

THE EVOLVING ROLE OF BUSINESS STRATEGIST

An Interview with Patrick Stroh, CMA

Strategic Finance recently conducted an interview with Minnesota-based management consultant, Patrick Stroh, whose book *Business Strategy: Plan, Execute, Win!* is scheduled to be released by Wiley next month. We asked Stroh to tell us more about his unique approach to business management derived from his many years of experience as a key player in the boardroom. We hope you enjoy his stories.

What can a curmudgeonly TV chef and a big-screen Russian submarine captain teach management accountants and other financial professionals about the core principles of corporate strategy, leadership, and innovation? Plenty, says Patrick Stroh. His unique approach draws on parables and storytelling—in addition to real-world anecdotes—to convey a complete picture of the current (and ever-changing) landscape for financial professionals. Here are the highlights of our discussion.



Strategic Finance: The number of business- and finance-related books seems to be exploding these days. What do you feel yours has to offer that's lacking in some of those other titles?

Patrick Stroh: The original working title of my book was *The 'S' Word: Parables on Business Strategy*. It ended up being revised to the current title, but the thinking behind that first title establishes some interesting context. Business strategy is important; few senior executives and CEOs would disagree with that. So if it's important, why does "strategy" have a bad connotation? In the original title, the "S" stood for strategy, but there are some who think it stands for another "S" word—the four-letter profanity. It could just as well be that sometimes! It seems that the concept, function, and consulting around "strategy" have fallen so far from grace that the word "strategy" could indeed be considered a profanity. It isn't that leaders don't agree that a strategy is needed and is critical to achieve success, but they've gone through too many exercises and experiences where a five-year strategic plan was created painfully over six months with exercises like, "If you were a tree, what type of tree would you be?" Yes, I'm serious.

SF: Many executives have war stories of the increased time and cost of implementing a new system, how the "synergies" didn't really pan out as expected, and how many of the touted features were postponed. Has that been your experience in working with various companies and executive teams?

PS: Definitely. You can go into the strategy process feeling good: "Boy, we're going to sit down and really debate our strategy. I have a lot of ideas I want to get on the table. I want to look at some new product lines and maybe an acquisition or two." Then reality sets in: The mother ship tells you what the "corporate template" needs to include before you can submit anything to them. Or a customer is having an issue that needs immediate resolution, so you're going to have to miss the first two planning sessions. Then the healthy debate you expected turns into a round-robin free-for-all of ideas with no structure as to what to do with them, how to evaluate them, or what to explore further. Possibly the sessions are shelved, and you go back to "last year's plan" and simply make some updates. What a depressing process. It doesn't have to work this way, but all too often it does. This is why "strategy" is the "S" word at some companies.

SF: In your book, you say you're a big proponent of teaching through the use of storytelling or parables

and working specifically to use "ideas that stick." What exactly do you mean?

PS: Especially in today's day and age with Google and Yahoo! at your fingertips, memorizing facts and figures is an archaic learning style. But the learning style of storytelling, while thousands of years old, is as applicable as ever. I believe this is the same style you need to use to be an effective leader.

The second premise of making "ideas that stick" is about retention through the device of storytelling. One of the best examples of this concept is from the 1998 movie *Armageddon*. An overcaffeinated, stuttering scientist is trying to describe to the President the size of the asteroid that's about to obliterate Earth via an incomprehensible figure of square miles and size. The President isn't getting it, so the scientist's boss steps in. "The asteroid is the size of Texas, Mr. President." Now that sticks!

SF: You also talk a lot in the book about the role of the chief strategy officer (CSO). Why is this position so important?

PS: Strategy starts at the top, so it only makes sense that the CEO/President has someone on his or her staff who's responsible for "facilitating" strategy. I specifically say "facilitating" strategy vs. someone who has the role of being "responsible for" strategy because there's a huge difference.

SF: How so?

PS: When you put one person in charge of strategy, then you could have a scapegoat who's responsible for all future aspects of the company. That person then becomes a crutch to the organization in that he or she does all the "strategic thinking" and the rest of the leadership team can get caught up in the day-to-day details of running the business without being mindful of the opportunities, risks, trends, and other strategic areas that they should be paying attention to.

SF: Why can't this strategy role simply remain with the CEO/President? Why do you need a CSO?

PS: CEOs can't be everywhere at once. As a matter of fact, the best CSO/CEO relationships I've seen are where the CEOs are so comfortable in their role (and their own skin) that they consistently seek the advice of others. When you have a ying to your yang and someone with whom you can speak extemporaneously and bat ideas around in a safe zone, that's an effective relationship and one where business strategy can be incubated and then

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further developed with others. Today's CEO needs to deal with organizational structures, globalization, new laws and regulations, shorter product life cycles, demanding cost reductions, and the insatiable appetite for innovation among customers and investors. Therefore, the role of the CSO has emerged: not to replace or abdicate the CEO from being responsible for business strategy, but to help them and facilitate the larger executive team.

