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Chapter

Driving Performance with Strategic Initiatives

Michael Ginger, head of finance at a multinational packaging company, shook his head as he looked at the corporate strategic plan for 2015. There were fifteen initiatives under way in process improvement, ten designed to turn the business into a world-class provider and five in master data. In addition, there were seventeen other strategic initiatives as well as all the new product development portfolio initiatives jostling for attention. All these initiatives affected the 37 market organizations around the world in one way or another, with lack of coordination being a particular complaint – sometimes up to eight initiatives would hit the markets at once. This in turn meant that the same people were under constant pressure because they were pushed to introduce all these initiatives in accordance with the corporate timeline. This had to stop.

Michael looked at an overview of all the initiatives and found that for roughly 10% of them, limited data was available. Many of the other initiatives – some 45% – had no real business case. He also found that the initiatives would use between one and twenty full-time equivalents (FTEs), cost anywhere between €1 million and €20 million and take up to six years to implement. The total estimated initiative costs were around €190 million, with process and information technology (IT) implementations accounting for up to 60% of the costs for the business improvement initiatives.

In addition, governance was at best scattered. Most had an initiative owner, a leader and milestones with end dates in place, yet about 30% had no steering group assigned and 25% did not track progress. As a result, the packaging company launched a portfolio management approach for strategic initiatives that would keep the development, launch and management of strategic initiatives separate from the management of the product portfolio.

By 2017, Michael had put multi-layered governance in place with clear priorities. In addition, piloting had become a clear part of the implementation phase, as those initiatives, where first experiments and prototypes could be tested, were able to deliver on the financial and strategic benefits.

Why work with strategic initiatives?

“No matter which type of initiative, the idea behind business transformations is that they enable a company to translate its strategic priorities into action and achieve a leap in performance.”

When managers decide that a step change in performance is desirable – be it to increase efficiency or grow – they will often embark on a business transformation that includes several strategic initiatives. Such large-scale efforts often touch on the most basic process improvements – everything from research and development (R&D), purchasing and production, to sales, marketing and human resources (HR) – or growth initiatives that will lead to new products or services being launched in the market. No matter which type of initiative, the idea behind business transformations is that they enable a company to translate its strategic priorities into action and achieve a leap in performance. For strategic priorities to be effective, they need to fulfill a number of criteria:

- *Address vulnerabilities and look into the future.* Strategic priorities should address both the elements of the strategy that are threats and, therefore, most important for success and those that position the company to succeed in the future rather than focusing on what worked in the past.

- *Focus on a few.* Strategic priorities should focus on what matters most and serve as a mechanism for making the difficult trade-offs among conflicting objectives.

- *Provide guidance.* Concrete guidance should help leaders throughout the organization use the strategic priorities to decide what to focus on, what not to do, and what to stop doing. Metrics matter.

- *Align the top team.* Strategic priorities should be agreed upon by the top leadership team and provide a framework for how the company will succeed.[ii]

The effect of strategic priorities on earnings can be substantial – as much as 25% or more.[iii] Given the volume of initiatives and the limited time and resources available for a transformation, managers often find it challenging to set priorities for the ones that promise the most impact. The impact can be derived both from continuous improvements to gain more efficiency (exploitation) in the short-term or from exploring new possibilities that will drive growth through new products and services in the longer term (exploration). Exploitation requires looking for ways to improve existing operations and so the focus is on business efficiency. Exploration focuses on finding innovations beyond the current horizon which is the origin of growth. Exploration is risky. You need to invest resources – time and money – to investigate, and no one can ensure that the result of this research will be worthwhile. There are no guarantees. But exploitation is risky as well. It makes you feel safe doing things the same way you always did them. It feeds the narrow focus of your comfort zone.

A strategy with too much exploration implies not being able to adequately develop your experimental ideas, and not enjoying the returns you were seeking. A strategy of over-exploitation prevents you from adapting to changes. It is what happens when you keep using the same productivity tricks over and over again. While this low hanging fruit will generate some returns, it likely has a finite end. If you do not explore further, you risk being disrupted. As you move from exploitation to exploration, the uncertainty tends to increase. To become a sustainable company that can derive returns without risking the company, leaders need to deploy two fundamentally different types of initiatives to derive value – growth and business efficiency initiatives (*see **Figure 1***).

