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Off-Sites That Work

by Bob Frisch and Logan Chandler

Whether convening at a resort, at a Marriott around the corner, or in a conference room down the hall, almost all management teams spend a day to a week every year away from their regular responsibilities to plan for the future. Off-sites collectively cost U.S. companies hundreds of millions of dollars annually in salaries alone. But too often, planners and participants assume that the off-site, other than featuring a golf outing, is just another meeting. It's not. It differs in critical respects from every other meeting that top leaders attend.

The strategic off-site is the one meeting that the CEO (or the division head) owns completely. No matter who actually runs it, the business leader convenes it, helps design it, and ultimately will be measured by its results. Expectations for the off-site run higher than for a typical executive session because it is usually the only opportunity the top management team has to explore strategic issues in depth for several days.

The scope of the matters discussed at a strategy off-site is broader than at the typical management meeting. When looking at big-picture topics like what business the company should be in, as well as more-focused questions like how to build new core competencies, executives must peer beyond the immediate horizon to three to ten years into the future. Instead of concentrating on their individual functional areas, participants must take an organization-wide perspective and synthesize information drawn from disparate areas of the firm. And unlike operations-oriented meetings, whose objectives are limited and whose function is primarily reportorial or tactical, strategy off-sites deal with information and issues that are often ambiguous or speculative, which makes many executives uncomfortable.

Few executives would call their off-sites outright disasters, but it is the rare management team that can look back six or 12 months later and say that the meeting truly changed the way the business is run. Most would agree with what a senior vice president at an Internet company said about his last strategy off-site: "It simply left no fingerprints on the business."

The greater expectations, the higher stakes, and the unique nature of strategy discussions require special planning to ensure that meaningful and constructive conversations happen. Yet surprisingly little guidance exists for designing strategy off-sites. There is no shortage of advice for leaders about how to conduct a meeting. There are plenty of how-to guides for meeting facilitators. But there is virtually nothing to help the off-site designer—whether it is the executive who convenes the meeting, a

subordinate, or an outside facilitator—that goes past the usual strictures about creating clear objectives and developing an agenda.

A successful off-site can align executives, galvanize corporate performance, and strengthen the company's position in its industry. During two decades of designing and facilitating strategy off-sites around the world, we have worked with scores of firms, from family businesses to Fortune 10 multinationals. We've distilled some best practices from our experience that meeting designers can use to make the most of this annual opportunity.

Preparing for the Meeting

A strategic off-site's success is largely determined by what happens before it convenes. To make sure the meeting generates tangible results, its designer must do three things. First, answer the most basic questions: Who should be there? Talking about what, when, and why? Second, compile and distribute relevant data. Third, create a structure for the meeting that will compel progress.

60 Days to a Successful Off-Site

	Objectives	Content	Meeting Design and Structure	Participants
60 DAYS	Establish straw-model objectives with meeting owner and identify potential issue set.	Define data requirements.	Determine number of conversations and timing.	Determine internal attendees.
45 DAYS	Review straw-model objectives with participants.	Commence external data gathering.	Identify strategic frameworks to be used to structure off-site.	Identify outside experts, if any, and invite them to off-site.
30 DAYS	Establish final set of objectives and communicate them to participants.	Commence internal data gathering.	Design straw-model meeting structure and high-level agenda.	
2 WEEKS				Integrate external participants into meeting structure.
1 WEEK		Send reading material to all attendees.	Preview meeting structure and agenda with participants.	
OFF-SITE	Remind participants of meeting objectives at the beginning of each day.	Deploy data sparingly.	Remind participants of structure and agenda repeatedly during the off-site.	Conduct off-site with the core group of participants, selectively bringing the experts into the conversation.

The basic questions.

Most of the mistakes meeting designers make at this point stem from a faulty assumption: If you schedule a meeting, invite top leaders, and perhaps add an outside expert, a strategy off-site will produce a set of strategic priorities. In fact, that's backwards. You must first understand where you are in the strategy process and determine what outcomes you want from the meeting. Does the group need to hold an expansive conversation about broad strategic options, or is it time to make some concrete decisions? What time frame applies to the issues that will be discussed: Three to five years? Five to ten? The answers to such questions will determine the objectives, which will in turn determine the agenda and the participant list.