SF: It doesn't sound like an easy role to fill.

PS: It isn't! As a CSO, you're the ringleader at the circus, taming the other performers and getting the most value out of the show. The CSO controls the boundaries but needs to let the team perform. I'd best describe the competencies and style needed to be successful as being "consultative and facilitative."

SF: That sounds much like what a good CMA® (Certified Management Accountant) should aspire to be.

PS: Exactly! Being a partner, being strategic, being a thought leader, and getting stuff done: By this definition, CMAs should be some of the best CSO candidates around.

SF: What qualities should a good management consultant, CSO or otherwise, bring to an organization?

PS: To me, a good consultant is "consultative," meaning they offer suggestions but don't dictate solutions. They encourage leapfrog thinking where individuals build on each other's ideas and then have a dialogue as a group, not just individuals speaking or waiting for their turn to speak. They offer suggestions from other industries, push boundaries, and go past what their client/team is comfortable with. They know how to artfully give someone line to run with and explore an idea or strategy, but they also know when—and how—to reel that person

back in when necessary. This is where I distinguish between being a "consultant" and being "consultative." Both are skills; both are needed.

SF: Being consultative is one thing. But being a skilled facilitator is equally important, no?

PS: Without a doubt. As a facilitator, you're expected to serve as the master of ceremonies. You control the process, the room, and the outcomes. Get everyone to participate fairly. Gently hold back the extreme extroverts—pull them to the side during a break if you need to. Call on the introverts to participate and get their voices heard. Adapt your style and time frame to that of the group, but, at the same time, don't get bulldozed.

These two traits, consultative and facilitative, should allow you to be an effective, cross-functional leader and help you and your CEO drive toward a successful business strategy.

SF: You like to use bits of popular culture as a framework to effectively highlight lessons learned in applying business strategy. Can you share a couple of examples?

PS: Sure. Think of this style as "entertaining to educate." Take the popular food shows, *Hell's Kitchen* and *Kitchen Nightmares*. Gordon Ramsay, the shows' host, will often take a young or seasoned chef to task. Usually the first question from his mouth is, "Oh come on, are you even *tasting* your food?" He has a point. Fact is, chefs always need to taste their food to help ensure proper seasoning and have some quality control. The business analogy would be, "Are you using your own products or just serving them up for others?" Same thing. If you aren't regularly using your own products, shopping on your own website, or calling your own customer service agents, then how do you know the quality of your products and the experience your customers are having?

Movies teach us some other good lessons, too. There's a scene in *The Hunt for Red October*—my all-time favorite movie—where Sean Connery's character gathers all of his executive officers after departing port and describes the letter he sent to their Soviet commanders, announcing their intention to defect. The officers didn't know he had done this, and a huge argument ensues. They had indeed planned to defect, but they didn't count on the entire Soviet submarine contingent trying to hunt them down in the process! They asked Connery why he would do such a thing. He replies with a parable: "You see, when Cortez had arrived at the New World, he knew it would be difficult to establish a colony and that some may want to return home. So he burned the ships to motivate his crew to succeed. There would be no going back." His men then got the picture.

I'm not suggesting you "burn your ships" and take a crazy new path in business, but sometimes motivation is needed. The platform of "if we don't succeed, our business may die" is a powerful motivator. When you make a decision in business, make it a *commitment*, and don't turn back unless new circumstances dictate.

SF: You also learned plenty about business strategy during your childhood while growing up on a small dairy farm in rural Minnesota.

PS: At the time I didn't realize what fertile ground farming was in learning business strategy—not until I reflected on it 30 years later. I have many parables in this space, but here's a favorite. As author Stephen Covey has taught, you need to be able to "sharpen the saw" and keep yourself in good health, good spirits, and with a balance in life. Growing up, I thought my Dad was terrible at sharpening the saw. He was work, work, work, and that was all that seemed to matter to him. He could rarely leave the farm because who else would milk the cows?

As I look back, yes, my father worked very hard, and he had to. I get it. But he did do some sharpening of the saw, too. I just didn't realize it. I'm the youngest of seven kids, so my father was older when I came along. Yet I do remember as a young boy going into town with Dad to play softball once a week with "the guys," mostly other farmers. More than anything else, though, my

EVERYTHING I NEEDED TO LEARN ABOUT BUSINESS STRATEGY, I LEARNED FROM . . . THE CMA CERTIFICATION!