Both types of initiatives pose two challenges that, according to the *Economist Intelligence Unit*,[iv] cause less than half of initiatives to deliver on their promises: First, by nature, a strategic initiative is a leap into an uncertain future, and while growth initiatives have a higher degree of uncertainty and risk, they generate higher returns on average. Second, neither type of initiative falls neatly into the

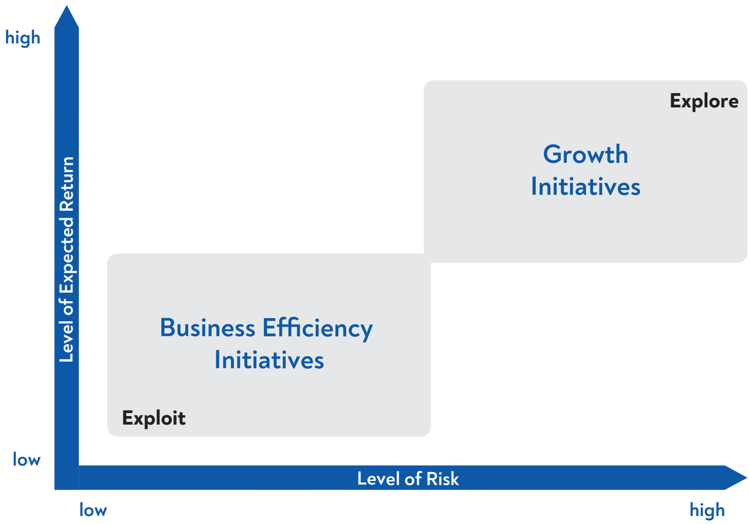

Figure 1: The relationship between risk, return and type of initiative

existing way of working because of the cross-functional implications of each. This again increases the execution risk. While business efficiency initiatives are more often associated with the risk of insufficient internal commitment, growth initiatives are faced with the additional risk of customers not being interested in the new product or service. The upside in terms of returns is often higher for growth initiatives as in contrast to achieving cost reductions, new revenues are generated through growth initiatives that if well executed will contribute to higher returns.

The risk profile changes with the degree of novelty of the initiative. By making limited changes to an existing customer relationship platform to enhance efficiency, the degree of change might be low, which also often means less returns. When introducing a totally new customer relationship platform with artificial intelligence embedded across multiple locations, this can already mean quite significant changes to the operating mode of the company, so expected returns are higher. In the case of growth initiatives, the risk is linked to the degree of the product or service's novelty and the availability of internal capabilities to help execute the initiative. As the arrow in ***Figure 1*** indicates, there is a continuous increase in risk and therefore higher expected returns. Having an overview of the range of initiatives allows leaders to allocate the organization's finite resources and make trade-offs.

As strategic initiatives often commit substantial resources over extended periods of time, early learning is essential for reducing uncertainty. While business efficiency initiatives are often associated with developing a plan and then delivering this well thought out forecast, the reality of the implementation is often different as the complexity of process changes is often underestimated. This is even more often the case for growth initiatives. When you start a new initiative, do you know the exact customer segment for this new product or service and what it will expect two or three years down the road? The answer is, to a large extent, no. Strategic agility involves carefully sequencing initiatives to allow for the stages of execution to be broken down in a way that knowledge for business efficiency and growth initiatives is continuously accrued, while the flexibility to adjust the path is maintained as learning occurs. For example, when a food company recently launched its digital marketing initiatives, it asked a team to first explore a webstore in one category before launching fully into e-commerce. As such, initiatives are like options that are only exercised after you have gathered more information than what is currently available. Strategic initiatives can be business process initiatives, such as implementing a new customer relationship management (CRM) system or, they can be growth initiatives, such as launching a new solution in the market – exploitative or exploratory in nature.

> *“Strategic agility involves carefully sequencing initiatives in a way that knowledge for business efficiency and growth initiatives is continuously accrued, while the flexibility to adjust the path is maintained as learning occurs.”*

In most organizations, business process initiatives are designed to optimize the efficiency of current practices. By just doing more of the same, quantum leaps in performance are unlikely. A quantum leap in performance requires you to mobilize resources across your organization to cooperate in ways that demand intense cross-unit teamwork. Strategic initiatives run by interdisciplinary teams from marketing, operations, finance and procurement are the only way to achieve the level of cross-organizational cooperation required for a real leap forward. For instance, when an elevator company introduced its customer relationship management system, it required the coordination of sales, marketing, information technology (IT) and even production to ensure that the various stakeholder groups would eventually be able to use the system.

