ACHIEVING STRATEGIC AGILITY: WHY STRATEGIC PLANNING NEEDS TO BE REVISITED

LESSONS FROM TETRA PAK ON HOW TO MOVE TO A CONTINUOUS DECISION-MAKING PROCESS

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Over the last five years, I have engaged in strategic dialogues with many top management teams in a range of industries from chemicals to telecom to paint. While working with these senior executives, I have noticed that many are mired in a “strategic decision-making conundrum”. On the one hand, rigid strategic-planning processes are hampering the ability of companies to respond to uncertain trends, fast-changing markets and emerging competitive threats. On the other hand, operating decisions by business units are taking their companies down an “escalation of commitment” path—chaining them to projects that are no longer desirable (or even viable) by the time they are ready to implement. The question posed by many top executives is: How can we respond quickly to evolving market conditions while at the same time committing resources to long-term strategic initiatives in a cost-effectively way? Leaders faced with an increasingly uncertain environment need to embrace strategic agility. The starting point is for senior executives to increase the time they spend on strategic dialogue within their organizations and devote attention to:

- **Involving the top team and the board in regular (not just annual) reflection** on the global forces and trends impacting the company and making the big, directional changes in strategy that are required.

- **Creating a rigorous, ongoing management process** for formulating and implementing the specific strategic initiatives needed to close the gaps between the current trajectory of the company and its aspirations.

- **Converting these initiatives into an operating reality** by formally integrating the strategic-management process with the financial-planning processes (a change that usually requires also moving to more continuous, agile forecasting and budgeting approaches).

To explain what this looks like in practice, we look at these issues through our experience with Tetra Pak, a business-to-business (B2B) multinational company. Tetra Pak’s planning process became more agile as it moved from an annual decision-making cycle to a continuous one. By developing the ability to quickly start, stop or accelerate cross-functional initiatives, the company remained adaptive throughout the year while also building long-term capabilities. The managed portfolio approach (running alongside the tactical planning process at the unit level), enabled resource allocation to be better prioritized and coordinated for sequenced, multi-country scaling of initiatives. In turn, this helped to prevent “initiative overload” among the geographic unit managers as the rollout of a global initiative was timed so each country was not exposed to multiple initiatives at the same time. If managers continuously govern cross-functional initiatives and keep up a dialog with operating units about which capabilities to build, they are more likely to maintain productive relationships with the local units. Tetra Pak’s experience stands out in three ways:

1. **It has established a customized strategy process that adjusts to the situations of individual units and their unique market environments.** It has moved from an “all-or-nothing” approach to a strategy process that continuously manages resource investment decisions, which helped it gain “buy-in” for cross-unit initiatives. In other words, the company successfully challenged the assumption that all units needed to undertake the same strategy process every year.

2. **While strategic planning is often viewed as separate from implementation, we found it is beneficial to create a cyclical process that directly links strategy development to implementation in a phased manner.** To reap the benefits of this cyclical process, more value has to be placed on alignment and less on the planning process per se. This makes continuous dialog increasingly important as organizational contributions are key for benefit realization.

3. **Tetra Pak successfully challenged the notion that strategic planning is solely driven by the line organizations where typically operational planning follows strategic planning.** Instead, it emphasized that the implementation of strategic initiatives at a cross-functional level as another...
means of building capabilities. This form of strategic planning occurs through the portfolio approach of strategic initiatives across units.

To achieve strategic agility, Tetra Pak has created a customized, criteria-based strategic planning process that allows executives to be more sensitive and responsive to external changes, maneuver their companies into alignment and amend strategic initiatives as market conditions evolve. This helps prevent escalation of commitment – i.e. throwing good money after bad in an effort to salvage initiatives in which significant resources and emotions have been invested.

To develop real-world strategic agility, multinational corporations (MNCs) should strive to master three dimensions:

**Continuously decide where to invest resources.** By managing a portfolio of strategic initiatives and evaluating them continuously, a company can more quickly accelerate, pause or even abandon particular initiatives, thus, increasing agility and fostering alignment across geographic borders and dramatically reducing the odds that money, time and human resources will be drained by initiatives that are going nowhere fast.

**Enrich the ongoing dialog.** MNCs are especially competitive when they leverage new organizational knowledge and routines across boundaries and exploit economies of scale and scope. In this context, it is crucial that there is an on-going dialog between headquarters and subsidiaries in the creation and dissemination of new global practices as the knowledge embedded in these new organizational routines enables the MNC to improve its competitive position worldwide. Without these dialogues both the early implementation of initiatives and the scaling across multiple locations is endangered.

**Respond to unit-specific contexts to determine the strategic review requirements.** Continuous governance of cross-functional initiatives promotes a dialog throughout the year, allowing senior management to acquire a context for each unit’s strategy before launching a strategic review process or starting new initiatives. To assess the current situation of each unit – particularly geographic units, senior management can use three key criteria:

1. **the unit management’s openness to change** (from high to low);

2. **financial results** (on- or off-target); and

3. **the intensity of the external pressures** (from high to low).

When two of these three criteria indicate a “need for review” (e.g. a high degree of external pressures and off-target financial results), the unit’s strategy should be reviewed. This replaces the burdensome annual planning cycle with a disruptive analysis that forces a dialog. When a unit is on target in terms of financial performance and there are no significant changes in the external environment, a strategic review and its disruptive process might be counterproductive (i.e. it diverts resources from capability-building), so the units can continue to focus on implementation.

By moving from an annual to a continuous decision-making process on resource investments at the portfolio level of strategic initiatives, management increases the company’s strategic agility. This ongoing dialog allows headquarters to avoid unnecessary strategic reviews of the operating units on a yearly cycle and can lead to a customized strategy process for specific units.

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