This section is written solely for IMA and *Strategic Finance*. I hope that you agree with and appreciate the corollaries between being a CMA and a chief strategy officer.

Part 1: Financial Planning, Performance and Control.

Everyone loves budget time, right? Not exactly, and not when it's a numbers-only, bureaucratic process without discussion of strategy and the business environment. But you can't eliminate budgeting and forecasting, either. Getting in a boat without a plan is drifting; running a business without a plan, budget, and forecast is lunacy. Part of your job as a CMA is to get others to properly plan, budget, and forecast their parts of the business, then roll it up to an enterprise level and make sense of it.

Putting functional budgets together is more than just rolling up the numbers, though. It's looking for duplications, synergies, alignment to strategy, realism, and stretching the organization. It requires you to take your experience living through business plans/prior forecasts/budgets and apply the lessons you learned to this current cycle. How will you measure success? What kinds of controls will you put in place? When will your team activate contingency plans if the strategies associated with these plans go awry? Putting a budget in place is relatively easy. Tweaking that plan, monitoring performance, addressing controls, and driving strategy takes a seasoned and talented finance professional, i.e., a CMA!

Part 2: Financial Decision Making. This is about game-time analysis and decision making. When people talk about having or building a "track record" of success, this is what they're talking about. Though you need to have the skills and capabilities from Part 1 to pull together a budget with measures and controls, if you can't perform an analysis, react, and make decisions at game time, what good is a plan?

The best CMAs know their numbers and three levels below what makes up those numbers. It isn't simply the math of how you get the numbers—it's the why behind them: What's the volume and mix this quarter? Where did we deviate from plan? How many basis points were lost or gained due to changes in standard deviation in our operating process? An accountant pulls together numbers and does analysis according to rules and regulations. A CMA goes a step further by applying additional experience, analytical skills, and judgment to ensure plans and actions are driving and achieving business value.

father loved to fish. Our farmland included the best fishing lake I've encountered in my life. For the most part, we didn't have a boat when I was growing up, so we used our Uncle Jim's. Nor did we regularly have a motor! We would simply row out and drop our lines. This is my best childhood memory—fishing with Dad. I didn't see it then, but I do now: This was sharpening of the saw for my father, and it worked for him.

Whatever it takes to rejuvenate you and replenish your core to get back to work, you need to find it and *do it regularly*. You'll never be successful in creating and executing business strategy—or in your job in general—if you're worn down and tired.

SF: Besides your childhood and popular culture, where else have you found some pearls of wisdom on how to succeed in business and in life?

PS: The *Bible*. Regardless of your religious affiliation, suspend your judgment temporarily on this topic and consider the following, which came from the scrolls of men thousands of years ago and has sold 2.5 billion copies over time. See if there's something of value to you that applies to our current business world from the following themes I extracted: *Vision/Planning, Communications and Listening to Customers, Roles and Responsibilities, Seeking Counsel and Direction, and Execution*. Let's take two examples.

On the category of Roles and Responsibilities:

1. Scripture: “*Arise! For this matter is your responsibility, but we will be with you; be courageous and act.*” (Ezra 10:4)

Business Corollary → “That's not my job!” “I'm waiting for Joe to do that.” “I'm still not sure if we *should* do that.” Heard these gems before? Yeah. Being responsible and acting, doing something, getting the job done: Is this really that hard to do? Your staff needs to be empowered (and have some guts to act and smartly stretch sometimes), and leaders need to be clear and decisive (the best-laid plans never win the battle; rather, execution of plans wins the day). Take initiative, take responsibility, be courageous, and act!

2. Scripture: “*His master said to him, ‘Well done, good and faithful slave; you were faithful with a few things. I will put you in charge of many things, enter into the joy of your master.’*” (Matthew 25:21)

Business Corollary → No matter what level we're at, we all have a boss, and hearing “Well done!” from the boss feels awfully good. It doesn't even need to be accompanied by a bonus or a raise to be impactful. One of the

best CEOs I ever worked for always started her weekly leadership call by asking us who deserved “recognition from executive leadership this week.” Then one of us would write that person a letter or personal note recognizing them for their work and efforts. The message here is don't miss an opportunity to say “well done.”

In my book, I lump these “revelations” under the heading, “Everything I Needed to Learn about Business Strategy I Learned...from the *Bible*.” And this isn't meant to be just a couple of quotations but rather “themes” or patterns of leadership. While I have other “Everything I Needed to Learn” entries in my book, I wrote one specifically for *Strategic Finance*, which you'll see in the sidebar on p. 30. I hope it resonates with you as much as it does with me.

