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# The Strategy Review Process

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**How an organization structures its strategy review meetings has enormous impact on the effectiveness of its strategy management efforts. The frequency of meetings, participant roster, agenda format, whether or not to disseminate results companywide: such choices affect everything from the level of candor to the quality of the decision making. Drawing upon Balanced Scorecard Collaborative research, David Norton and Jay Weiser outline the guiding principles for ensuring an effective strategy review process, with examples of the diverse approaches taken at best-practice BSC organizations.**

Though his management style was often controversial, former Disney CEO Michael Eisner's philosophy of meeting management could hardly have been simpler: "Call meetings about subjects that really matter and show up." Meetings bring together the constituents in an organization who have either knowledge or a vested interest in the subject at hand. Restricting meetings to subjects that matter keeps the organization focused on its strategic agenda. And the leader's presence signals the importance of the subject and the fact that decisions can—and will—be made. What goes on outside of meetings is even more important. Writing in the 1995 annual report to Disney shareholders,[1] Eisner went on to say: "Like Father's Day at a grade school, all homework miraculously gets done in advance. I sometimes think the actual meeting is not what counts the most. It is the preparation [for it] that everyone does….That's what counts."

Performance monitoring and the management meeting are two essentials of effective strategy management. In fact, the monthly or quarterly review meeting is the heartbeat of the strategy management process. On the surface, the issues related to designing the strategy review process might seem pedestrian: Do we meet monthly or quarterly? Who should attend? Should we look at data or discuss issues? Should we make performance results visible to all employees? However, at the Balanced Scorecard Collaborative, we have learned that the answers to such questions can make or break the strategy review process—and hence, strategy execution itself. Over the past year, we've been exploring the strategy review process with a group of 20 companies, trying to understand the issues, options, and best practices surrounding it. While no single approach works for everyone, we have thus far identified a set of five principles that provides a foundation for designing a sound strategy review process.

*Principle 1: Separate strategy reviews from operational reviews.* Most organizations have a structure for monitoring operational performance. Such reviews, typically conducted monthly, focus mainly on profit and loss, budget performance, variance analysis, cash flows, and sales forecasts—in other words, short-term operations. The entire review process has a quarterly orientation, both in terms of publicizing results and acting upon them. The monthly operational review, the backbone of the management control system, is an essential of professional management; for most organizations, it is the only management meeting. But with its operational agenda, little or no time is left for strategy. Interestingly, a Balanced Scorecard Collaborative study revealed that 85% of management teams spent less than one hour per month talking about strategy.

Some organizations have begun to correct this flaw in their management process. They recognize that the strategic plan, built upon Balanced Scorecard objectives, measures, and initiatives, provides a basis for monitoring and managing the strategy. But when we asked our research subjects "Should organizations now add strategy reviews to the agenda of the monthly

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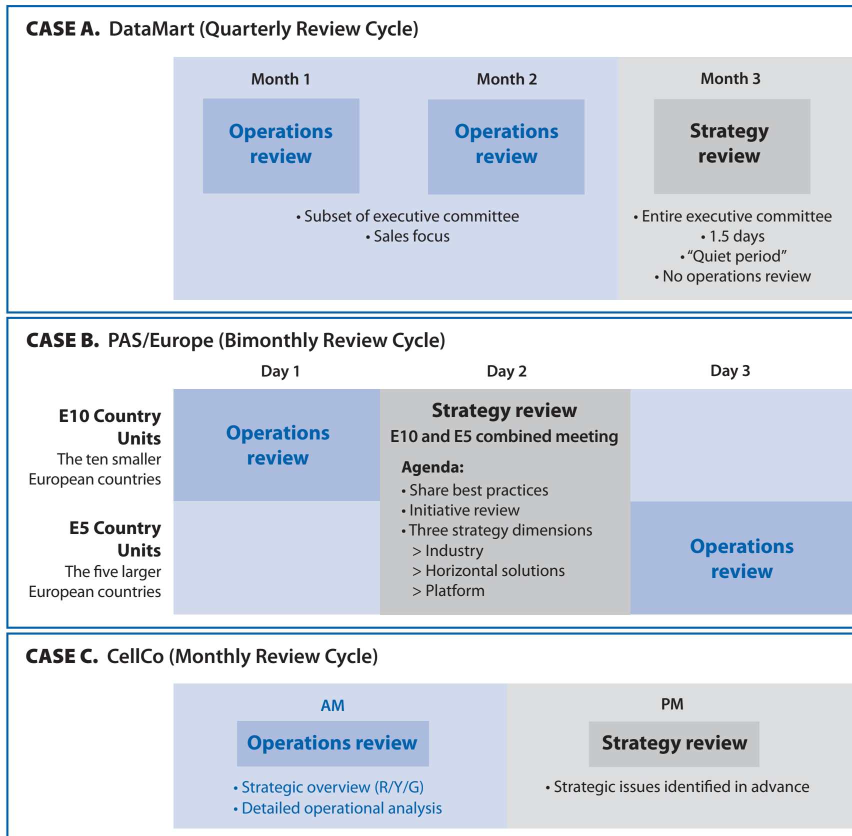
*Figure 1. Balancing Strategy Reviews with Operating Reviews*




