REDDAL

Using a (massively) participative strategy process for corporate change – lessons learned

Reddal Insights — 21 September 2012
Per Stenius

The competitive environment of all companies, whether large or small, is getting increasingly complex and fast-changing. To address this, the strategy process in many companies has been developed towards larger participation. Using crowdsourcing as a part of the strategy process seems to be the topic of the day among consultants advocating new approaches.

Yet, while web techniques like crowdsourcing certainly can add to the reach of the strategy process, we believe that it is the actual physical interaction that provides a real boost to strategy work. By this we mean face-to-face presence and straight talking in larger groups, hammering out the issues until the group is satisfied with the result. The issue is not about web techniques that help involving a very large number of people in the process. The real challenge lies in how to make the group dialogue honest and fact-based, focused on the best options for the corporate at large instead of individual benefits. In this article, we share some of the insights gained from multiple strategy efforts where massive participation has been leveraged to achieve much needed change within a corporation.

More eyes on the ball, better insight and more innovation?

Web techniques have developed enormously, so that involving a large number of people in any problem solving process is no longer cost or time prohibitive. However, while increasing the number of eyes can help to gain a more complete picture of issues a corporation is facing, the benefits are not gained automatically through adding more people. In any larger group of people, multiple interests are at play. Individuals, teams, departments and business units all have their own agendas. If these are not considered and brought out explicitly, they can quickly distort the process of developing more insight.

Just like increasing the number of people does not automatically provide more insight, large groups often also fail in innovation and in thinking out-of-the-box. Fresh thoughts seem to come about best when a small group, sometimes a mere individual, approaches a problem from a completely different angle than the majority would. Very often the solution that comes out of this process is dismissed by the larger majority as impractical, unrealistic or impossible to implement. When Lockheed needed to develop a new revolutionary type of aircraft, they started a “skunkworks” for the task. Only by isolating a smaller group was a sufficiently innovative environment created. The effect of visionary thinking by a few individuals can be seen in everyday management as well. Think Apple, where a single strong leader time and again lead the company to new innovations (sometimes failing badly), and where corporate-style leadership quickly lead the company to dismal financial performance (in the period following Jobs’s ousting). Similarly, the recent demise of Nokia might be attributed to too many smart leaders with no single visionary leading the group.

More eyes on the ball does not necessarily mean better insight, and in terms of innovation and new thinking it may actually be detrimental. Meanwhile, given the complexity of the issues a strategy process seeks to address, a lot of brainpower and different views are needed to gain solid solutions. So, the challenge is really how to harness the brainpower of the larger group into solving the common strategic challenge.

Massive participation works when the process is open, fact-based and based on meritocracy

In the past three years, we have been involved in multiple demanding strategy processes, where the corporation needed a substantial change to secure its future success. The approach chosen in these cases involved a massively participative process bringing deep frontline insight into the work, combined with teams using hypothesis driven iterative problem solving and large face-to-face peer-review workshops. The objective of this approach is to create an open fact-based debate where the merits (and weaknesses) of ideas are reviewed by a large diverse group including both management and front line staff. With this process, ideas that pass start to gain followership which has proven to be crucial in implementation. A key element of the process is to balance conservative and innovative thinking. One part of achieving a good balance is to set stretch targets that force the participants to think beyond what is there today. The innovators must also trust the fact-based debate process as an evaluation process, and acknowledge and give credit to the input that they receive.

In the cases we have seen, it is often the (new) CEO that brings in some initial ideas about how the company could focus its strategy and operating model. The obvious caveat is that he forces his own thinking onto the rest of the organization, or seeks to demonstrate a false followership by having “yes-men”, or management consultants, support his ideas. This false followership may seemingly speed up things early on, but leads to difficulties in the implementation phase. On the contrary, the CEO who has the courage to run his thinking through an open and fact-based massively participative process, may get somewhat frustrated by the initial process, but then finds implementation easier and faster than expected. This is precisely what we have observed in the cases that we have been involved in over the last years, as we have worked side-by-side with our clients through strategy definition and implementation phases.