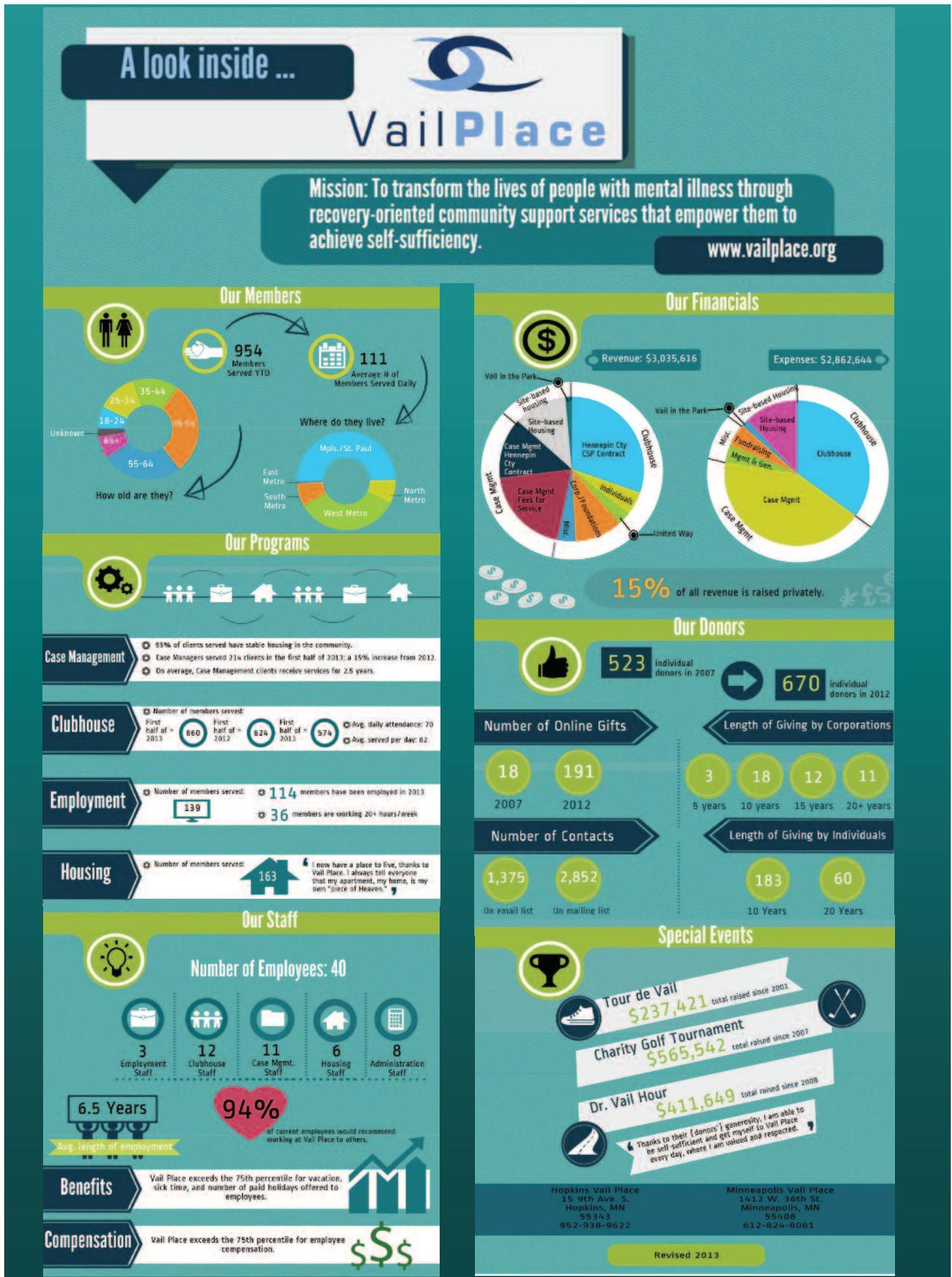
SF: What kinds of tools do leaders and consultants commonly use to conduct business strategy? What are some of your favorites?

PS: There's no one tool, or even set of tools, that everyone must use to successfully plan, execute, and win with strategy, but, over time, everyone gets their favorites and tweaks them for what they need to accomplish. After years of working in the area of business strategy—creating plans, facilitating workshops, holding validation sessions, and the like—I have what I call my “Lucky 13” tools that I go to when I need to accomplish business strategy work. Here's some additional detail on two of my favorites.