Growth initiatives that require working with customers to prototype the next revenue-generating solution also require the cooperation of different functional areas that are already stretched by their existing product portfolios. As a result, additional resources are necessary to ensure that these growth efforts are not undermined. We recently worked with a glass manufacturer that was introducing 5G antenna technology to smartphone companies. In doing so, a team from marketing, R&D and production from two different business areas had to work together to fully understand future customer requirements.

“Initiative overload is posing an increasing risk as individual leaders are wanting to make their mark on the organization.”

Yet initiative overload is posing an increasing risk as individual leaders are wanting to make their mark on the organization.[v] The resulting challenge is that many organizations are faced with simultaneously pursuing too many priorities that absorb management resources. Concentrating dedicated and centrally directed management attention on a focused portfolio of strategic priorities that is both exploitative – business efficiency initiatives – and exploratory – growth initiatives – can help these companies focus on fewer, more critical activities, resulting in a higher chance of sustainable performance improvements. Then this portfolio needs to be actively managed so that the capacity is developed to learn quickly and then shift resources – including cash, talent and managerial attention – so that investments go where the highest return can be made. In this book, we focus on strategic initiatives that emerge and fit with the company's strategic priorities and are part of senior management's agenda – both in terms of generating growth or gaining efficiencies.

In summary, strategic initiatives have the following important characteristics:

- They are either exploitative and exploratory in nature, and when combined in a portfolio, they contribute to a sustainable future for the company.

- They are intended to deliver, within a limited mid-term time period, a quantum leap in performance.

- They are carefully linked with each other in a learning cycle to deliver in an agile manner. Results from the preliminary stages of an initiative's implementation provide the knowledge to shape subsequent stages with greater certainty. Strategic initiatives are not "stand-alone epics."

- They have cross-organizational reach, both in terms of the resources mobilized and the impact.

What value does implementing strategic initiatives across multiple locations create?

Strategic initiatives facilitate the implementation of organizational priorities that are not yet actionable themes, e.g. customer excellence. However, to reap the benefits and generate economic value, multi-location regional or global businesses must be able to coordinate their activities across boundaries as they expand. Multinational corporations (MNCs) benefit by moving from numerous domestic or regional sites to having a truly global presence, which in turn allows the corporation to benefit from even greater economies of scale. Economies of scale are the cost advantages that enterprises obtain due to size, output or scale of operation, with cost per unit of output generally decreasing with increasing scale because fixed costs are spread out over more units of output. McDonald's is a good example; it now has restaurants all around the world, but the staff in each location adhere to the same set of processes, whatever their location. Then there are those businesses that can benefit from economies of scope. They are still largely regional but aspire to be global; they may have more of a focus on one continent, but they still must consider the challenges and benefits of operating across borders within that region. Rockfon, for example, a Rockwool-based ceiling manufacturer, was able to expand from Scandinavia and the Benelux into Russia with its harmonized product portfolio. This is a typical example of benefitting from economies of scope, where common and recurrent proprietary know-how are used.

In all these cases, businesses can achieve a number of benefits that go beyond simply taking advantage of economies of scale and scope by actively managing across boundaries. The first, and one of the most obvious, is speed. A coordinated approach to strategic initiative implementation within multinationals allows executives to increase the speed at which service innovations are introduced, which in turn improves the experience for customers at all locations, rather than just one or two, and helps deliver on performance targets. Examples could include reducing the shipping lead time so that customers get their products faster or making the complaints process more responsive to help strengthen customer loyalty. Alongside this, businesses can also increase speed behind the scenes through process innovations. For example, RBS/ABN-AMRO set up shared service centers in India so that financial, supplier and other transactions could be processed faster. Other back office services, including human resources (HR), IT and operations, could all benefit.

The second group of benefits centers around sharing information. Strategic initiatives enable businesses to set shared benchmarks, so they can compare results and practices across all locations. This in turn means that all sites will benefit from joint learning and best practice. Next, this global approach enables global connectivity, which allows

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businesses to store, coordinate and use information faster. This can help in a number of areas, including optimizing manufacturing, improving procurement and providing faster and more consistent customer service. Another benefit of a global footprint is that access to capital markets is often easier for multinational firms. Finally, it allows the business to promote and move its talented people anywhere in the world without needing to retrain them because everyone knows how the business works and what the goals are. Given the benefits across multiple functions, global initiatives can be started from different areas, but they often have broader cross-functional business impacts.

