing level of performance (not logistical)</p>
<p>SA – not to overlook or underestimate.</p>	



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Does not answer the question:
 How is strategy possible at all through tactics?
 Speaks more about the OBSTACLES to perform the Tactic.



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<p>Tactic – mechanism (generic capability/ specific TOC mechanism/ instructions) or level of logistical performance</p>	<p>Sales of XYZzyzy are \$XXX per year and growing level of performance (not logistical)</p>
<p>SA – not to overlook or underestimate.</p>	<p>In order to achieve a valuation of 10 x XYZ's earnings, revenues must be sustainable and growing and supported by an increasingly valuable asset base. XYZ must be able to defend its market share. There is currently no production capacity to satisfy a \$XXX market.</p>

Does not answer the question:
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Let's look at a real individual S&T – Co XYZ

Level 2

2.1	A disciplined and GOAL focused XYZ capitalises on Golden Opportunities
NA - need in the market/ negative current/ threat for the future	It is very easy to consume finite resources pursuing opportunities that will not help achieve the GOAL threat for the future OK
Strategy – what new will result from solution	XYZ team remain disciplined to ensure the right results are achieved on time and to budget new and resulting from our solution?
PA – knowledge/ result of prev. step in implem./ general fact favorable for the strategy How is strategy possible at all through tactics	XYZ expects many promising but diversionary and potentially costly opportunities to continue to present themselves an opportunity for the company due to the need in the market NA? Thorough decision making takes longer than impulsive decision making. Not to overlook? SA? Many opportunities appear to be shortcuts to the GOAL an opportunity for the company due to the need in the market NA? a general fact favorable for the strategy? PA?
Tactic – mechanism (generic capability/ specific TOC mechanism/ instructions) or level of logistical performance	XYZ managers always use a decision making process that measures expenditure, opportunities and resource consumption (people) against the GOAL non-specific instructions
SA – not to overlook or underestimate.	



Let's look at a real individual S&T – Co XYZ

Level 2

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PA – knowledge/ result of prev. step in implem./ general fact favorable for the strategy How is strategy possible at all through tactics	XYZ expects many promising but diversionary and... opportunities to continue to present themselves an opportunity for the company due to the ne Thorough decision making takes longer than imp Not to overlook? SA? Many opportunities appear to be shortcuts to the an opportunity for the company due to the ne a general fact favorable for the strategy? PA?
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Let's look at a real individual S&T – Co XYZ

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Tactic – mechanism (generic capability/ specific TOC mechanism/ instructions) or level of logistical performance	XYZ managers always use a decision making process that measures expenditure, opportunities and resource consumption (people) against the GOAL non-specific instructions
SA – not to overlook or underestimate.	Pressure to succeed encourages managers to short-cut the decision making process XYZ does not want to be blinkered and miss out on Golden Opportunities

Does not answer the question:
How is strategy possible at all through tactics?
Speaks more about the OBSTACLES to perform the Tactic.



Let's look at a real individual S&T – Co XYZ

Level 3

3.1.1	The ZEO roadmap inspires clarity and confidence for Internal & External 'buy-in
NA - need in the market/ negative current/ threat for the future	It is not easy to raise funds without a roadmap that details all expenditure, expected deliverables and clearly defined milestones. Without a roadmap it is too easy to spend money that does not take XYZ towards the goal threat for the future OK
Strategy – what new will result from solution	XYZ has a roadmap that details all expenditure, expected outcomes and clearly defined milestones enroute to the Goal new and resulting from our solution – is the solution in the title of the step?
PA – knowledge/ result of prev. step in implem./ general fact favorable for the strategy <i>How is strategy possible at all through tactics</i>	
Tactic – mechanism (generic capability/ specific TOC mechanism/ instructions) or level of logistical performance	
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Let's look at a real individual S&T – Co XYZ

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Strategy – what new will result from solution	XYZ has a roadmap that details all milestones enroute to the Goal new and resulting from our solution
PA – knowledge/ result of prev. step in implem./ general fact favorable for the strategy	
<i>How is strategy possible at all through tactics</i>	
Tactic – mechanism (generic capability/ specific TOC mechanism/ instructions) or level of logistical performance	
SA – not to overlook or underestimate.	

Feels more like an IO to remove an obstacle (entity in NA box). Nearly mirror wording between NA and Strategy.



Let's look at a real individual S&T – Co XYZ

Level 3

3.1.1	The ZEO roadmap inspires clarity and confidence for Internal & External 'buy-in
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PA – knowledge/ result of prev. step in implem./ general fact favorable for the strategy How is strategy possible at all through tactics	There are many routes to the Goal. General fact - how is it favorable for the strategy? Managers often fight to validate their ideas and get more resources. Not to overlook? SA? Resource constraints turn some routes into dead end. Not to overlook? SA?
Tactic – mechanism (generic capability/ specific TOC mechanism/ instructions) or level of logistical performance	XYZ identifies and prioritises the milestones enroute to the Goal specific instructions
SA – not to overlook or underestimate.	