1. Five-Force SWOT Analysis. With this, I've taken Michael Porter's “Five Forces” model and modified it to be more comprehensive—a model within a model, so to speak, which can be complex to populate and review but paints an incredibly complete picture of the business. Porter's model considers Internal Environment, Supplier, Customer, Substitutes/Complements, and Entry forces. If you then also apply the SWOT model (**S**trengths, **W**eaknesses, **O**pportunities, **T**hreats) within each of those five forces, you can identify a lot of important information and considerations. Even within the SWOT items, if you want to further stimulate thinking, you can use the following categories: Technical, Economic, Social, Global, Industry, and Government. I've found this to be a good due-diligence tool in assessing new businesses, and I've used it countless times in preparing strategic plans to help identify the landscape the business is in and what strategies are required to advance the business. Try it!

2. Balanced Scorecards (BSC). Let me offer you

Figure 1: Balanced Scorecard from Vail Place



three insights on balanced scorecards that I've learned over the years that make them the most effective. My balanced scorecard normally includes *five* categories: Customer, Growth/Innovation, Operational Excellence, People, and Financial. (Insight #1: These five have worked the best for me in multiple businesses.)

Then, within each category, I identify both leading and lagging indicators. Lagging indicators are really results or targets that you're striving for. Leading indicators are more like milestone markers predicting whether or not you'll hit your results—therefore, slightly more meaningful. (Insight #2: Leading indicators are critical. Figure these out, and you have something precious.)

I also show a set of numbers for each metric. First, I typically show three months of actuals (the minimum number of data points needed to see a trend). Second, I provide the budget numbers from the business plan to predict what the metrics could look like if we hit plan. Third, I show a target number. The target would either be the end-of-year target we're striving for per the business plan, or it may be a best-in-class metric that the business should be working toward. Sometimes I even use both. (Insight #3: Include actuals, budget, forecast, goal, and/or best-in-class figures, all of which increase relevance for multiple stakeholders all on one BSC page.)

Figure 1 shows one of the least technical but most visually appealing BSCs I've ever seen. It was prepared by and for Vail Place, a Minnesota-based agency that connects people who have serious mental illnesses with the services and resources they need to find a home, a job, friends, and a healthy lifestyle. This is a great example of a BSC that tells a story. Nice job, Vail Place!

SF: Is business as complicated as it looks, or are we often guilty of making things harder than they need to be?

PS: Great question! I come down on the side of thinking that the secret to a successful business strategy is simple: *Identify* the essential puzzle piece, the “secret sauce,” to your company's success; *create a plan* for success; and then work closely with your team to *execute* your plan into gold! Much as the alchemists in the Renaissance period looked for the secret elixir to turn metals into gold, you need to identify and maximize the secret sauce that's critical to turn your business strategy into gold. You may be missing an entire puzzle piece, or you may just need to tweak a couple things. But to plan, execute, and

win with your business strategy, you'll need to master 10 universal truths. Let's look at three:

1. Have a plan. You need to have a plan or else you'll fly by the seat of your pants and never know where you're going. Or as one consultant said, “You can really get good at climbing a ladder, but if it's up against the wrong wall, who cares?” Of course, as we've discussed and you've likely learned, the best-laid plans are worthless if you can't execute them. But you won't even get to the party and have a chance to execute if you don't have a plan of attack.

2. Listen to your customers. When you become so inwardly focused and feel you absolutely know what your customers want more than they do, then it's time to step back and take a reality check. Talk to your customers—a lot! If anyone on your leadership team doesn't normally engage with clients because they have a “back office/support” function, get them out in the field. Everyone needs to be in front of clients to understand their needs and live the experience you're providing them.

3. Sweat the details. Almost all great leaders sweat the details, especially us financial types. We love to, and we live to. This doesn't mean being a micromanager, however. Hire good people, and let them do their jobs. But that does *not* abdicate you from your responsibilities to lead and manage. You need to set an example for your team members about what they should be paying attention to. Know your numbers, know the details, be on the floor and on the front lines of your business. You'll be sharp, in the know, limit surprises, and have the admiration of your troops because they'll see you rolling up your sleeves along with them. **SF**

More about Our Guest Expert:

Patrick J. Stroh, CMA, is a principal at Minnesota-based Mercury Business Advisors, which provides management advisory services in business strategy, innovation, and product development. Patrick recently held positions with UnitedHealth Group, including chief strategy and innovation officer, client experience officer, president, and senior vice president of business strategy. He currently writes a column called Innovation Elixir™ for American City Business Journals. You can reach him at (612) 432-7494 or patrick.stroh@mercuryba.com.

Patrick Stroh is a speaker at IMA's Annual Conference & Exposition, June 21–25, 2014, in Minneapolis, Minn. For information, visit www.imaconference.org.