Launching different types of strategic initiatives

We also investigated sources of strategic initiatives. A *McKinsey Quarterly* survey found that more than 56% of strategic initiatives get identified because of either an industry shift or a challenge identified by management. This seems to suggest that challenges often dominate the formulation of strategic initiatives (*see* ***Figure 2***).

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We found that two different contexts drive the identification of strategic initiatives – the dialogue between senior management around challenges and the conversations around shifts in trends that impact industry evolution. While shifts in trends that provide industry opportunities more often lead to the initiation of growth initiatives, it is challenges or benchmarks that lead to business efficiency initiatives. During the dialogue among senior management or managers across the organization, the strategic choices evolve from a conceptual framework into an execution roadmap that is co-developed, accepted and understood by those impacted. Many strategies miss out on this dialogue and, as a result, tend to remain theoretical. We worked with one company in the specialty chemical industry that had several cross-organizational taskforces assigned to different issues within the company’s competitive arena.

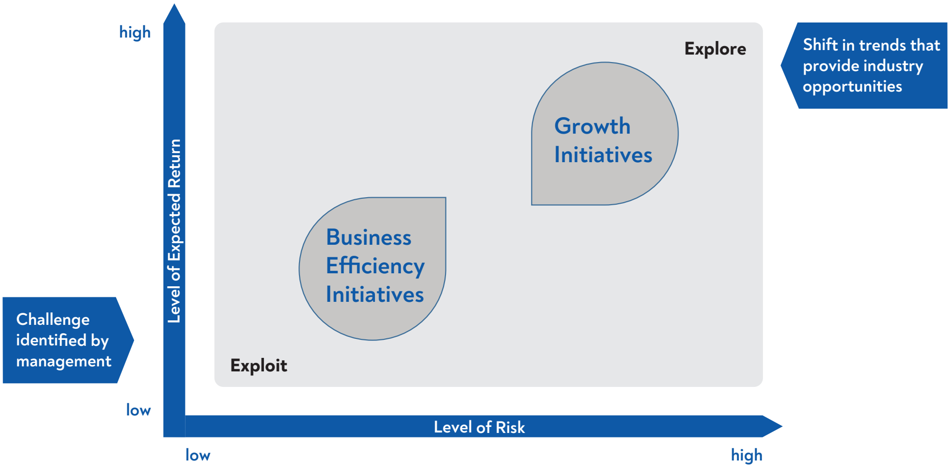

Figure 2: Sources of initiative identification

These taskforces presented and discussed their proposals at large meetings involving many managers. During these meetings, top management selected a few proposals and regrouped them to develop a sustainable set of strategic initiatives consisting of both efficiency and growth initiatives. As a result, most managers understood the rationale behind the choices made by senior management and were on board for their execution.

> *“Relentlessly communicate and discuss the strategy roadmap whenever there is an opportunity.”*

Another approach, which does not preclude the previous one, is simply for senior management to see it as their responsibility to relentlessly communicate and discuss the strategy roadmap whenever there is an opportunity. In this way, the execution feedback that is gathered can then be consolidated into a portfolio of strategic initiatives. We worked with a company in the consumer goods industry that had strong local companies with a mix of global and local brands; the country managing directors and the corporate functional managers, about 20–25 people in total, were assembled for a workshop where they would share their “hot issues” – the issues of strategic importance for each operating company. Starting from rather parochial perspectives, they were able to consolidate

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these into about ten streams of work that were common across geographies and would benefit the company at the corporate level, either in terms of cost reductions or revenue growth.

During these strategic dialogues, issues are brought to the surface, execution obstacles are discussed, and a wide range of improvement and growth opportunities can be identified. In most instances, the challenge is not generating possible initiatives, but selecting the few that make sense from a strategic portfolio perspective, so the various business units and functions can focus on accelerating the execution of the strategy. In this book, we focus on: (1) business efficiency, and (2) growth initiatives that have been identified as part of a strategic portfolio and are, therefore, on senior management’s agenda. We will not focus on growth initiatives that are largely driven by single country organizations or units and their intrapreneurs. While these local growth initiatives have the potential to scale if successful, they are often not on senior management’s radar in the early stages.