Many off-sites derail because the meeting designer lacked the discipline to restrict the scope and number of issues to be considered. At the conclusion of the off-site, the company ends up with a laundry list of a dozen or more next steps but not a coherent strategic course of action. That's why before the meeting, you should make it clear that the team will restrict the scope of the conversation, with the aim of producing a manageable number of key initiatives—typically four to ten. As we often remind clients, in many cases strategy is more a matter of defining what you aren't going to do than deciding what you are going to do.

When the property and casualty unit of Allstate Insurance was planning its annual strategy off-site three years ago, executives made a conscious choice about what to focus their energies on. They knew that customer acquisition was important, but after reviewing Allstate's growth rates and finding that customer loyalty was below the industry average, they decided that retention was the more critical concern. So we helped them design the off-site with the objective of developing a focused set of cross-functional initiatives to improve customer loyalty, postponing questions of attracting new customers.

Another mistake companies frequently make is to invite too many participants. One executive brings her entourage; another, concerned about being put on the spot, brings subordinates he can call on to bolster his position with supporting facts or a business case; observers from various departments attend. In the end, the off-site becomes little more than a town meeting, not a carefully designed strategy conversation.

The number and identity of invitees should be based on the scope and objectives of the meeting. An expansive conversation about broad options benefits from a large group of participants. Decisions are best made by smaller teams. In either case, start by inviting a management team that is accustomed to meeting regularly—the C-level executives, for example, or, if the meeting is a business unit session, the unit head and direct reports—rather than cobbling together a unique roster. And when you think about adding outside experts to the mix, make sure their expertise relates to your

meeting's objectives. Inviting an expert just because she is an expert takes the team nowhere—except perhaps for a ride on her hobbyhorse. If you bring in a marketing guru, for instance, you're going to be looking at your corporate issues through a marketing lens.

The company's strategy development process should never be turned over to an outsider to be distilled down to a set of multiple-choice options. The management team has to first figure out which issues are most important. Only then should it reach out to experts who can clarify those issues. Hiring a consultant to develop the strategy undermines internal commitment because executives justifiably feel detached. Not until they've put sweat equity into creating a strategy themselves will they feel they truly own it.

If most companies have too many participants, they have too few off-site sessions—usually restricting the meeting to an affair lasting two to three consecutive days. It's far more effective to break the off-site into an initial two-day meeting and a one-day follow-up session a month later or a series of subsequent half- or full-day meetings each quarter. Why? Because executive teams are actually legislatures. There is, in effect, the congressman from Sales, the senator from Finance, and the ambassador from Operations. Each represents powerful constituencies in the body politic of the organization. Breaking up the meeting gives team members time to take the results of the initial session back to their constituents. The head of manufacturing, for example, is unlikely to sign on to a plan that may ultimately reduce the number of plants—no matter how compelling the strategic case—until he has had an opportunity to prepare the way with his team.

Structuring the off-site as multiple sessions also allows participants time to gather data and explore unforeseen issues that have arisen. Instead of giving off-the-cuff answers to difficult questions, team members can bring the fruits of their considered thinking to subsequent meetings. And when you hold more than one session, you can vary the size of the group to best fit the goals. In the first meeting, for instance, a small leadership group might set priorities that are then rolled out to a larger group charged with creating implementation options. Or a larger group might "blue sky" at the first meeting, while a smaller group narrows the options later.

The relevant data.

Many companies circulate voluminous business plans before the off-site even though no one can reasonably be expected to absorb a half-dozen or more such documents, large parts of which aren't relevant to the meeting's objectives anyway. We've seen other firms pile on a huge number of articles, industry reports, consultants' studies, books, or everything the vice president for strategy has collected in a reading folder during the year. Instead of overloading people (and practically guaranteeing they won't finish the assigned reading), companies would do well to create a fact

book—a compilation of data about the company and its external environment—which provides a common foundation for the conversation.

