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Achieving a collaborative and continuous strategy process

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In the wake of recent market turmoil, the strategy process is again getting increased attention. There is much talk about flexibility, scenario analyses and the need for a collaborative and continuous strategy process that is integrated into operative planning and execution. However, achieving such a process requires implementation to be done in ways that have perhaps not been considered yet.

Our markets and financial environment are getting increasingly volatile. While this is highlighted by the recent financial crisis, a trend towards increased uncertainty has continued over a long period of time already. Increased uncertainty seems to be global, touching both industrialized and emerging markets. This can be seen by looking at the increased amplitude of ups and downs for all major stock indices over the last decades. Squinting one's eyes slightly, it is evident that the wavelength of waves up and down is similar, or shorter (that is, frequency of change increasing), while the amplitude (difference between bottom and top of wave) is increasing. As a result, the derivative of these curves (the rate of change) is dramatically increasing in the transition regions. There is no sign of this development slowing down. We may see even faster rates of change going forward. With high information transfer speeds and tight interlinkages between markets and players, global fluctuations are the norm rather than the exception. This not only makes linear extrapolation a futile exercise: authors such as Nassim Nicholas Taleb argue that the truly random events, the Black Swans, are the most important drivers of growth opportunities. The strategy process needs to manage and leverage this.

It seems obvious that in this environment the strategy process needs to be collaborative and continuous, integrated into operative planning and execution. This does not make a long term vision or mission irrelevant. Indeed these become even more important to provide a sense of overall direction amidst uncertainty. However, rapid changes imply that the

operative management and frontline staff need to drive the strategy process themselves. Calling on the help of consultants or external experts for limited time occasional strategy projects is no longer feasible. Strategy needs to be a continuous part of every day operations in the company. In fact, in a collaborative and continuous strategy process problem solving, achieving buy-in and implementation of the strategy all tie together: they form a part parallel-part cyclical iterative process where new ideas are tested while existing ones are implemented. The process is driven by the company's operative management and business development function and includes broadbased frontline participation.

Pardon my inserting a short commercial at this point, but let me iterate that while management cannot be outsourced, the business development function certainly can. Such outsourcing, full or partial, has already been seen to be an extremely powerful mechanism to achieve the process described here: it can bring in the required cyclical approach, the right fact based methodology, a push to consider a range of new options and the required intra-political independence. While some concerns have been raised about loss of business insight when outsourced business development is used, our experience seems to indicate the opposite. With the right approach, the combined business insight in fact deepens when compared to purely in-house resources due to the multi-sector involvement an outsourced party has. It should be emphasized, however, that outsourced business development, at least in the form Reddal does it, is completely different from the work of consultants in terms of approach, involvement and cost.

Practical requirements for a collaborative and continuous process often not met

A collaborative and continuous strategy process and its requirement that operative management and frontline staff across functions are tightly involved, is a healthy ambition. Unfortunately this increases the pressure on the same resources in the corporate and its business areas that already face a heavy load driving the daily business. The approach also requires a very professional business development function with a wide view, both in- and outside the corporation's own industry. As for the operative management, while this group may have honed its execution skills to perfection, there may be considerable gaps in the skills required for incorporating strategy work into daily routines. Some of the challenges we have observed in working with clients include:

- Running the operative business takes up all the time of senior and middle management and there is no room to come up with novel ideas and to do associated analyses testing and verifying these; there is sometimes also a reluctance for testing more out-of-the-box hypotheses or considering more risky options
- The management team has no second layer of flexible capacity available that can help with structuring issues, issue analysis, practical data gathering and analytical work that developing strategy requires; in addition, there are few people ready to push back when ideas presented by senior management are not supported by facts
- There is no process nor methodology in place to run a cyclical process; this requires an annual cycle, preferrably tied all the way up to the Board of Directors, an ability to plan/run sprints based on the key issues faced in each growth phase and an ability to mobilize task forces with senior management and frontline staff working side-by-side
- There are few professional tools in place for solid problem solving; often tools used

are fill-in templates that have low impact in terms of generating true strategic direction (for example, SWOT analyses, an unstructured strategy canvas, or plain LRP, which may feel good but are hard to draw so-what's from); as a result strategies tend to become opinion based bulletpoints, rather than actions the logic of which derive from fact-based quantitative analyses
- There are no time- and cost-effective mechanisms available to involve a larger group of frontline staff in order to test existing and generate fresh hypotheses
- The management team and frontline staff are not accustomed to a collaborative, iterative, hypothesis driven and fact based problem solving process
- Surprisingly few of the senior people needed in the strategy work have the necessary skills to do professional grade analyses and documentation on their own, starting from basic skills such as the use of Excel, Powerpoint and being able to type with ten fingers, all the way up to being able to structure a good storyline and logical argument; inadequate basic skills may affect also the quality and clarity of thinking

Lack of these skills makes it hard to execute a collaborative and continuous strategy process in practice and may discourage some staff from participating. The good news is that all these skills are easy and straightforward to learn, provided everyone acknowledges the need for development and has the humility to go through the learning process. The learning process is iterative by nature and has a big learning-by-doing element in it. Thus, the principal way to make progress is to start executing while having the patience to allow the team's skills to build up during each iterative cycle.

