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a newsletter on practical strategic thinking and action
issue #22: the allure of centralized control

editor's message

This month we examine the latest (but misguided) idea from a pair of leading business authors—the Office of Strategy Management. In Strategic Thinking we examine the genesis of the idea and in Strategic Action we suggest some alternatives that would serve most organizations better. The Industry Snapshot presents an antithetical idea—teaching strategic thinking to mid-level executives in your company. Finally, our Reading List reviews two books by and about Jack Welch, the CEO who dismantled GE's centralized strategic planning function in 1983.

strategic thinking

Shout Louder So They Can Understand You!?

The creators of the Balanced Scorecard, Robert Kaplan and David Norton (K&N), are promoting the idea of an Office of Strategic Management pretty hard. They wrote an article in the October, 2005 issue of *Harvard Business Review* and are rolling out big consulting and training initiatives around the idea.

This Office would be in charge of developing and communicating strategy, creating and managing Balanced Scorecards, and integrating strategy into the rest of the corporation's activities. Why this idea and why now? There are several reasons:

- K&N say that 95% of employees don't know or don't understand their company's strategy.
- K&N believe that only senior managers should be entrusted with the design of the strategy and scorecard (see pages 361-2, *The Strategy-Focused Organization*, 2000).
- K&N are taking advantage of the increased attention on corporate performance management fueled by the opportunities of web technology to link disparate data sources into a single dashboard or scorecard.

This concept reminds me of the American man I saw shouting at a waiter one morning when I had just arrived to start a new job in the Dominican Republic, "I told you I wanted my egg soft-boiled!" Shouting didn't help him because the worker didn't speak English. K&N assume that having clearer communication and tighter enforcement of the strategy formed by your senior team (the corporate equivalent of shouting louder) will ensure that your employees will get with the program.

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It is easy to fall into this type of thinking. In the past, good management involved standardization of work overseen with strong command and control. Except in crisis situations where there is no other option, this type of approach doesn't work in today's environment. Knowledge workers are too smart and work is too specialized to be mandated from the top. This is why most companies have eliminated their centralized strategic planning departments or limit them to a purely supportive role. Strategies should be made by those who must implement them.

If you want to get more information on K&N's ideas and books, visit www.bscol.com.

-Mary Adams (adams@trekconsulting.com)

strategic action

A Decentralized Strategy

The alternative to having an Office of Strategic Management is to keep strategy development decentralized and closer to the units who are expected to implement it once agreed upon. You will want to set up systems for evaluating progress against goals—making time to look for any “bumps in the road” that would require adjustment. We suggest that strategy reviews be framed as conversations. They should be short, more frequent, less formal evaluations of strategy at the division or unit level—at the center of the action—instead of at the corporate level.

An important related topic is how you handle your performance evaluations. A person's job description and goals should tie into the organization's overall strategic goals. As with strategy reviews, short and frequent performance evaluations are more productive than ponderous once-a-year-only approaches. These evaluations should include a measure against strategic goals. Many people use a structured review with no more than two written pages every six months, with an informal sit-down every three months in between.

Keeping conversations about strategy and strategic performance close to the action doesn't mean that you shouldn't consolidate the results at the corporate level. Clearly, there is a role for senior management to create overall direction and goals. But, don't get seduced by the allure of a single, over-riding system. Remember, shouting louder doesn't guarantee that anyone will be listening.

- Michael Oleksak (oleksak@trekconsulting.com)

industry snapshot

Spreading the Discipline of Strategic Thinking

Rather than trying to push down fully-formed strategic mandates, we are seeing companies take an active role in encouraging strategic thinking throughout their organizations.

This approach contrasts significantly to Kaplan and Norton's in that it advocates building strategic capacity deep into the organization. How can this be done? You need to arm your people with tools for gathering high-quality information, tools for analyzing and synthesizing that information, and tools to link strategy with action and measurement.

Innovation is a sorely needed fuel for growth in our economy, and it is rarely legislated from the top successfully. Why not equip your people with the tools to help carry your company into the future? It may be your only option.

Click here (<http://www.trekconsulting.com/Publications/Newsletter/Issue22/StrategicThinking.pdf>) for more information on our approach to teaching this critical skill throughout your organization.

reading list

Jack – Straight from the Gut and Winning

By Jack Welch

Jack Welch has written two business management books based on his time spent as Chairman and CEO of General Electric. The first was *Jack – Straight from the Gut*, a New York Times bestseller in 2001, and 2005's *Winning*. The first book is autobiographical, relating personal as well as professional experiences from his rise at GE. Many of GE's trend-setting management practices are described, including the 20-70-10 rule of personnel (rewarding the top 20%, inspiring the middle 70% who are the heart of the company, and addressing the bottom 10%, generally with an exit following candid performance reviews). Welch also describes the thought process behind GE's mandate that each subsidiary must be #1 or #2 in every market with a "fix, sell or close" approach to get there. Finally, he addresses GE's adoption of four initiatives during his time: globalization, service add-ons, Six Sigma and e-business.

The second book, *Winning*, is based on his years of answering questions from audiences on speaking tours since his retirement. Again, he imparts wisdom from his years at GE, including his strong views on leadership, the roles of management, and the value (and perils) of candor in the workplace. He also comments on the influences of recent business trends, such as off-shoring and outsourcing, in a question and answer period at the book's end.

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In his chapter on strategy, Welch writes, “When you think strategy, think about de-commoditizing. Try desperately to make products and services distinctive and customers stick to you like glue. Think about innovation, technology, internal processes, service add-ons, whatever makes you unique.”

Both books are dry but rich with lessons and insight. For more information visit www.jackwelchwinning.com and www.straightfromthegut.com.

announcements

Read our recent article that appeared in *M&A Today* on “Getting Top Dollar for Intellectual Capital”:

In our work with corporate executives over the last 25+ years, we have experienced first hand the shift away from the industrial era to a new economic paradigm based on knowledge. Today, even “traditional” companies do not derive much competitive advantage through their property, their factories, their inventory. Competitive success today is much more often won through factors like people, processes, knowledge, brands and relationships. As this shift has occurred, companies have often struggled to manage and communicate the value of these intangible yet valuable intellectual assets—value that can and should be factored into M&A negotiations.

Read the full article at <http://www.trekconsulting.com/Publications/Articles/M&AToday-IntellectualCapital.pdf>

In next month’s issue, we learn some strategy lessons from a 14 year old.

about trek consulting

Trek Consulting LLC helps companies to face the challenges of growth, building value and dealing with change. Since 1999, we have been a valued partner to business owners and leaders on their arduous journey to business success. We know that we cannot make this journey for our clients, but we can make it easier and more successful. We focus on getting you the best information available, facilitating sound planning and decision-making, making sure you have the right skills and resources to face your challenge, and coaching you through the road-blocks that invariably arise along the way.

Our clients report improved market focus, greater revenues, better margins and increased profits. To learn more about Trek Consulting and how we can help you improve your company’s results, visit us on the web at www.trekconsulting.com or call us at 781-729-1008.



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