Additional reading should be chosen selectively: a single book or a few chapters or articles that are relevant to the objectives. A company holding a meeting focused on growth might, for example, circulate "Six Keys to Creating New-Growth Businesses," by Clayton M. Christensen, Michael E. Raynor, and Scott D. Anthony from Harvard Management Update; the first chapter of Michael Treacy's Double-Digit Growth: How Great Companies Achieve It—No Matter What, which assesses the importance of growth on a macro level and introduces the author's "five growth disciplines"; the article "Beyond the Business Unit" from McKinsey Quarterly, which addresses the challenges of developing growth opportunities across business units; and a section on portfolio strategy from Perspectives on Corporate Strategy from The Boston Consulting Group, edited by Carl W. Stern and George Stalk, Jr.

A focused assignment forces participants to think in new ways about relevant issues and gives the team a frame of reference for the conversation. "In the midst of a passionate discussion, we were able to be brutally honest but nonconfrontational by referencing something from the reading," says Duffy Smith, senior vice president for Rich Products, a food company based in Buffalo, New York. "When you're dealing with strategy conceptually rather than in detail, it's hard to bang in the pitons and move upward. But when you can cite, say, the cash cycle at Dell from the reading, you can really start thinking about how to get there."

When distributing the data and background information, make it clear to participants that they are expected to absorb it before the off-site. The meeting is not the place to plod through data; in fact, Allstate has a rule against walking participants through material at the meetings that should have been circulated beforehand. "If we're going to be together, we're going to be problem solving or making decisions, not having ten people going through decks of PowerPoint slides," says Tom Wilson, the company's president and COO.

The way opinions are presented in an off-site needs to be even more carefully considered. Although necessary and desirable, opinions can easily degenerate into the anecdotal and impressionistic. A kind of equality must prevail among the participants in a genuinely healthy strategy conversation, but there's no point in denying that some people's opinions are more equal than others. That's why it can be helpful to quantify participants' views, gathered through interviews or surveys, before the meeting. Using that anonymous data as a starting point for strategy conversations can reveal and resolve critical issues dispassionately.

For example, when we worked with Experian Information Solutions, we conducted individual interviews with executives before the off-site. We placed 12 index cards on every person's desk. Each bore a single word or phrase, such as "culture," "knowledge

of the customer," or "speed to market." In an effort to uncover companywide concerns, no names of specific functional areas were included on any of the cards. The executives selected and ranked three cards naming the issues they thought would have the greatest positive impact on the firm if addressed in the ensuing 36 months. After asking the executives about the reasons for their choices, we synthesized representative, anonymous comments and also graphed a tally of the number of times each card was selected.

The card sort exercise reveals what's truly important to each individual. It also builds a better understanding of nomenclature. "Speed to market," for example, might be defined differently by different executives—an important discovery in itself. Uncovering such divergences in perceptions is the first step toward alignment.

When using this technique, the meeting designer should share the quantified opinion data with the meeting owner so that she can use the information to guide conversations toward points of convergence and dispute and force out the underlying causes of disagreement. These data are best withheld from other participants until the meeting itself, when the public disclosure of the quantified points of contention can be used to really galvanize the discussion. If the leader wishes to share the results with everyone beforehand, it's a good idea to wait until close to the meeting date to do so. Otherwise, people who feel threatened may use the time to prepare elaborate rationalizations that will forestall candid conversation.

The right structure.

Once the meeting designer understands the participants' perspectives on strategic issues facing the company, some of the most interesting planning begins: selecting the tools that will ultimately help the team identify the right strategic initiatives and devising a structured agenda for the meeting itself.

As with outside experts, the objectives should guide the choice of strategy frameworks, not the other way around. Strategy frameworks are plentiful: SWOT analysis, McKinsey's 7-S model, the Boston Consulting Group's growth-share matrix, Porter's five-forces model, and Kaplan and Norton's balanced scorecard, to name only a few. Like the "You Are Here" map in a mall, a framework tells you precisely where you are in a strategy conversation and supplies a ready answer to that frequently asked question: "Where are we going with this?" Frameworks also help organize potentially limitless discussions about big issues like growth or innovation into manageable categories and focus the conversation on the objectives.

