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THE STRATEGIST, THE FINANCIER AND THE OPERATIONAL MANAGER: A WALTZ IN THREE-FOUR TIME

'***The imperial CFO***' was The Economist's headline in June 2016, thus emphasising the pre-eminent position, even dominance of finance departments in the strategic and operational choices of businesses. It is undeniable that finance departments' grip on the strategic process sometimes leads to reducing its expression to a business plan costed over a multi-year timescale. Furthermore, a financial director responsible for external growth and mergers/acquisitions (quite widespread case in point) considerably restricts the strategy's scope of action.

Without going so far, it is undeniable that, in all cases, advancing from the strategic project to carrying it out requires making human, equipment and financial resources available to the financial director, even operational departments. We therefore have to **synchronise three timescales**, corresponding to different work processes, on which the strategist, the financial director and the operational manager each have the habit of operating:

- **The strategy/projection period:** a timescale of 3-5 years, built around the process of drawing up the strategic plan, guaranteed by the strategist
- **The strategy/modelling period:** a maximum timescale of 1-2 years, built around the budgetary process (current and one-year forecast) and lead by the financial director
- **The strategy/implementation period:** a period anchored in the present (a few months), built around the project progress review process, a routine activity for many operational managers

Consequently, how can the strategist (re)take the lead on the relationship between these three timescales, for everyone's benefit?

After consideration, The "Quart d'Heure d'Avance Stratégie" has brought out three working directions:

1/ Strategy as orchestra conductor

To prevent the risk that strategy and long-term vision are not taken hostage by finance or operations, it appears necessary to maintain a working process separate from financial and operational processes.

One way to synchronise these processes may be to organise a three-step sequence during the year, where each part takes the lead successively. For example, this consists of initiating the strategic process at the beginning of the year by formulating the vision, then in mid-year developing this vision through the financial process and, at the end of the year, re-organising the portfolio of strategic projects to include them again.

In all cases, the Strategist can no longer exclusively consider the long period over which he usually works. His role changes more and more towards that of orchestra conductor, ensuring the harmony of this 'waltz in three-four time' between strategy, finance and operations. He composes the strategy and ensures that each period is followed and the synchronisation between the different players and the different processes is working correctly.

Besides, this is a similar movement that we see in the practices of external players as historical consultancies called strategy: they now integrate more operational approaches, in addition to strategic and financial processes, in business transformation programmes.

2/ The plan and the model, two complementary partitions

Should we favour the 'planned strategy', advocated by Igor Ansoff[4], or the 'emergent qualified strategy' described by Henry Mintzberg? Business plan or strategic model? The business plan is used to make clear decisions, defend them and drive results from them. A start-up needs business plans to convince investors – even if you know that the drafting process is more important than the result, even of the consideration process, which may very quickly become obsolete. Conversely, a well-designed model, sufficiently clear about the ambition and flexible about the resources, acts as a compass for action: one vision, one company personality, one economic canvass, one map of links with the ecosystems, one organisational diagram and teams to make it all work.

In reality, doubtless it is unnecessary to choose but rather to use all these tools for their respective virtues:

> The model as vision, course, ambition and overall framework of the strategic consideration. Even if it doesn't always appear very practical and easy to communicate in the short-term, it must infuse and resonate with the strategy.

> The business plan as a sound and costed projection, often not very flexible and adaptable, but that can be a good vector for communication. The costed projection gives the drive and aligns the players on a shared objective.

[4]Igor Ansoff, lecturer and consultant in business strategy, well-known for his book '*Corporate Strategy*'

In this context, the role of strategy is to ensure that the two tools are correctly used to complement each other and to ensure that the plan does not substitute for the model – and *vice-versa*.

The case of Trigo is quite symbolic of the need to maintain this separation, as even if the strategic exercise always ends with drawing up a costed business plan, it in no way substitutes for the model: its value lies more in the ability to materialise and communicate the strategic objectives and to engage practically in dialogue with the Board of Directors and investors than in writing 'in stone' the figures stated in it.

3/ The strategic projects portfolio still the core of the job

Strategic consideration processes most frequently end by proliferating projects. Due to resource constraints (time, financial resources, etc.), they can't all be tackled head-on with the same energy. So it is also necessary to design the strategy as a renunciation exercise that establishes criteria for deciding between projects to allocate resources in the right place at the right time, with a balance to be found between short term and long term. Thus a strategy department shouldn't only push to abandon projects even before having initiated them, but also to suspend projects in progress, to the detriment of the operational managers responsible. It becomes selector and referee, coordinating with finance and the *Project Management Office*. The arbitration and resource allocation process remains the core business of a strategy department: this is what the Pochet group's strategy department observed recently.