*Of the three examples, Case A represents the most segregated approach to structuring strategy and operational review meetings. Case C represents the most combined approach, which the company chose for cultural reasons.*

(operational) management meeting?" about two-thirds of the companies said "No—strategy reviews and operating reviews should be done in separate meetings held on separate days."

According to its CFO, DataMart[2] has "a very transactional, sales-driven culture. The discussion of short-term sales always squeezes out the time scheduled for strategy." Figure 1 (Case A) shows the approach DataMart developed to overcome this problem. A subset of the executive committee (EC) meets each month to review operational performance, focusing primarily on sales. In month three of every quarter—the so-called "quiet period" of a public company, in which executives cannot publicly disclose corporate results—the entire EC meets for one and one-half days, its agenda focused exclusively on strategy.

PAS/Europe follows a similar approach. As shown in Figure 1 (Case B), PAS holds a three-day management meeting every other month. Day 1 of the meeting is devoted to an operations review of the "E10" units (those in the ten smaller European countries in which it operates), while Day 3 is devoted to the operations of its "E5" units (those in the five larger countries). On the middle day, executives and management staff from all 15 countries review strategy. The reviews are designed to promote a cross-business understanding of the strategy, which for the most part cuts across national boundaries.

While most of the organizations we are following are adopting the separate-meeting approach exemplified by DataMart and PAS/Europe, CellCo has gone in the opposite direction. Originally, the company held separate meetings, but that didn't work, according to a strategy executive. He notes, "Our culture is built around the monthly operations meeting. That's where important business and resource decisions get made. So we merged the strategy and operations meetings." As shown in Figure 1 (Case C), the CellCo executive team meets every month in two half-day meetings; the morning is devoted to operations, while the afternoon focuses on strategic issues.

From these examples, it's clear that both the separate-meeting and combined-meeting approaches work. We can also see that the organization's culture is the key to determining which approach is most appropriate. In our experience, the combined approach takes an unusual degree of discipline. At most organizations, short-term issues dominate long-term ones, and tactics dominate strategy. Addressing strategy and operations in separate meetings on separate days generally provides the best structure for developing a management team that thinks and acts strategically.

*Principle 2: Review strategy on a quarterly basis*. How frequently should an organization meet to review its strategy? Our three examples provide no consensus on this question. DataMart meets quarterly, PAS meets bimonthly, and CellCo meets monthly. Strategy, by nature, is long term. Market share, product quality, new product development, and employee competencies—typical components of business strategy—change little from month to month. So progress on the strategy should theoretically be reviewed on a less frequent, say, quarterly, basis. On the other hand, if an organization reviews strategy only once a quarter, the strategy will not remain foremost on the management agenda: out of sight, out of mind. EuroBank's Portfolio Manager Solutions (PMS) division has adopted an effective solution to this dilemma. The PMS strategy is made up of three themes: (1) product innovation, (2) customer relationships, and (3) service excellence. The executive team meets monthly to review the strategy, with each meeting focusing on one of the three themes. Though each theme gets reviewed once per quarter, the management team is still convening every month to manage strategy—an interesting trade-off between the long-term review horizon of the strategy and the short-term objective of building a strategy-focused management team.

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*Principle 3: Build a "Strategy Council." Managing strategy means managing change*. A management team is needed to guide and execute the necessary changes. Who should be on this team? Since the team must have the power to make these changes, it should be built around the top executive (the CEO or business unit leader) and his or her leadership team (the executive committee). But the team also needs to have the breadth of knowledge required to make intelligent decisions on the diverse components of the strategy. Moreover, strategy requires the cross-business integration of activities. The latter two points call for an expanded EC in which knowledge and cross-business interests are represented.