Start by ensuring your team has a solid skill base in structured problem solving

Most corporate managers, especially those who have not been trained in formal problem solving, lack the necessary tools and skills for systematic and fact-based analysis. While they typically have a thorough insight into their business environment and plenty of experience, this may actually harm their objectivity and ability to think outside the box. It is no surprise then that many Boards and CEOs choose to involve strategy consultants in running the strategy process. However, involving consultants into strategy is unattractive in general, since due to them being consultants they spread ideas between companies, including also competing parties. In addition, we have seen that corporate managers, once they learn the basic tools of systematic, analysis driven and team based problem solving (which is what top management consultants use), are actually able to develop more insightful and also more innovative strategic alternatives. At the same time they take pride in their strategy, gain new insight about the business and are much better prepared for the implementation.

The basic element of a structured problem solving approach is a “storyline”, a logical story (for more on structured storytelling, see Barbara Minto’s excellent book “The Pyramid Principle”) of what the strategy seeks to achieve, and why this is the chosen approach. The storyline is combined with a ladder (waterfall chart), that presents the financial impact of each strategic action element. This tool is essential because of quantitative transparency; by quantifying the financial impact for each of the strategic actions, the relationship between value creation and action is established and benchmarks that everyone must reach are set. Typically, overall targets on a group level are set by the owners and the Board, and these must then be met in aggregate by the strategic actions. Such a quantitative method helps ensure the balance between overly optimistic and overly pessimistic or careful target-setting as overall targets have to be met with strategic initiatives.

Finally, the implementation is described with a waves chart (roadmap), which shows both what needs to be done in each stage of the strategy and what the expected outcome (exit criteria) for each phase is. The nice thing about these tools is that each one can be presented on one single page. This makes testing the logic and soliciting input easier. For example, the storyline chart can be shared with a large group over e-mail, and comments can be entered with “speech bubbles” around the chart. Similarly, presenting it in a workshop and opening a debate around it can be done easily. In the work that we have been involved in, groups of forty in workshops all the way up to over one hundred through e-mail or SharePoint distribution have taken part in reviewing the storyline.

A key part of the process is that it starts by defining and structuring the questions the strategy work seeks to answer into an “issue tree”. These issues are answered with initial hypothesis, making the problem solving process hypothesis-driven and iterative. In other words, the storyline, the ladder and the roadmap are developed already in the first week of the work, although at that point they are mainly built on “gut-feeling” and the results of early back-of-the-envelope analyses. As the work progresses, the hypotheses are tested and refined, providing an increasingly accurate solution. From this perspective, the storyline also works as a basis for progress review: which hypotheses have already been addressed and which have not.

Develop insight into your competitors’ strategy and industry dynamics

Even when operative management masters the techniques that management consultants use for strategy work, their knowledge about the industry may give them false confidence about what they really know. In one of the efforts we participated in, a group of about forty managers had developed a detailed strategy, including a logical story, a financial ladder and a detailed roadmap. At one point, during the last iterations of the facts and conclusions, one manager burst out: “Are we not forgetting something? What about our competitors – how will they react? If we do not consider that, it is like we are doing strategy in a bottle!” The statement caused timid laughs amongst the group, but very quickly most people were nodding. Indeed, the team was too confident that their new strategy would not cause any changes in how their competitors would play their game.

The team decided to have an extra iteration, focusing strictly on the competitive dynamics currently, and how it would be changed given their new strategic ambition. This had two benefits – firstly, for the first time a structured and deep enough view of the competitors’ current strategies was developed. Secondly, the discussions about ensuing competitive dynamics both provided new insights into the strengths and weaknesses of the company’s new strategy, as well as gave a fresh perspective on how their industry actually works.

