Consulting Information Services, LLC

STRATEGIC OFFSITES

Research Summary
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Advisor-Client Perceptions on Strategy Offsites

Companies conduct offsite sessions with senior management to define and refine corporate strategy. Advisors actively participate in these sessions as facilitators and planners to help companies "unlock" management's strategic thinking. To gain maximum value from these sessions, and align strategic vision with execution of ideas, clients must understand the motivation and capabilities of strategy offsite advisors.

Research Hypothesis:
Advisors to senior management at strategy offsites cluster into three categories based on characteristics and competencies. Clients fail to maximize their return on strategy offsite investments due to the limitations or approaches of providers in each of these categories.

Conclusion:
A new type of advisory firm could emerge that focuses exclusively on the highest-level offsite sessions to fully extract critical strategies from senior management.

Strategy offsites are perceived as internally driven planning and idea-creation sessions whose frequency and relevancy are aligned to the needs of the company. We limit our discussion to those sessions conducted by (or for) senior management that deal with the highest level strategic issues.

Companies typically conduct an average of three high-level strategy offsite sessions annually. The top-down, bottoms-up sequencing of follow-on meetings at divisional levels indicates dozens of additional offsites per year. These could be considered strategic in nature, though line-level sessions tend to be more implementation-oriented.

Clusters of Advisors

The universe of advisors who plan and participate in strategy offsites is extremely broad. The traditional population of these experts can be viewed along two extremes: *organizational specialists* who facilitate communication; and *knowledge domain experts* who bring a functional/industry/geographic expertise that could be lacking inside the organization.

Analyzing these two extremes offers a more refined view of strategy offsite advisors and pushes them into one of three general categories:

1. **Facilitators** streamline the time-to-decision and/or time-to-consensus process, where decisions are sometimes pre-determined by the most influential insiders.

Facilitators fall into three categories: executive coaches who have worked with the CEO and/or senior executives; cross-cultural experts experienced in working with multi-national companies; and corporate culture specialists specifically focused on high-level organizational development. They tend to charge for services on a per-diem basis (daily rates range from $3,000-$10,000+).

The primary *strength* for this group centers on the facilitator's ability to lead the group through a process to reach a conclusion (i.e. midwifing). Facilitators employ inter-personal/team-building skills that result in individual behavior and/or corporate culture change.

The fundamental *weakness* of this group concerns its lack of content-specific knowledge and strategy formulation frameworks, relative to other experts, that are inherent to successful strategy development. Facilitators advance agendas as opposed to devising them.

2. **Intermediaries** are perceived as politically neutral idea-generators, but actually offer domain expertise that management uses in strategy development.

   Intermediaries are academics and content experts. They differ from the facilitators in that their knowledge – by function, industry, geography or some combination thereof – has a more direct effect on strategy development (even if the intermediary's direct role in strategy development is minimal).

   Intermediaries also charge for services on a per-diem basis or as part of a retainer relationship (fees range $10,000-$50,000+ per engagement).

   The core *strength* of this group applies to its domain-expertise and an ability to leverage that knowledge across a well-worn framework that transfers knowledge to the client.

   This restrictive *weakness* of the intermediary rests on the relative inflexibility of his/her knowledge framework and the delivery mechanism. The point-of-view rigidity inherent to domain experts limits their role in pre or post-offsite strategy development. Likewise, they are rarely called upon to help align the organization with the new/revised strategy.

3. **Management Consultants** align a breadth of resources to client problems, often bringing with them a pre-determined strategy with measurable outcomes.

   Management consultants are characterized by their strategy development experience, which is usually measured across a variety of functions, industries and geographies.

   The primary *strength* of this group – as represented by the well-known strategy consultancies like McKinsey & Company and Boston Consulting Group – is their ability to present clients with deep expertise and knowledge on best practices across multiple areas. These resources can be brought to bear at strategy offsites where the consultancies have existing relationships, or desire to build a new relationship.

   The greatest *weakness* of the management consultants concerns motivation and bias. Larger-scale strategy consultants often offer strategy development services to multiple clients in the same industry sector, which compromises objectivity. This bias is also reflected in the fees charged by strategy consultancies for strategy offsite services. Firms may build fees into existing engagements or severely discount as part of a larger business development effort. (fees for typical McKinsey clients average $300,000 per month). Rarely does a strategy consultancy consider its strategy offsite role as a stand-alone service.