Tools and frameworks help structure the discussion of particular issues, but they are not the meeting structure itself. That is the final step in premeeting preparation: to translate the meeting's objectives into a structure and preview the objectives and agenda with participants.

Leaders planning a strategy off-site often create an agenda made up only of blocks of time devoted to various topics. Naively believing that creativity is synonymous with formlessness, they leave the discussion open. But experience shows that this rarely helps move the meeting forward. A structured agenda is much more effective—one that includes not only the sequence of topics and the time allotted to each but also objectives for each segment. Such a detailed agenda helps participants to see how the days' activities will move their discussions toward the ultimate goals. (For an example of the even more elaborate agenda the meeting facilitator brings, see the exhibit "The Facilitator's Agenda.")

<u>The Facilitator's Agenda</u>

At the Meeting

Structuring an off-site isn't the same as staging it. Unlike, say, board meetings, which can be as formal and stylized as Kabuki theater, strategic off-sites should be designed to induce genuine engagement, not ritualistic agreement. The issues are too important to be glossed over. Rich Products launched a recent company off-site with a single piece of paper that read, "When friends argue, truth happens." To help the truth along, the meeting designer must pay attention to the quality of the conversation and the momentum of the discussion.

The quality of the conversation.

Executives, regardless of their experience and professionalism, are influenced not only by rational data but also by underlying political and emotional factors. Managing those invisible currents is critical if you want to make real progress. At the outset, we advise the meeting owner to downplay his authority. Expressing a strong opinion early in a discussion is the fastest way to shut down the conversation. The more important the subject being considered, the greater the need for patience. The leader may, at times, have to break a logjam in the conversation, but if people expect the boss to wrap up every discussion with a final decision, they will merely tee up critical issues and wait to be told the answers.

It's important to understand the subtext of any issue up for discussion and its broad ramifications for the future of particular functions and individuals' careers. That's why the card sort exercise worked so well at Experian: When opinions are presented as data, as opposed to one person's likes or dislikes, topics are depersonalized and participants are better able to steer through political minefields safely. (For another exercise that encourages candor and helps break down hierarchy, see the sidebar "Getting Past the Politics.")

Getting Past the Politics

Politics isn't the only barrier to high-quality strategic discussions; the difficulty of moving from data to analysis can be equally problematic. As anyone who's been anesthetized by a hundred PowerPoint slides at a strategy off-site can testify, too many companies wrongly believe that strategy conversations follow naturally from copious data. Having the right data is crucial, of course—that's why the premeeting work is essential—but raw data alone aren't enough. The meeting leader needs a process to move the conversation along toward the objectives. He might rely on breakout exercises, for instance, designed to cut through analysis paralysis. And there are myriad other, perhaps less-familiar, techniques.

USERS, a unit of Fiserv that provides services and technology to credit unions, employed a gambling metaphor to stimulate thinking about where revenues were likely to come from in the next year. The nine members of the executive team were asked to place poker chips on betting grids bearing various potential sources of revenue for the major product lines: existing customers, new customers, acquisitions, and the like. Using chips in various denominations that totaled the company's revenue target for the coming year, each participant placed his or her bets privately, in order not to influence the others.

The results were then tabulated to determine the low, the high, the mean, and the standard deviations of the predictions for each revenue source. Where there was nearly unanimous agreement, the executives wasted little time in conversation. But where there were outliers or there was significant disagreement, team members defended their choices and presented counterarguments. The conversation was animated, even impassioned at times, but not rancorous, and the team covered a lot of ground efficiently and thoroughly. When people placed their individual bets again, the chips fell more uniformly, and a significant number migrated to a previous outlier, thanks to a persuasive argument by its backer.

"I was skeptical that the exercise was too simplistic," says USERS' president, John Schooler. "But its simplicity turned out to be the beauty of it. It helped us reach an extraordinary level of consensus on what the business should look like in a year and gave us a macro number that we could use as a springboard for getting to the details of how we were going to grow."