The lesson from this experience was that when operative management applies systematic tools for strategy development, they also must – to some extent – put aside their beliefs and notions about their competitors and their industry. It is easy to fall into the trap of “I have been in this industry for 20 years and I know how it works”, when what one really should be doing is taking a fresh look at what is going on, and seek to prove one’s hypotheses with fact-based analysis. Most industries are not as static as people believe!

A good litmus test for competitor analysis is to try to write out the storyline and the roadmap for key competitors, and to compare how that differs from your own. Taking a timeframe of 5-8 years is usually quite enough, and helps to keep the analysis concrete.

Going beyond your own team – leveraging key constituents

Some people argue that strategy should not be kept secret; instead it must be made public early on to show one’s commitment to it. A corollary to this is that, if a strategy needs to be made public, it makes sense to test it with key constituents outside the company while developing it. Obviously, it all starts with involving operative people inside the company, developing a storyline, ladder and financials, and testing them. This process should also include Board members. However, other parties that can be very helpful in developing the strategy in a true 360 degrees fashion are key customers, partners, investors, investment bankers and analysts, sometimes even suppliers or competitors!

Several of the executives we have worked with have tried this approach successfully. In one turnaround case, the company had struggled with its strategy for years, and its performance had steadily deteriorated over the last decade. CEOs had been changed, the Board had taken a larger role in strategy work, and strategy consultants had been involved. Yet nothing seemed to achieve the required insight and momentum for change. A new CEO was brought in to drive the much needed change program. His choice was to start a massively participative strategy effort, which involved well over fifty people across the organization. The Board also took part actively, reviewing interim results and providing feedback. As the material started to shape up, and the CEO felt increasingly confident with the story and its logic, he decided to go beyond the internal process. Reviewing the strategy with multiple key customers first, and then discussing it with key investors, analysts and investment bankers close to the company, he identified the strong points and areas that needed more work. This insight was shared within the company, providing front line staff with new insight on how customers and investors viewed their strategy. The CEO did not stop here, however. He also engaged in discussions with key competitors, testing their views on industry trends and structure. While these discussions had to be filtered, they nevertheless gave further insight into how the company's new story worked. Not surprisingly, when the company finally did publish its strategy, the market reacted positively – the strategy, having gone through multiple iterations and tests, was found to be robust and credible.

Switching from strategy to execution while maintaining momentum

A massively participative strategy process, where all parties have been subjected to the same rules of logical and structured storytelling, connecting actions and impact analytically and defining a concrete and prioritized roadmap, has the benefit that the process itself creates a strong buy-in among the group that has been involved. When such a process is applied on a broad base, involving both top- and middle-management, as well as key front line employees, it ties together the people that are crucial also in the implementation phase. However, it is still important not to lose the momentum; execution is a key challenge, and thus needs full attention.

A good strategy process is designed so that its analytical parts tie directly also into the practicalities of the immediate implementation actions. The waves, or roadmap, discussed above is a part of this, and should be structured accordingly. The ladder also supports setting priorities. Yet the process itself should also be managed so that there is a natural transition to the implementation. One part of this is making it clear from the beginning, especially if a larger strategy revision has been started, that the first cycle is only one among several subsequent, at least annual, iterations where strategy and execution follow each other. Based on the results from each cycle of implementation, the strategy is adjusted and fine-tuned to secure the next cycle. Thus it is not about defining an absolute analytical truth up front, but rather about defining the overall direction in a fact-based and structured manner, and then adjusting it based on how well the organization is able to implement the claimed actions.

***

A massively participative strategy process is a strong tool for achieving and maintaining change. However, sustained success is not merely about involving a large number of people, but rather comes from applying a rigorous process and spending time in fact-based argumentation face-to-face throughout the process. Connecting the process to the demand of concrete step-by-step results and cyclical review and implementation phases makes achieving even a fundamental turnaround feasible. However, the management team must commit itself to the process, and the openness it requires. Often also a step-up in strategy development skills is needed.