



Bridge the Gap Between Strategy and Tactics with the Magic Matrix

I. THE PRESIDENT'S DILEMMA

The company president sat at the head of a well-polished conference table. Around the table, the vice presidents were saying, "I made my budget...I made my budget..." When they were finished, the president paused and said, "I guess I'm the only one in the room who didn't make budget."

What went wrong? The VP of Sales had beaten her quota, the VP of Marketing had developed popular new products, and the VP of Distribution had met his service and cost objectives.

But the new customers were located in areas far from the warehouses, the new products competed with the company's most profitable products for scarce capacity on a critical production line, and the warehouses were unknowingly giving service priority to several low-profit accounts rather than those Sales had targeted for increased penetration.

This scenario occurs in company after company, quarter after quarter. Each functional jurisdiction sets objectives and makes plans, but it is the *interaction* of these plans that determines whether the president makes the profit budget. Surprisingly, although many managers know that this happens, most companies have not found a good way to achieve the necessary level of coordination. A company's managers typically have a loose high-level vision, but effective, detailed alignment is almost always missing because it is so difficult to achieve.

This fundamental lack of coordination is a long-standing, seemingly-intractable problem in business, and a serious deadweight drag on profits. The root cause is the failure of integrated planning to link strategy and tactics. Even if a company's top managers agree on a strategy, and their tactical plans appear to make sense for their respective jurisdictions, the company will still fail to achieve its potential.

This problem occurs so often because products, sales, and orders are inherently cross-jurisdictional. Each order is from a customer (sales function) for a product or service (marketing function) to be coordinated by customer service people and filled by operations personnel.

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