

Never Underestimate the Importance of Soft Skills in Executing Strategy

By Don Ryder, Managing Director, CFO Services, Palladium Group

With a decade of Balanced Scorecard implementation experience under his belt, one senior executive reflects on what worked best and why. Based on his very practical experience, he learned the wisdom of shifting his emphasis to focus more on the “soft” side to achieve sustainable transformation. As many others have observed, “It’s the soft stuff that’s hard.” Indeed, the mechanics of strategy execution can be taught in books (and is!). But it’s the soft side of organizational transformation that requires a more thoughtful and context-sensitive approach. Learn how one savvy leader turned the situation on its head by using the mechanics of execution to effect change.

A decade of experience as a CFO taught me that the effectiveness of the strategy map and Balanced Scorecard are greatly enhanced when supported by two elements: technology and soft skills. Technology facilitates performance tracking, reporting, and analysis—and helps communicate results. For most organizations, effective strategy management would be virtually impossible today without it. By soft skills, I’m referring to leadership, competence in change management, a facility with decision models, influence skills, and knowing how to navigate the formal and informal pathways of the organization. Among the soft skills, one area in particular whose importance cannot be overestimated is change management. Why?

Everyone knows that a strategy of “doing the same things we’ve always done” is no strategy at all. In a competitive world, change is necessary. Given that most strategies involve change, and that it’s human nature to abhor change, organizations face an inherent challenge in successfully executing any strategy.

Change management is the discipline dedicated to combating this natural human tendency, which can undermine a vital organizational transformation. But

what exactly do we mean by this broad, sometimes fuzzy, term? Fundamentally, change management is about getting individuals to recognize the need for change, defining a clear destination, and giving people the tools and support to reshape the status quo. Change is most effectively implemented through the active leadership of senior management (read: no delegating), constant and varied communications, and an ever-expanding set of employees who embrace the change and champion it throughout the organization.

Moreover, a change management program isn’t just something for the masses. It’s necessary for everyone, up through the highest levels. For example, the senior team will likely have varying degrees of commitment to the new process. Some will immediately embrace the new way, whereas others will see it as another distraction from day-to-day work. Getting the senior team to agree on a strategy and plan of execution along with a commitment to change is no small feat. The specific program activities will vary by level, but all levels require a change management program.

Ten years ago at Fidelity Investments, I was first introduced to the strategy map and Balanced Scorecard. I spent

90% of my time perfecting those tools, and 10% of my time on change management. I thought that the power of the Kaplan-Norton strategy execution system was so evident that everyone would jump on board once they saw how clearly the strategy map defined our strategy. But after cascading scorecards throughout the organization, we ran into delays. Some of my peers questioned the need for “all this work and effort.” We regained our momentum, but I realized then that I had underestimated the need for a structured change management program to support our new strategy execution program.

Over the next 10 years, I reversed my time allocation, spending 10% of my time on the map and scorecards and 90% on change management. Building the maps and scorecards itself became an integral part of the change management process, instead of change management being a bolt-on activity once the strategy map and Balanced Scorecards were finalized. At every step in the strategy transformation process, I assessed the situation and made sure change management was integrated with it. For example, in developing the attendee list for a workshop, I would invite the greatest detractor to the process. Since detractors are often naysayers simply because they haven’t been involved in the process, including them in a workshop was usually enough to win them over—often it made them strong supporters, and that sent a strong message to the rest of the organization. If they still had doubts, we would assign them a portion of the project. Requiring managers to make something happen meant they had to present the change as a positive to their team or the team wouldn’t execute. Forcing accountability quickly converts skeptics into believers.

Change management with a first-time strategy implementation actually involves two behavioral changes. First, people must adapt to the new or updated strategy that the business will be pursuing. Second, the organization will be using a new structured frame-

Balanced Scorecard Report

A joint publication of Palladium Group, Inc., and Harvard Business Publishing

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work to manage strategy execution.

Both changes need to be monitored and managed if they are to succeed.

Key Steps in a Change Management Journey

At Fidelity Investments, I was CFO of a corporate business group consisting of 11 functional-area business units, including legal, compliance, risk, human resources, and others. As a result of the market downturn and greater-than-usual competitive pricing pressures, our enterprise strategy called for lowering the cost of corporate services. Our group's overall objective was to reduce costs annually by 5% for two years and maintain existing service levels while handling higher volumes from the growing internal businesses. I didn't pursue the easy tactic of instituting a groupwide 5% head count reduction because I believed there were synergies that could be leveraged, even across units as diverse as real estate and legal. Establishing a clear and simple change agenda helped show everyone how we wanted to change and what success would look like. For example, we wanted to change from being 11 silos to being 11 businesses that delivered integrated solutions, and we wanted to shift our focus from effectiveness to one that balanced effectiveness with efficiency.