Of course, the choice of team members is often situational, depending on the backgrounds of the individuals involved. TekStyle Industries, a European manufacturer specializing in high-technology materials for such products as airbags and sports equipment, designed its EC with strategy oversight in mind. The 15-member EC consists of the CEO, five SBU managers, and four support unit managers, along with the five individuals responsible for managing strategic themes. In our view, organizations should evolve toward the TekStyle model: make the traditional EC the foundation, and add members who can provide a comprehensive strategic perspective and knowledge base. Assigning responsibility for individual strategic themes to the new committee members is an excellent way to legitimize these members relative to the traditional members, who have existing power bases. Through managing their themes, the new members provide both the depth of knowledge and the cross-business representation necessary to complement the traditional structure. To differentiate the focus of this new body, some organizations refer to it as the Strategy Council.

*Principle 4: Use "open reporting" to promote accountability, transparency, and teamwork*. The focus of the strategy management process is determined by the reports that monitor progress against plan. Most organizations get preoccupied with finding and formatting the information in the reports and miss the bigger issues of culture and change. How an organization handles such simple questions as "Who should see the reports?" or "Might we embarrass people when we show 'red' status?" can have a tremendous impact on its culture. If people fear negative consequences from reporting negative results, they may attempt to hide the results. These seemingly simple questions actually present executives with an opportunity to shape behavior.

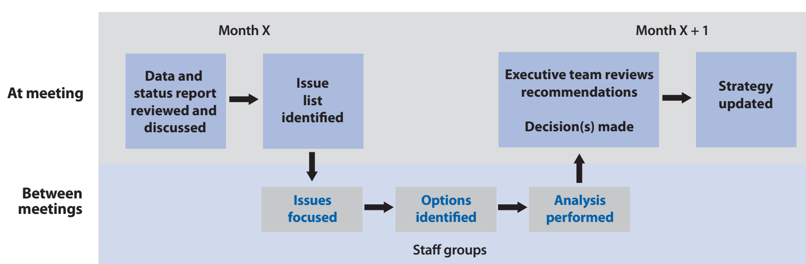
Take, for example, the issue we refer to as open reporting, or transparency. A financial services firm, attempting to introduce a new strategy that required cross-selling and teamwork across its traditional lines of business (LOBs), encountered resistance from the LOB managers. These managers, while paying lip service to the new strategic directions being introduced from above, adhered to their old way of doing things. They were secure with the power that comes from knowing the details of their business better than anyone else. So the CEO tried a simple experiment: he posted every LOB's Balanced Scorecard status report on the company intranet. Anyone anywhere in the organization could access these reports. Almost immediately, the e-mail network began buzzing. One sales executive, observing the superior results being achieved in a different LOB, set up a meeting to learn what that LOB was doing differently. Five Human Resource directors formed a task force after discovering that each was struggling with developing account management competencies. In effect, a horizontal network arose organically, without the consent or influence of the LOB managers, that was structured around the strategic issues of the organization. The open reporting approach moved the knowledge from the top of the organization to those responsible for executing strategy. A new performance-oriented culture emerged.

Open reporting creates an opportunity for any organization to shift the agenda and impart knowledge to those areas that can do the most with it. It's also an effective way to build a new power structure—a strategy-focused power structure—that mobilizes the lower ranks of the organization to pursue the agenda established at the top.

*Principle 5: Create issue-oriented meeting agendas*. At the strategy review meeting, the most powerful, highly paid people in the organization devote a day or more of their time to discussing strategy. So how can organizations make these meetings as effective as possible—and get the best return on this significant investment?

Consider the two different approaches shown in Figures 2 and 3. In Figure 2, the company meets every quarter. The Balanced Scorecard serves as the agenda for the meeting. Each executive with accountability presents and interprets the data associated with his or her measures. The group then explores alternative interpretations. From this data-focused discussion, a list of issues emerges. Between review meetings, an ad hoc group refines this list, analyzing the issues and identifying options. The group's analysis and recommendations are presented at the next EC meeting for review, modification, and acceptance. Ultimately, this process yields an update to the strategy.

***Figure 2. The Data-Focused Meeting***




*The data-focused meeting ensures objectivity, but does not promote dialogue.*

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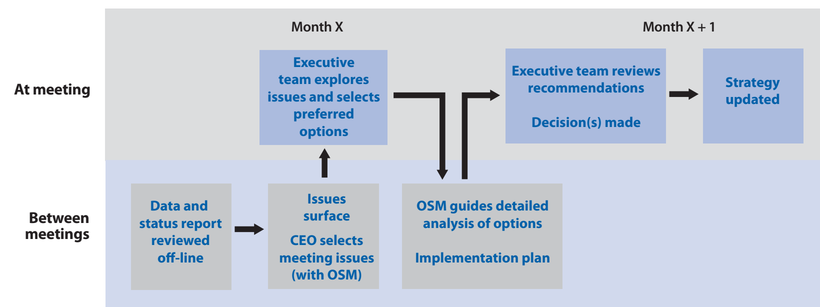
The company shown in Figure 3 also meets quarterly. BSC status reports are circulated to EC members well in advance of the meeting, so members are expected to be familiar with them. Instead of reviewing data, the meeting is devoted to discussing the two or three most important issues, as determined by a poll conducted beforehand by the office of strategy management (OSM) and the CEO's input. This issue-focused discussion generally results in consensus on the option to be pursued. Between meetings, the OSM guides a detailed analysis of the options and prepares an implementation plan, which members will review and decide upon at the next meeting. The strategy is then updated and the cycle repeats itself, with new issues continually being introduced for discussion.

