Conference report

Dynamic discourse drives effective strategy implementation: Association for Strategic Planning's annual conference recap

John Sterling and Dave Rader

John Sterling is a partner with Sterling Strategies, LLC, a consulting firm that advises on strategic planning and strategy implementation (jsterling@ sterlingstrat.com). Dave Rader, a director at Grant Thornton Advisory Services, consults on IT performance and sourcing, budgets, benchmarks and organization design (david.rader@us.gt.com). Both are *Strategy & Leadership* contributing editors and are located in the Chicago area.

Dialog in a time of discontinuity

The annual conference of the Association for Strategic Planning showcases the presentations of practitioners and veteran consultants who share what is working in their practice of strategic management.

A common theme of the presentations in Chicago this year was how to promote vigorous management dialog to drive both strategy development and effective implementation. Many of the techniques and approaches presented are designed to foster healthy discussion and full consideration of alternatives. Presentations provided approaches for leading discussions on a range of strategy topics including organization structure, culture, markets, processes and the future competitive environment.

One of the key advantages of discussion-driven strategy is that the management team develops a common language to assess the issues they face and a shared understanding of assumptions and risks. As a consequence, if the chosen path does not generate the expected results in practice, the management team has discussed and rehearsed alternatives and so is already prepared to act on one of the other approaches it has previously vetted.

This report on the conference highlights a number of presentations that advanced the practice of discussion-driven strategy. The brief summaries are organized by the type of the dialog:

- Between the board and management team.
- Internal dialog among managers.
- Broad dialog with diverse stakeholders.

The dialog between board and management

Mary Ann and Michael Kipp, Kipp & Associates – ''Strategy and the board: pivotal dialog in governance''

Mary Ann and Michael Kipp presented the results of a recent survey of corporate directors sponsored by the National Association of Corporate Directors. The survey found that directors' top priority, by a substantial margin, is business strategy. The Kipps noted that strategy development and implementation – that is, strategic management – is primarily the purview of management. This shared accountability for business strategy has the potential

to create continuing tension between management and its governing board. The question then is how to harness that tension to create better strategy and better execution.

The Kipps outlined a logical and pragmatic approach that can promote a healthy dialog between the governing board and the management team during strategy development and ongoing implementation. It ensures management is not abdicating its responsibility to develop and execute strategy, but also engages the board directly in a strategic dialog. That dialog involves the following steps:

- Management reviews performance against recent plans and assesses the external environment – the board in turn shares its concerns, sets high level objectives and lends its collective insights and perspective.

- Management uses that board input to crystallize strategic issues and options – the board in turn makes high-level policy choices implied by the issues and options.

- Management then develops a strategy – the board reviews and confirms that strategy.

- Finally, management executes and adjusts the strategy in real time – the board monitors performance and the adjustments management makes.

The dialog enables both management and the board to play appropriate roles in strategic management. Further, it establishes a natural, recurring cycle for strategy development, implementation, review and revision.

Robert Romasco, President, AARP – ''Strategic leadership in a large member driven organization''

Keynote speaker Robert Romasco, the incoming president of the American Association of Retired Persons, a 35-million-member organization, has served on the AARP board in a number of roles, including leading its policy committee, before being elected president of AARP's Board of Directors.

Romasco noted that AARP's large membership requires a strategic focus on a central purpose – in the case of AARP, the recognition that in long run everyone will need an advocate in matters related to aging. In that context, he suggested the paramount concern of the Board of Directors should be ''sustainable long term success.'' At AARP, the board focuses on a 10-year horizon – that is, what does success look like 10 years out? This question has sub-topics including:

- What will society look like – demographic, economic and geographic trends?

- What do we want society to look like – behavioral, values and priorities?

- What do the members value – information, affinity and financial benefits?

To align the board and management team across this 10-year horizon, Romasco highlighted the factors the AARP board focuses on:

- Is management framing the problems correctly? Asking the right questions?

- Is the strategy clear on outcomes? Appropriate details?

- Has the board reviewed the assumptions? What do we have to believe for this to be true?

- Are we, the board and management, confronting the inconvenient truths?

- Is the strategy process transparent? Are diverse points of view heard?

- How realistic is the financial plan? How resilient?

- Do we have a management team and culture that can develop and execute the strategy?

The dialog initiated by this work connects to the broader membership base via the board, volunteer policy councils in every state, and multiple committees at the national level develop. Those member driven councils work directly with management to execute strategies to achieve long-term success.

Internal dialog to improve strategic planning and implementation

Leland Russell and Joyce Reynolds-Sinclair, GEO Group Strategic Services, Inc. – ''Faster, smarter decision cycles: the key to winning in the new normal''

Leland Russell and Joyce Reynolds-Sinclair presented an intriguing approach to the challenge of implementing strategy in a rapidly evolving environment. As a means for managing rapid change, Russell and Reynolds-Sinclair introduced a process that drives implementation via rapid cycles of performance review and tactical adjustment.