The top management team at Monster sped up the conversation by using a different group exercise. The meeting's leader put up all 142 pages of the premeeting fact book on the wall of a converted barn, in the form of a mosaic. Team members placed green Post-its on the pages they agreed with, red Post-its where they disagreed, yellow Post-its where more data were required, and colored dots to indicate low or high importance. Instead of wallowing in data and hundreds of PowerPoint slides, the

executives moved quickly into a discussion of the issues of highest importance with the most disagreement, guided by the vivid visual evidence.

Sometimes, the problem isn't so much assimilating data as making sure it doesn't limit your thinking. When, for example, Monster found itself facing new, aggressive competitors and noticed cash-rich Google looming on the horizon, its executives recognized that they had to prepare for a changed world. To bring structure to a potentially limitless conversation about possible futures, Monster's executives employed a technique called war-gaming—a refinement of scenario planning that plots competitors' likely moves and countermoves, given specific changes in the strategic environment.

War-gaming requires executives to question basic assumptions and construct stories that accommodate factors absent in traditional business forecasting: radical discontinuities in markets, complex sequences of events, and qualitative as well as quantitative perspectives. The best results come from considering the most extreme scenarios. Working from the current state to the extremes, Monster's executives engaged in valuable discussion about the intermediate points. Having pushed the envelope of what could happen, they were better able to think through the entire range of possibilities and avoid unfocused and unconnected speculation. By compelling team members to spin scenarios that were credible but not necessarily obvious, Monster's war-gaming exercise generated an extremely high-quality strategy conversation leading to initiatives that reflected a more sophisticated understanding of the company's competitors.

A final note: Be prepared to inject the time frame into the discussion. "Long-term" can mean ten years to one executive, ten quarters to another. Because people's natural time horizons differ, any topic—a decision, a direction, the impact of competition—needs to be qualified by the time frame established in the premeeting work.

The momentum of the discussion.

Discussions, especially animated ones, tend to take nonlinear paths, jumping from one topic to the next. It's the responsibility of the meeting owner to stick to the agenda using the predetermined frameworks, exercises, and breakout sessions to keep the conversation on course.

Meeting designers can also help propel the off-site forward by continuing to quantify opinions during the session through various forms of voting, both public (like the Post-it exercise) and private—such as an anonymous keypad-voting system we used with Maritz, a marketing services firm. After a review of customer survey and marketplace data, participants were asked to vote anonymously, on a scale of one to ten, on how well the company responds to customers. People on the front lines, who talk daily with customers and bear the brunt of their complaints, scored the company lower; the

tech people, satisfied that they had world-class technology to service customers, scored the firm much higher. As the executives from each of those functions saw the differences and jointly addressed them, they began to arrive at a common view.

The purpose of voting and similar exercises for quantifying opinion is not to enforce unanimity or even majority rule. It is to push the conversation forward and ensure that the issues, no matter how contentious, get the thorough airing they deserve.

The meeting designer is also responsible for embedding decision points into the structure of the meeting—being careful that not all of the decisions reached end up merely reflecting the CEO's preordained conclusions. Investing hours in a passionate discussion without reaching a conclusion can dissipate the energy needed to carry on the work. If a particular strategy conversation has evoked the passion and engagement it should, closing that discussion is all the more important. Often, closure is best achieved iteratively, as USERS did by following up the poker chip exercise with discussion and another round of betting. Successive exercises or votes may even be taken weeks apart in subsequent meetings after participants have had time to digest the arguments or gather more data.

Closure doesn't always mean reaching a decision; it can simply mean completing an important discussion, agreeing to undertake further study before making a decision, or even agreeing to disagree. At a recent off-site for a financial company, a group of 24 executives was unable to quickly prioritize a list of 12 growth opportunities, although they did agree on the top two. Faced with this impasse, the CEO decided that the off-site would be successful if the executives could develop a high-level implementation plan for those two priorities. They did that relatively easily and resolved to prioritize the remaining opportunities at a later date—a conclusion that maintained the momentum of the off-site, despite the inability to deal with all 12 possibilities in the time available.