DigiCopy Corporation recently changed its monthly management meeting format. Its CEO now personally selects each meeting's issue—drawn from the strategic themes of DigiCopy's strategy map. In making this decision, he seeks to keep presentations to a minimum and emphasize issues. The discussions explore performance on a branch-by-branch basis, instead of in summary fashion, to disseminate the practices of the high-performance branches throughout the entire organization.

Both the data-focused and the issue-focused approaches have their pros and cons. The data-focused approach ensures objectivity because the discussion is rooted in fact. It also encourages participation, allowing everyone to offer his or her own interpretation of the facts. The downside: it invariably entails a one-way presentation of the data, rather than dialogue. Attendees aren't motivated to review the data in advance since someone will be presenting it at the meeting. Furthermore, it tends to generate discussion about such tangential matters as the adequacy of the measure, the precision of the data, or the difficulty of collecting the data. In other words, if you communicate data, that's what the discussion will be about. Ultimately, this is not a good use of executives' time.

The issue-focused approach ensures that strategic discussion is a priority. To some extent, it sacrifices the democratic aspects of the committee, since the CEO or LOB president chooses the agenda issues, albeit with committee input. But such guidance helps keep the discussion focused on strategy and valuable to all.

*Figure 3. The Issue-Focused Meeting*




*The issue-focused meeting ensures strategic discussion, but, by its nature, is less democratic.*

We believe firmly that the review meeting should focus on issues instead of on their underlying data, although the most effective meetings draw upon elements of both approaches. Finco/Rail, the railroad investment division of a global financial services firm, has developed a BSC reporting system that, according to one managing director, provides "the best analytic foundation for the business we have ever had." Yet the value of the data is not in the data itself, but in the insights it fosters. The BSC, he adds, "gives us a better idea of where to focus our people." Like EuroBank's PMS, Finco/Rail organizes each monthly strategy review meeting around one of its three strategic themes. Each meeting begins with an OSM leader providing a one-chart overview of performance, major issues, and initiatives. Next, members turn to the theme selected for in-depth discussion. The team devotes one hour to discussing a theme assessment written in advance by the theme owner. The discussion generates new insights that the theme owner can subsequently act upon. Members then quickly review the other themes, and the CEO recaps his "take" on the meeting along with the messages to be conveyed to the rest of the organization.

Clearly, data is essential for fostering insights and learning, and selecting the right measures is a prerequisite for getting good data. But the data is only a means to an end; the end, of course, being action, adjustment, and progress toward the strategy. The executive team's time is best spent discussing the issues raised by the data. In this way, issues are reviewed from multiple perspectives, and the nature of the discussion also boosts buy-in to new strategies or actions. Organizing the meetings around strategic themes and having theme owners lead the analysis and interpretation is a practice we believe all Strategy Councils should adopt.

## A Governing Philosophy for Meeting Design

"Call meetings on subjects that really matter and show up"—we have seen that Eisner's words are not quite as simple as they sound. But our research demonstrates that this basic philosophy, when augmented with important principles of effective meeting design, will help organizations achieve best practice–level meetings. Managing strategy is different from managing operations—and that philosophy should govern your design of these meetings. We must recognize what these differences are, especially since the dominant culture of most organizations is operational. The five principles discussed here are derived from an understanding of these differences and provide a blueprint for better strategy execution. n

1. M.D. Eisner, Letter From The Chairman, The Walt Disney Annual Report, 1995.

2. DataMart and the other organizations cited here are all real; their names have been disguised for proprietary reasons.

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## TO LEARN MORE

See the following BSR articles:

"The Balanced Scorecard Strategy Review Meeting: What to Expect the First Year," by Robert S. Gold and Jay R. Weiser, March–April 2005 (Reprint #B0503E);

"Walk the Talk: Effective Leadership Behavior for BSC Review Meetings," by Edward Barrows, September–October 2005 (Reprint # B0509E);

"The How-to's of BSC Reporting: Part II—The Reporting Meeting," by Kent Smack, November–December 2003 (Reprint #B0311E).

**Reprint #B0611A**

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