Let's look at a real individual S&T – Co XYZ

Level 3

3.1.1	The ZEO roadmap inspires clarity and confidence for Internal & External 'buy-in'
<p>NA - need in the market/ negative current/ threat for the future</p>	<p>It is not easy to raise funds without a roadmap that details all expenditure, expected deliverables and clearly defined milestones. Without a roadmap it is too easy to spend money that does not take XYZ towards the goal</p> <p>threat for the future OK</p>
<p>Strategy – what new will result from solution</p>	<p>XYZ has a roadmap that details all milestones enroute to the Goal</p> <p>new and resulting from our solution</p>
<p>PA – knowledge/ result of prev. step in implem./ general fact favorable for the strategy</p> <p><i>How is strategy possible at all through tactics</i></p>	<p>There are many routes to the Goal.</p> <p>General fact - how is it favorable for</p> <p>Managers often fight to validate their</p> <p>Not to overlook? SA?</p> <p>Resource constraints turn some routes</p> <p>Not to overlook? SA?</p>
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Feels more like an IO to remove an obstacle (entity in NA box). Nearly mirror wording between NA and Strategy

Does not answer the question: How is strategy possible at all through tactics?
Speaks more about the (potential) negatives that are expected to BE REMOVED by the Tactic.



Let's look at a real individual S&T – Co XYZ

Level 3

3.1.1	The ZEO roadmap inspires clarity and confidence for Internal & External 'buy-in'
<p>NA - need in the market/ negative current/ threat for the future</p>	<p>It is not easy to raise funds without a roadmap that details all expenditure, expected deliverables and clearly defined milestones. Without a roadmap it is too easy to spend money that does not take XYZ towards the goal</p> <p>threat for the future OK</p>
<p>Strategy – what new will result from solution</p>	<p>XYZ has a roadmap that details all milestones enroute to the Goal</p> <p>new and resulting from our solution</p>
<p>PA – knowledge/ result of prev. step in implem./ general fact favorable for the strategy</p> <p><i>How is strategy possible at all through tactics</i></p>	<p>There are many routes to the Goal.</p> <p>General fact - how is it favorable for</p> <p>Managers often fight to validate their</p> <p>Not to overlook? SA?</p> <p>Resource constraints turn some routes</p> <p>Not to overlook? SA?</p>
<p>Tactic – mechanism (generic capability/ specific TOC mechanism/ instructions) or level of logistical performance</p>	<p>XYZ identifies and prioritises the milestones enroute to the Goal</p> <p>specific instructions</p>
<p>SA – not to overlook or underestimate.</p>	<p>XYZ often lacks resources to stick to the agreed upon roadmap.</p> <p>XYZ doesn't have a budget that covers all required expenditure.</p>

Feels more like an IO to remove an obstacle (entity in NA box). Nearly mirror wording between NA and Strategy

Does not answer the question: How is strategy possible at all through tactics?
Speaks more about the (potential) negatives that are expected to BE REMOVED by the Tactic.



Why are Parallel Assumptions (PA) important?

S&T Tree is not only an 'organizer' for an implementation of the desired change – through presenting a clear structure of implementation elements.

S&T Tree is also an effective tool for auditing an implementation.

Auditing checks the results to identify the deviations and find out why the expected results were not achieved.

In every S&T Tree Step – the Strategy is WHAT WE WANT TO ACHIEVE.
The Tactic is what was planned to do to achieve the strategy.

If the Strategy has not been (fully) achieved, and the employed Tactic (mechanisms/procedures/instructions) was used, then we need to check which one(s) the Parallel Assumptions is wrong – because it was on the basis of PSs that we claimed the that Strategy will be achieved through Tactic.

What do we need to check?



Why are Parallel Assumptions (PA) important?

Parallel assumptions express:

- existence of the **knowledge** based on which Tactics will lead to Strategy
→ We check if this knowledge is valid for this specific case
- that there is something in the company's reality that is playing **in favor of the strategy**:
 - ✓ the **result of previous steps in implementation** of MY solution
→ We check that the previous step in the implementation has really achieved the result that we believed will be the basis for the tactic in this step, or that this result has been sustainable;
 - ✓ an **obvious fact, or a general principle, playing in favor of the strategy**
→ We check that such a fact/principle really exists in our reality

Based on the results of the audit, we can adjust PAs or/and change the tactic.