The group president and I decided to begin by spending time with his direct reports, showing them that our current state was not acceptable. We used external benchmarks, competitive scans, and feedback from internal customers to make our case. Not until we thought the entire team was ready to change did we introduce the tools to implement that change—the strategy map and Balanced Scorecard. And then we widely and repeatedly publicized the strategy work to the entire organization, not

simply to communicate it but to commit ourselves to the new process and the new strategy in a visible manner.

The most significant challenge we faced in advancing the new strategy was convincing ourselves that, although all 11 business units seemed completely different, there was enough overlap to allow us to reduce overall costs.

We decided that the process of developing the strategy map and scorecard should be part of our change management efforts. We tried to develop a sense of ownership by involving as many people and as many groups as possible. We started by building maps and scorecards at the business unit level, and only later did we roll the business unit maps up into a business group strategy map. We continually sought agreement on common ground. For example, both the legal and compliance departments dealt with the same regulators, only at different stages. Regulators, aware that the two groups typically didn't communicate with each other, would approach legal with questions appropriate for compliance, and vice versa—often getting different answers. We persuaded the two departments that they could both benefit by communicating with each other, to prevent any inconsistencies in our communications with regulators.

We developed a structured process for identifying where change needed to happen, the status of that change, and activities to support the change. Legal and compliance, for instance, began holding monthly meetings to discuss information they were each sharing with regulators. This modest accomplishment helped the two units forge a relationship.

We developed strategy maps for the six largest business units, and when the

maps were compared, some objectives were common across all the maps, such as “Attract and retain talent,” “Focus on process efficiency,” and “Have satisfied internal customers.” We continuously communicated progress using multiple methods: emails, off-sites, staff meetings, hallway conversations, and internal publications.

I made sure that the president and senior leadership team had the important strategic conversations; that was more vital than filling in boxes on the strategy map and scorecard. The strategy map was important as a triggering device for those conversations, and the target-setting process made the commitments real, but I primarily focused on changing behavior, not on having a perfect strategy map and scorecard. We established early on that the first round of maps and scorecards would not be perfect, and set the expectation that there would be a few iterations before we would get them right.

The level of acceptance across the senior team varied. Some found the Kaplan-Norton process to be valuable and became champions. Others were just slightly better than “checking the box.” I repeatedly asked the business unit leaders how we could make this process useful to them in running their unit, and freely customized the maps and scorecards to better match the nature of each business unit. But the one

important outcome was that all agreed to develop a strategy map and scorecard for their area. They felt a sense of ownership because they were each responsible for developing their own map and scorecard, with assistance from my team. We also linked the scorecard to the senior manager’s performance reviews and bonus program. As you can imagine, this created a high level of interest in the metrics and targets established in the scorecard.

Organizations must carefully manage the ongoing execution of the strategy management process, since it is an important indicator of change. We instituted quarterly scorecard review meetings—common practice among high-performing organizations but, surprisingly, not among the general scorecard-using population. The concept of performance measurement and its language and tools were unfamiliar to many leaders, despite their extensive business experience, so to ease their nervousness we underscored the fact that we didn’t expect perfection in the first few meetings. The quarterly frequency enabled everyone to learn quickly. After year one, the quarterly reviews were ingrained in our behavior and felt completely natural. We also saw progress against the strategy, which provided examples of winning that we shared with the rest of the organization.

We were successful in achieving our desired results. Costs declined steadily for two years, as internal demands kept rising. We were able to handle the higher demand with fewer resources by leveraging synergies between the business units. Satisfaction with services stayed level, with some areas showing increases.

There are many different change management approaches, and the best one will depend on your organization’s circumstances. What’s more important than the approach is simply having one and integrating it systematically. That, along with committed leaders, will raise the likelihood of your success dramatically. ■



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To learn more

See Robert Kaplan’s “Leading Change with the Strategy Execution System,” BSR November–December 2010 (Reprint #B1011A).

Also see Jayme Alexandre Dias de Lima’s two-part BSR series: “Managing Change: Winning Hearts and Minds,” BSR January–February 2009 (Reprint #B0901D); and “A Change Management Toolkit (Part II, Managing Change: Winning Hearts and Minds),” BSR March–April 2009 (Reprint #B0903E).

REPRINT #B1109D

“Our journey began with the urgent need for an enhanced focus on strategy within the organization. It was imperative that through performance measurement and evaluation, we be able to clearly demonstrate our specific role, contribution, and effectiveness as marketers. The first step was to get staff on board and help them understand how our strategy was advancing the priorities of the federal government, our funder.”

*—Michele McKenzie, President and CEO,
Canadian Tourism Commission*