Making strategic thinking part of everyday routines

The first step is to understand that strategy requires thinking and often also innovation. It also benefits from inspiration. The process can be scheduled and driven, but there must be room to put things aside so that they can mature; strategy cannot be forced if the quality of thinking is not there. Thus, people involved need to make sure they have room for thinking time in their daily routines, or at least have working habits that allows them to create, capture and test inspired thoughts. An example of such a working habit is to debate data and insights with colleagues, writing snippets of the insights into mini-storylines which are shared and tested by informal hallway discussion. Some companies use collaboration software for this, but more important is the actual process itself, which in fact can be done well with pen and paper. Another approach is to make small analyses and so what's in slide form, fitting them into the current strategy storyline and then testing the conclusions with people around the organization or even external parties. Finally, a good way to check the strategy is connected to business targets is to develop revenue-, profit- and/or NPV-ladders and an action plan, by which strategic actions are tied to expected business outcomes. This type of iterative hypothesis-analysis-so what cycle is important for three reasons: (1) it forces the organization to prove various claims and statements analytically and then draw the conclusion only after the facts have been verified, (2) it enforces strategy to be connected into numbers and financials and (3) such a process also serves as a way to build buy-in to the ideas from the many people involved in the process. When one looks at companies where strategy is part of the culture, simple routines like the ones illustrated here come naturally. For anyone considering a collaborative continuous strategy process, making sure these behaviours are part of the culture is key.

Thinking is a necessary prerequisite for good strategy, but thinking can be made easier by a good process, solid tools that help to structure/polish the thoughts and by clear roles and responsibilities that ensure effective execution. In many organizations today the knowledge is spread out widely and strategy therefore should ideally involve a large number of people. In our recent work with corporations having revenues of 300 to 1000M€+, this implied 40 to 100+ people. To make this practical, an iterative group problem solving approach using a compact one-page storyline and with assigned problem solving leaders for each workstream was used. In addition, each individual's role as either a working group member or input provider was defined. Typically the overall solution architect (corporate workstream problem solving leader) is the CEO. However, the CEO must be careful and apply the same analytical rigor to his/her own thinking and ideas as required from the rest of the management and operative staff involved in the process. Given that many CEOs are busy driving change into their organization, the temptation to take one's own ideas as absolute truth is often there. However, as the overall solution architect and corporate problem solving leader the CEO should make sure that all hypotheses, including his/her own, are rigorously tested and verified with fact based analyses. Only by doing this can s/he provide the rest of the different strategy workstreams the model and guidance they need in their work. Let me add, however, the comment by a CEO of a 1B€+ company: "There is a slight paradox hidden here in terms of providing CEO direction and allowing direction to emerge from the process. Both are needed and neither should dominate in order to bring the necessary convergence and buy-in to the process." The CEO must also maintain the process: As the overall solution architect, s/he plays a key role in maintaining and shaping the process across the journey. Tasks include making sure the journey is defined across its waves, that an annual cycle is in place and updated, defining the relevant sprints in the short term and mobilizing the required task forces for the work at hand.

Skills for true collaborative, iterative, hypothesis driven, fact based problem solving needed on all levels

Most operative management have risen to their position by executing well. However, few of them are used to a truly collaborative, iterative, hypothesis driven and fact based problem solving process to the rigor used by leading strategy consulting companies and their teams. In order to achieve a solid process such skills are absolutely necessary. Getting this part of the process right is probably one of the biggest obstacles the operative management faces, both in terms of their own work as well as in terms of involving frontline staff across functions. A key challenge here is to have the courage to state hypotheses up front which then are rigorously tested. A typical comment is "we cannot make hypotheses before we have checked the facts," which of course leads to a failed attempt of applying the required approach. At times there is also a certain unwillingness among operative management to consider truly novel but risky options or to think out-of-the-box. Another challenge for doing truly fact based strategy in-house is that the work requires setting aside self-interest and political motivations, which can be difficult in a large corporation where incentive schemes, cover-my-butt, power struggles and career ambitions often muddle up things. The role of the problem solving leader is thus highlighted, both in terms of maintaining analytical/logical rigor and intra-political independence. In addition, to manage the many internal conflicts that

always exist in strategy work, good structuring ability is crucial: most problems become straightforward once they are well structured and made transparent. To achieve this, an atmosphere where people speak openly and dare to debate the most sensitive issues is needed.