TRIGO: A CLEAR MODEL, A SHARED PLAN AND FINANCIAL MANAGEMENT FACILITATING STRATEGY

Trigo is the world no.1 in quality control and quality activities, in 25 countries and with 400 sites. Former family group created 25 years ago by an ex-Valeo employee and marked by the car industry's zero defect culture, Trigo expanded very quickly by means of informed investment funds (the company is currently going through its third take-over), anxious not to lose the entrepreneurial spirit, enthusiasm or strategic agility of its early days.

THE STRATEGY ACTIVITY AT TRIGO IS CHARACTERISED BY THE LACK OF AN ANNUAL STRATEGIC PROCESS AND STRATEGY DEPARTMENT

There is no strategic committee. and the budgetary and strategic processes are not separated. In addition, the financial director drives strategic consideration based on geographical areas and sectoral *business lines* in order to outline the development directions selected for the budgetary process. In the end, strategy remains above all supported and represented by the Chairman, who reports to a demanding investment fund on execution of the main themes announced. This main shareholder changes every 3-5 years: the strategy is redefined (or reconfirmed) at the change of shareholder, often with support from an outside consultancy.

In this way Trigo has been able to develop great strategic maturity… without strategy management. Every strategic plan has to suit everyone – shareholder, financier, operational manager , etc. – to have a hope of surviving and lasting over time. The complex alignment of players works as a result of a few good practices:

> Finance serves strategy and not the other way round. The Financial Director drives background considerations, but does not stray outside his legitimate scope and never takes the Chairman's place in his role upholding the strategic vision.
> The strategy doesn't place too emphasis on the figures. Putting detailed figures to strategic directions is not pushed excessively, particularly given the extreme volatility of the markets in which Trigo operates.
> Using strategy consultancies provides a basis for credibility of the strategy chosen by the Executive Board among investment funds and facilitates deployment in the world.
> The groups' diversity (businesses, geography, etc.) is reflected in the composition of the Executive Board.

GROUPE POCHET

L'EXCELLENCE EN HERITAGE

POCHET GROUP: IMPLEMENTING A STRATEGY DEPARTMENT AND BASING ITS LEGITIMACY ON THE FUNDAMENTALS

Pochet is a French family group, established internationally, specialised in manufacturing top-of-the-range glass, plastic and metal bottles and packaging materials, operating mainly in the perfumes, cosmetics and luxury sector.

Strategy as a dedicated role and function is recent within the group: it was only in 2011 that the group decided to create a strategy department to support its growth and better structure its vision over a three year timescale.

The first step was to set up an annual process for drawing up the strategic plan, which brings teams from the financial department and operational manager close together, with four major highlights: an outlining phase covering strategic options at the beginning of the year, a detail and costing phase for options over the first half of the year, a step for approval of the strategic plan by the Supervisory Board, then by the Top 50 at mid-year, and a feedback phase at the end of each financial year.

AN ESSENTIAL: INCREASED ACTIVITY ON MANAGEMENT OF THE PROJECT PORTFOLIO, WITH RESTRICTED RESOURCES

Once the planning process is established and mature, the strategy department, now legitimate in its role, began to expand its scope of action by taking responsibility for *business intelligence* and strategic project management functions.

One of the department's main current challenges relates to managing the portfolio of projects in an environment with very restricted resources, specifically a lightweight Strategy team having to led a permanent and necessary dialogue with operational and financial managers. Thus, the volume of strategic options to be investigated is chronically too large given the availability of the teams, which remains a permanent challenge to be met, especially as projects not scheduled in the plan appear continually.

To improve flexibility, the strategy department works on more dynamic management of its project portfolio and on strengthening selection criteria to prioritise them. This selection applies as much to new projects entering the portfolio as to projects in progress, which in certain cases can lead to some of them being suspended. These judgements, sometimes delicate, make it possible to release resources needed to complete priority projects, including short-term projects that enter the portfolio in the middle of the process to draft the strategic plan. They should also enhance the added value of the strategy department that, after six years in existence, is preparing the next stage of its development.