Russell and Reynolds-Sinclair illustrated the approach using a client case study. The process involved weekly reviews and adaptation relying on a few fundamental principles.

- Ensure intelligent after action reviews each week focused on four questions:
  - What did we set out to do?
  - What actually happened?
  - Why did it happen?
  - What did we learn?
- Focus sharply on immediate next steps emerging from that review – those required to achieve the current milestones – and making them clear to everyone involved.
- Operate transparently – keep everyone's goals and results visible to everyone else to increase alignment, promote cross-functional problem solving and create peer pressure to perform.

The presenters shared numerous examples of how this approach was applied directly to drive strategy implementation and change management at Weyerhaeuser. The result was strong inter-functional and inter-divisional alignment throughout implementation – and critically – rapid and effective adaptation to a rapidly changing environment.

Ken Meyer, Alignment at Work, LLC – ''Organizational alignment''

Ken Meyer, CEO of Alignment at Work, presented a convincing case for using key performance indicators to ''pull'' (rather than ''push'') an organization into alignment. The steps are: to agree on what the results of the strategy will look like – that is, what to measure; to define how to make the calculations; and to set targets and measurement frequency. Articulating these specific targets in service agreements starts an ongoing dialog about purpose, goals and methods.

The service agreements provide a template for the dialog. The process he advocates ensures transparency by publishing the measured performance for all to see and it assures accountability by identifying names and dates. Thus, the organization becomes in some respects self-managing as those with accountability work with their assigned resources to accomplish the visible goals. In fact, transparency allows others to volunteer to help to close performance gaps.

Meyer presented a case study of the City of Atlanta, which adopted this management approach, starting with a clear purpose for each department and well-defined measures and goals. In particular, the approach was applied to the City Council itself for its roles in establishing services and reaching agreement with citizens and the executive branch (service providing agencies) on measured outcomes. The results, he noted, were budget conformance in a time of budget reductions and better services from focused effort.

Herb Rubenstein, Sustainable Business Group and Leslie Martel Baer, Mountain Muse Strategies – ''Scenario planning at Shell Oil''

Shell Oil was a pioneer in the 1970s in using scenario planning as an effective tool for long-term capital allocation. The long-term scenario planning technique is especially well-suited to the energy industry, because oil fields can take decades to find, decades to develop and subsequently operate for decades before they are depleted. Therefore,

choices about where to go and how much to invest depend on views of long-term future demand, prices, costs and political context.

A key challenge in scenario planning is translating abstract, uncertain, long-range potentialities into realistic future operating environments. That realism enables people to have a meaningful dialog about long-term direction in response to various possible futures. This presentation showcased the use of stories as a key element of the scenario process – making those scenarios more meaningful to decision makers.

Stories, as a form for conveying scenarios, are powerful. We remember and tell stories. Stories with a ''brand'' – a unique name and logic – are easier to remember and help create a management shorthand for the context of the scenarios. Good stories incorporate viewpoints of a number of stakeholders, engage listeners who internalize the elements, and have logical implications for action. Crafting the stories is a process of making choices about the drivers that shape a set of possible futures as well as the expected consequences of the elements.

A key insight from this session is that merely imagining a ''worst case scenario'' usually fails to account for the true scope of risk. For instance, British Petroleum's legal obligation for the Deepwater Horizon oil spill had been capped by the US Congress, years ago at $75 million. Nevertheless, BP has paid over $20 billion in settlements.

Scenario planning and stress testing should not be limited to the ''expected'' limits. Rather, effective planning should identify elements that can cause the enterprise to fail totally. Arthur Anderson, Long Term Capital, Lehman Brothers and others have suffered these catastrophic events.

Promoting broad dialog with diverse stakeholders

Jennifer Beever, New Incite, Robert H. Rich, American Chemical Society and Ed Dillenschneider, US Army Corps of Engineers – ''Strategy in action: how to communicate and achieve strategic objectives using social media''

Jeanne Bradford, TCGen, Inc. – '' Social communications as a competitive strategy: resetting strategy, management and execution through community''

These sessions focused on how to use social, mobile and cloud technologies to develop and communicate strategy at time when social networking technology is transforming businesses. Robert Rich, of the American Chemical Society, described using social media to engage some 164,000 stakeholders in the development of the ACS strategy – thus employing the wisdom of a crowd.

Jeanne Bradford reported on the results of a recent survey of best practices in the use of social communication tools in a wide range of business applications – including marketing, learning and internal collaboration, customer service and strategy. A key business application of social communication is its focus on collaboration with effective communities. For product development, for example, she recommends small groups for the most innovative solutions, such as when protection of intellectual property rights is vital, and larger groups for product extensions and process improvements, where the goal is to harvest the collective experience of ''the crowd'' relative to the needs and markets of the users of the product.