If participants have avoided priority creep before the off-site and maintained the quality—as well as the progress—of the conversation throughout the meetings, they should arrive at a manageable number of clear, focused strategic initiatives. Just as important, they will finish a successful off-site as one unified team dedicated to executing that strategy. Of the two—an elegantly crafted strategy or solid alignment—the latter is the stronger determinant of success. Devote careful attention to aligning the executive team members, who have flown in from across the country or around the world, stepped away from their daily responsibilities, and been given a rare opportunity to focus collectively on how they're going to take the company into the future. An aligned executive team leaves the off-site prepared to make faster, better decisions—and fewer decisions at cross-purposes—making it far more likely that the strategy will be executed effectively. Alignment, the bridge from strategy to execution, shouldn't be confused with consensus, which describes an outcome everyone can live with because conflict has been avoided.

After the Meeting

Follow-through begins right at the end of the off-site. Bill Gisel, COO of Rich Products, explains: "You have to make sure you don't walk out of the meeting and simply forget everything you've just done." Best practices at this stage—develop action steps, clearly communicate the strategy, keep the initiatives on course—differ little from those followed after many executive meetings, but we're astonished by how often strategy off-sites omit them.

By the end of most meetings, participants have simply run out of steam. But in well-designed off-sites, the momentum that comes from exploration, debate, and alignment carries over into a commitment to implementation. In fact, one qualitative measure of an off-site's effectiveness is how eagerly the executive team members embrace follow-up.

To give a strategy legs, the company's executives must first agree on an action plan that specifies roles, responsibilities, milestones, metrics, and reporting frequencies. Maritz's executives prepare for this stage from the start, entering their off-sites armed with frameworks for developing strategic initiatives, executing them, and measuring their progress. At USERS, an executive sponsor was assigned to each of the five strategic initiatives its off-site generated, and RACI charts were drawn up to identify who, for each deliverable, was responsible, accountable, consulted, and informed. Rich Products uses action registers, which list every item requiring action, and fills them out at the end of the meeting, specifying who is accountable for what. In addition to agreeing on responsibilities before leaving the room, participants should also produce a clear and easily communicated written summary of what was discussed, what decisions were reached, and what next steps are required. The details of implementation will be forthcoming, but executives shouldn't leave the off-site before they've captured the meeting's outcomes in one page of prose.

The team must also establish follow-up mechanisms to make sure initiatives stay on course and within budget. Even companies with well-developed project management capabilities seldom apply those disciplines to strategic initiatives. You'd do well to follow the lead of USERS' executive team, which reviews each of its five strategic initiatives at its regular monthly meetings. When other issues arise, the team examines them to make sure they are in accord with what had originally been agreed to, and the team also closely monitors how relevant the original initiatives remain as conditions change.

Rich Products' executive team explicitly links its strategic objectives to each of its separate business groups by chartering growth projects in each group—endowing them with clearly defined resources, leadership, milestones, and accountabilities. Simple red-yellow-green traffic light icons are used to identify the status of each

initiative's milestones, and the team then meets monthly to review red-lighted items and devise ways to get them back on track.

The Next Conversation

"An organization is nothing more than a network of conversations," says Rich's Duffy Smith. "You can't talk to a fixed asset. You need conversations with other executives structured around the hard and the soft sides of the business." Strategic off-sites are where the most important conversations for the future of the business occur.

Although it may seem paradoxical, it's only from rigorously designed meetings that truly candid strategy discussions arise. In the words of one executive, a structured plan helps you "get deeper, quicker." As top management teams experience the power of well-designed off-sites, they become more adept at doing the work of strategy together. They get better at rapidly moving conversations to the level of strategy and at persisting in murky waters until clear outcomes emerge. We've seen scores of companies use these best practices to transform their off-sites from meaningless junkets into genuine turning points for their business.

Most important, getting deeper quicker becomes a habit that translates into advantages in the marketplace. Teams that arrive at a shared understanding of all the key issues of the business are stronger: When the executive team is aligned, the company can act more quickly and can make better decisions.

If your executive team spends four days a year rafting down rivers together, you'll eventually get good at rafting down rivers. Spend four days a year having well-designed strategy conversations together, and within a few years you'll get equally good at revealing, discussing, and resolving strategic issues, not just at your off-sites but every time team members meet.