Team dynamics is central to the process. The problem solving leader must manage the group debate and make sure it remains constructive, taking the group effectively towards solutions. The team solving the problem may consist of one or several driver-type personalities, used to lead and push through their views to get things done. However, collaborative problem solving requires both contribution of ideas, as well as the ability to listen and build on the contribution of others. At the same time, a good process ensures that no one escapes into a commentator role; it is always easy to find fault at others' suggestions while doing little to move the group forward towards a new solution. To maintain a constructive balance in the contribution of all team members is a key job for the problem solving leader. As a side note, it is also important to extend this collaborative problem solving process outside of one's own organization. Leveraging customers, suppliers/partners and investment banks can provide new insight into elements of the strategy. Customers are useful when testing new offerings or go-to-market approaches, suppliers/partners can be key when improving time-to-market and investment bankers can add considerable depth when developing the approach by which the company is perceived to create value. On top of this, the strategy process needs to be forward looking enough. Understanding fundamental trends, market drivers and looking beyond the obvious short term customer requests is necessary. Having a clear vision and mission helps here, as well as maintaining a solid debate on what the company's business should be, what the earnings logic should be and where in the value chain the company needs to operate to reach its goals.

While higher level cognitive and team working skills are quite important, the devil is often in the details. Thus all people in the process should have the same level of basic individual skills even if this sometimes seems hard to achieve. Otherwise there is the risk that some only contribute by comments, reactions to other people's input and instructions on what needs to be done, while the actual work falls upon a small subgroup. For some reason it is often believed that senior management should only lead. We find this a dangerous path when addressing strategy, since it eliminates having to really polish one's own thinking by personal work using a pen and paper or a laptop and software. A team member's lack of basic skills in working with necessary analytical software, searching for data and being able to structure and create logical compelling presentations or documents introduce a tremendous waste of efficiency into the work. Therefore special attention should be paid that all people working with strategy, senior and junior alike, contribute with personally documented output and have the skills to do so. It may be humbling for a senior executive to learn to use Excel or Powerpoint, or to learn typing with ten fingers, but once the basic skills are mastered one's personal output and contribution also increases considerably. Being reduced to just managing the strategy process is fate to avoid at all costs, the essence is in the work one does with one's own head and hands and the ability of logical clarity one demonstrates in doing so. To achieve these skills, the HR function can play a key role in ensuring that they are developed across the organization.

Measuring the quality of the process involves looking at results as well as an ability address the unexpected

Two key questions remain: (1) what constitutes a good strategy and (2) what constitutes a good strategy process? As for the latter, while it seems a collaborative and continuous strategy process is the way to go, one may still wonder what is the right sequence and hierarchy for the process. Personally I recommend starting from the top, drafting an overall storyline and then continuing in a semi-parallel fashion with multiple workstreams. The workstreams depend on how the storyline, and thus, sprints are structured. Some of the workstreams may be secondary and can be started later, so that the effort does not become too large at any given time. Typically the starting point is the corporate level overall workstream and the storyline that is built there. This storyline then relies on a few or several pillars, which form a good base for setting up parallel workstreams on lower levels. Sometimes the workstreams coincide with the organizational structure (typically this happens at least on the business area level), but this is not the only way to go. Often cross-functional workstreams are also needed. It is worthwhile to spend some time on the overall storyline up front, as this helps to create a solid structure and keep the workstreams focused. As already mentioned, having a good annual cycle and a sprint schedule to manage and pace the work is a good practice. These can and should be adjusted over time as they growth journey progresses.

As for the question of a good strategy, perhaps the beauty lies in the eyes of the beholder. By this I mean that having buy-in across the organization is the biggest measure. On a more basic level, however, one might say that the strategy needs to be built on a good understanding on why the company exists and why the proposed strategic path makes sense, how the journey will be conducted in the big picture, what the milestones and interim targets to be achieved are, and what actions drive those. Of course, the value creation potential in relation to the risk is a key measure and can be illustrated by ladders as previously discussed. Progress towards/reaching interim targets can then be used as some sort of gauge whether there is a need to adjust the strategy or not. Another view might be that the strategy needs to be robust against perturbations and flexible enough when the unexpected happens. Personally, I would emphasize less the actual form of the strategy; more important is a process that achieves both collective clarity of mind and buy-in. An organization well versed in collaborative problem solving can adjust its strategy when the need arises; thus the strategy process becomes the dynamic tool it should be. One might say the quality of the process is measured in the daily results and the progress over time; if development and growth does not happen and targets are repeatedly not reached, a review of the approach is definitely needed.

A collaborative and continuous strategy process is a necessary element for today’s corporations and SME companies, but just talking about it is not enough. The first step is to understand the existing skill base and identify areas where enhancement and development is needed. The second step is then to define the iterative and collaborative process. The third step, the most exciting one, is to put all this into execution, piloting if necessary, and refining it across the journey. It should be clear that the first iteration will be far from perfect; based

on our experience after two or three rounds things start to go much smoother and the impact can really be seen. While it is a learning process where the initial phase takes a few years, the results will make up for it provided the organization diligently pushes for continuous development. An added benefit is that the skills developed are not only useful for strategy, they are powerful in any problem solving situations!

Note: I would like to extend my thanks to all the CEOs and operative management members who provided their comments and insights to this article. Your input and reactions were very useful. Let us hope this story will help others to create the kind of growth your companies have realized!