Advisor Approach: Extract vs. Prescribe

Each advisor cluster offers distinct capabilities that benefit specific aspects of strategy offsites. But each group also brings a certain delivery approach to the strategy development process that can hinder the offsites' potential to draw out management's strategic thinking.

Strategy offsites are extremely effective when advisors help companies *extract* innovative strategies from within the management ranks. Offsites are extremely ineffective when advisors *prescribe* pre-determined solutions from existing areas or build a custom solution without the active involvement of management.

Facilitators can be very helpful in drawing out and advancing strategy discussions. But in and of themselves, they do not possess strategy development expertise. They exist to guide the process to its natural conclusion. So even though facilitators may appear to be involved in formulating the strategy, they are not expert in strategy formulation. Nor will they regularly involve themselves in post-strategy execution.

Intermediaries will limit themselves to strategic development issues that align to their area of expertise. Their depth of knowledge in strategy development is markedly higher than that of a facilitator, but often "siloed" by domain expertise (function, industry, geography, or a combination). That singular bias limits an intermediary's effectiveness in broader strategy development sessions and usually relegates the intermediary to a specific role before, during or after the strategy offsite.

Management consultants offer the most depth in strategy development and larger strategy firms regularly use this capability to foster new client relationships, or strengthen existing bonds. But larger strategy firms present clients with a separate bias: strategy development experiences from one client are leveraged across the consulting organization. While this is cost-effective for the consultancy, the process poses potential conflicts among clients in the same industry. Also, the consultant-driven outcomes are extremely prescriptive.

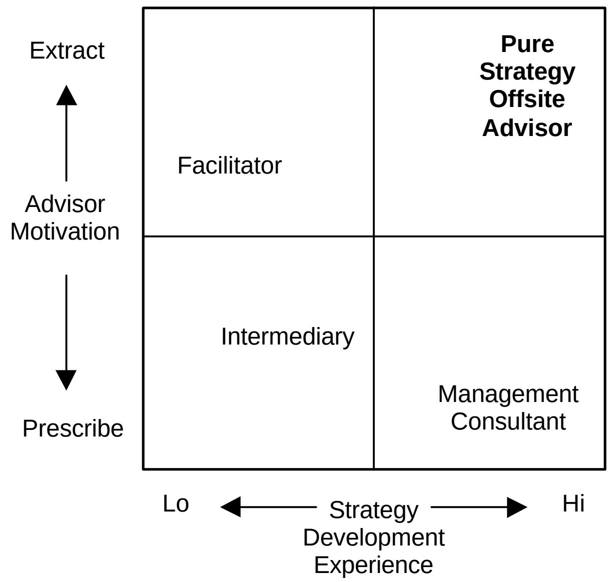
Thus, management consultants often "give away" the strategy in order to gain knowledge that is then used to secure additional business for the consultancy. Clients, therefore, cannot accurately measure the true cost (or benefit) of such subjective strategic development.

Pure Strategy Offsite Specialists

From the client's perspective, there is a perceived plethora of strategy advisors. But framing them against a matrix that measures *strategy development* *experience* and *advisor motivation* reveals a dearth of objective, unbiased experts with strategy development expertise who can extract management's critical thinking from strategy offsites (Fig 1).

Figure 1

Strategic Offsite Advisors



There is a natural limitation on this market as a specialty practice, both from a volume standpoint and based on the extreme confidentiality of strategy development. A superior provider of strategy development services would need to limit its strategy offsite client work among direct competitors.

This restriction lessens the leveragability of a strategy offsite practice for most management consulting firms. That does not limit the opportunity to build a consultative practice that serves sophisticated clients who desire a greater return on their most critical strategy offsite investments.

Such a practice would be comprised of strategy development specialists (e.g. strategy consultants with deep experience at larger strategy firms) who can bring a network of functional and industry experts to bear on the client's strategic initiatives.

But the strategy development specialists would not base their revenues on the follow-on business resulting from the strategy offsite sessions. This consultative practice would be singularly focused on planning and executing the highest-level strategy offsite sessions that extract strategic management thinking.