Specific to strategy development and evaluation, Bradford highlighted the importance of using social media to tap a well-qualified community of experts, as opposed to broad ''crowd-sourcing.'' She noted that social communication tools can be effectively used to recognize and define problems, as well as to identify potential solutions. Her research points to a number of ways to collaborate effectively on strategy as well as on innovation initiatives:

■ Ensuring the collaborative effort is focused on a well-defined, shared objective.

■ Managing the dialog and collaboration on a social communication platform actively.

■ Providing acknowledgment or rewards for participation.
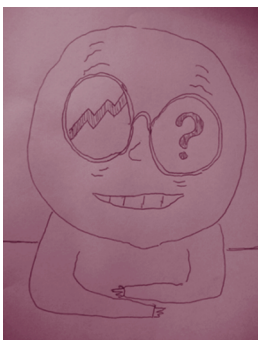
- Spurring a continuing vibrancy and currency in the dialog and among participants.
- Focusing on actionable input or data generation.

Ed Dillenschneider, of the Army Corp of Engineers, uses social media technology to inform the public of attention-worthy situations – such as natural disasters and major infrastructure programs – and also plans, projects and remediation actions – for example, opening a dam which will flood some areas while protecting others.

The key takeaways are that strategy communication and engagement can benefit from the inclusion of many people outside the organization – stakeholders, advisors, experts – and should cover the entire life-cycle – development, execution and feedback on performance. This is in contrast to having a segment of the management team privy to strategy conversations with little involvement of members of the public who may be affected. Social technology opens opportunities to involve large numbers of people at every step in the strategy process.

Michael Wilkinson, Leadership Strategies, Inc. – ''The drivers model: the secrets to facilitating strategy''

Michael Wilkinson addressed a very fundamental challenge for all organizations – developing an agreed upon, measurable and executable strategic plan that is understood by the stakeholders who will influence implementation success. He made an effective case for engaging a relatively large group of stakeholders – mainly internal stakeholders, but also some external stakeholders – in the strategy development process. In particular, he underscored the value of having key sources of knowledge and key players in strategy implementation involved in the process.

Wilkinson's keys to facilitating a large group engaged in the strategy development process:

- Ensure that key people are committed to the strategy process – and encourage their active participation in a mix of large group, small group and individual sessions.
- Build the strategy from a shared understanding of the situation – communicate an objective situation assessment with the team at the start of the planning process.
- Move from the long term toward the nearer term – mission first, then major goals, followed by measurable objectives.
- Understand the barriers and critical success factors that will influence the organization's ability to achieve the measurable objectives and goals.
- Ensure that the strategic plan is accompanied by action plans – with accountabilities, milestones and deadlines/time frames.
- Monitor performance as implementation progresses – checking at the action plan level to make certain people are following through, and at the objective level, to determine whether the strategy is working.

The dialog that sparked a disruptive innovation

Michael E. Raynor, Director at Deloitte Consulting – ''The innovator's manifesto: bringing predictability to randomness''

One of the keynote speakers, Michael E. Raynor, has previously published a number of articles in *Strategy & Leadership* on disruptive innovation (see ''Disruptive innovation: the Southwest Airlines case revisited,'' *S&L* Vol. 39, No. 4). His thesis is that competitors in a market choose a set of operating constraints – including cost, speed, quality and fit – that define a technology frontier for that market segment. Innovation establishes a new frontier – pushing out the boundary of the constraints.

Raynor's presentation took issue with the conventional explanation for the success of Southwest Airlines (SWA), a carrier that started out operating in short-haul niche markets and ultimately disrupted the airlines industry with its low-cost fares. There were indeed many uniquely advantageous elements of the SWA business model – some important innovations

were brilliant responses developed during SWA's struggle to compete as a short-haul carrier. The most frequently mentioned elements of SWA's success are: short, point-to-point routes, quick aircraft turns (asset utilization), one aircraft fleet (schedule and parts efficiency), fuel hedging, low labor costs and an adaptive culture. Raynor showed that all of these competitive competencies existed during several decades of very slow growth in SWA's shareholder value.

His research shows that the take-off in shareholder value came after SWA purchased a fleet of Boeing 737-500, which had greater flying range and lower cost per passenger mile, a technological competitive advantage captured by the company's marketing slogan, ''You are now free to fly about the country.'' With the introduction of these much more efficient aircraft, the disruptive technological innovation, SWA began to be effective competition to the legacy carriers on routes up to 4,500 km. Raynor pointed out that Boeing's focus on range and cost per mile for the 737-500 emerged in part from dialog with SWA.

Thus, even in the case of disruptive innovation, dialog and discussion play an integral role in strategic success. In the case of SWA, that critical dialog was with a critical external stakeholder – the supplier of its aircraft.

Corresponding author

John Sterling can be contacted at: jsterling@sterlingstrat.com

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