Improving performance with growth and business efficiency initiatives

When looking at the 2018 Bain & Company survey of 1,268 international executives, which outlined the types of strategic initiatives that companies have been introducing to increase sustainable performance, we found that they can be categorized as either exploratory revenue growth initiatives or exploitative business efficiency initiatives.[vi] Having both types of initiatives within a portfolio are important for ensurig long-term sustainability of an organization. Business efficiency initiatives are primarily aimed at reducing costs or improving business process effectiveness, such as total quality management, complexity reduction, business process reeingeering, enterprise management systems, offshoring and organizational restructuring to reduce overlap and duplication. Growth initiatives, which intend to leverage revenue enhancing opportunities, include entering new markets, capturing new customer segments or innovating new products or services. Some initiatives – such as improving customer satisfaction – can fall within both categories, but the final objective – costs or revenues – will often direct the efforts. To ensure value creation occurs, the expected revenue or cost goals need to be backed by facts. This requires taking an investor mindset – looking at risk and return – when starting up an initiative.

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Implementing growth and business efficiency initiatives: Adjusting to context

While both business efficiency and growth initiatives can lead to increased performance, it is important to consider the context of the implementation and the level of risk to be able to reap the full returns. Given that most multinational companies are spread across multiple geographies, they are under pressure to become more globally integrated while remaining locally responsive. This, in turn, requires finding a delicate balance between centralized control, which may help to identify further opportunities in the global market, and local flexibility, which allows adaptation to the local market's demands. While this could result in a strategic decision to use fewer centrally driven strategic initiatives, it could also mean tailoring strategic initiatives to meet local requirements, such as language, customs, consumer preferences and regulations. It is important to be aware of the degree of adaptation needed for any strategic initiative. In some situations, it may be more appropriate to use less standardized global initiatives, e.g. when there is a highly regulated local environment in which practices need to be locally tailored. We have, in fact, found that the nature of the implementation approach varies by type of initiative –

growth vs. efficiency – and the degree of adaptation to site-specific circumstances – high and low. ***Figure 3*** shows the four types of strategic initiatives:

While most companies aim to benefit from economies of scale and scope and, therefore, tend to approach the implementation of strategic initiatives centrally, there are some conditions under which it is particularly important that they are handled based on context. In a highly regulated local context, where practices need to be locally embedded, it may be less appropriate to use standardized global strategic initiatives. Also, when entrepreneurial behaviors are important for stimulating growth based on customer specifics, it is important to adapt the initiative to the context. Executives can use ***Figure 3*** to assess their initiative and determine the correct approach. While this could result in a strategic decision to use fewer centrally driven strategic initiatives, it could also mean tailoring strategic initiatives to meet local requirements in areas such as language, customs, consumer preferences and regulations. It is important to be aware of the degree of adaptation needed for any strategic initiative.

An example of a **centrally driven growth initiative** would be Target's entry into Canada. One of the largest discount retailers in the United States, Target, an upscale discount department store chain, collaborates with brands like Isaac Mizrahi, Italian fashion house Missoni and Jason Wu. Its brand promise is "Expect More. Pay Less." Target's announcement to enter Canada was initially greeted with enthusiasm by Canadian consumers because they believed they would no longer need to drive to the US for the lower prices and products they had come to love. About 90% of Canadians live within 200 kilometers on the United States border; in 2012, they spent about CAD$8 billion on cross-border shopping.[vii] In 2011, at a cost of US$1.84 billion, Target took over the leases of 220 locations from Zellers Inc. It planned to open 100–150 stores in 2013 after investing an average of $10 million to renovate each site. With a lull in profits from its 1,700 stores in 49 US states, Target had been looking for areas to expand and believed Canada would be the

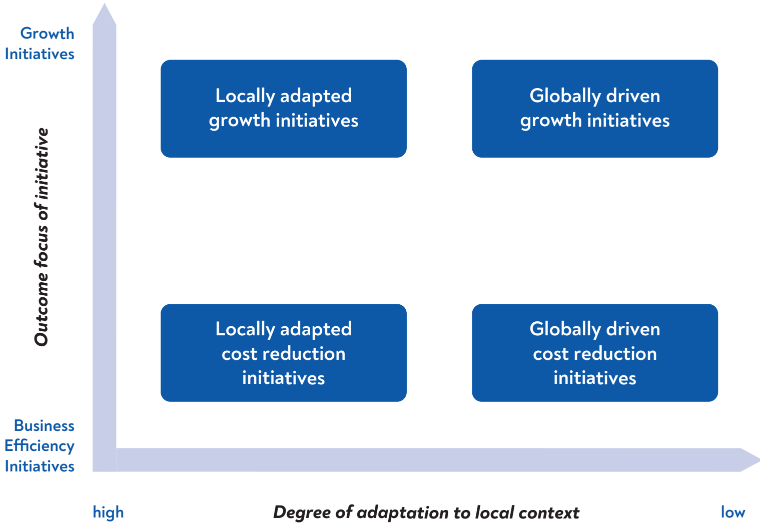

Figure 3: Strategic initiatives within multinational companies

ideal new frontier for growth. Less than two years after opening its first stores, in January 2015, Target announced it would close all 133 stores in Canada. On its corporate blog, CEO Brian Cornell could not deny the company had made serious mistakes:

> *When Target Canada first opened, we knew that many Canadian consumers had already shopped in our US stores and had deep admiration for the brand. But, we missed the mark from the beginning by taking on too much too fast.*[viii]

The mistake was that it did not pilot. No one would fault consumers for thinking Target had reversed its brand promise in Canada to "Pay More. Expect Less." Indeed, the mistakes were numerous. The stores were in B-list and C-list shopping malls with not much else to attract consumers other than Target. Canadian's familiarity with the US stores proved to be more detrimental than beneficial. Customers were disappointed with prices because they were perceived to be higher than in US stores, and some product lines from US stores were not available in Canada. But the nail in the coffin may have been the use of an entirely new set of logistical systems that led to incorrect inventory management and vastly empty shelves.

Consumers like S. Bryan shared their disappointment by posting pictures on social media and writing tweets such as:

> *@TargetCanada @Target I can't buy anything if your shelves are empty. #Target.*[ix]

Consumers also said it was evident Target believed the Canadian market was the same as the US market. Others said they encountered inexperienced staff at the stores. In March 2015, Target tucked its tail and closed all remaining Canadian stores. The exit from Canada forced the company into a $5.4 billion write-down in the first quarter of 2015, as well as up to $600 million in cash expenses. An utter failure with punishing losses and humiliation on a global scale, the question that screams from this tale of woe: What might Target have learned through pilots to avoid, or at least diminish, its grave errors in the Canadian market?

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An example of a **locally adapted growth initiative** was the launch of Ooredoo's mobile banking in Indonesia. To enable growth beyond the core business and to benefit from the rapidly growing emerging markets, Ooredoo Group's new business unit and selected operating companies – among them Indosat Ooredoo, Ooredoo Qatar and Ooredoo Tunisia – had started to explore a new business development idea – mobile financial services. The starting point was the scarce availability of consumer banking services in the emerging markets in which Ooredoo operated. As Rambert Namy, global head of mobile financial services, pointed out: “Only 25% of the people who live in these countries have a bank account.” Mobile financial services were a way to provide financial services to people at the bottom of the pyramid – particularly the unbanked population, although the banked population was also a potential customer group.

In the summer of 2014, a project team launched the mobile financial services offering within Indonesia, targeting individual customers.

By incentivizing individuals to top up their mobile wallets, the intention was to create a customer base that could be encouraged to pay electricity or other bills. During the 2014 trials, Bank Indonesia put a few restrictions on mobile operators, so Indosat's initial business model, which was designed to leverage its customer base and distribution network, had to be revisited and the focus shifted from selling basic services to individual consumers to selling to businesses. Under the regulatory framework, telecom operators and smaller banks could only use agents that were incorporated legal entities to register new customers and accept cash to top up mobile wallets. Since almost all the 110,000 retail outlets that Indosat worked through were not legal entities, it could only use its 116 branded stores to carry out these two important functions. Indosat then signed up businesses that could use the mobile wallet to make and receive payments from their suppliers, staff and customers. This led to a rapid increase in the number of registered customers, since every person the business dealt with would need his or her own mobile wallet. However, the operating contexts of Qatar, Indonesia and Tunisia were quite different from one another. Since the relevant regulation was very different in each of these contexts, the challenges of local implementation varied greatly. Because the regulation was country specific, it was nearly impossible to leverage experiences from the pilot country – Indonesia – across multiple geographies.

Nestlé's Globe is a good example of a **centrally-driven business efficiency initiative**. It had three objectives: The first was to create a common set of best practice business processes that would be used throughout Nestlé. The second was to create standardized data – each supplier, each raw material, each product and each customer would have the same number applied throughout the entire Nestlé world. This would provide a global picture of how much Nestlé bought and optimized its purchasing. The third objective was to use SAP to create a standard information system infrastructure, sign global purchasing agreements with key suppliers and create fewer data centers. This standardization implementation across all geographic locations entailed business process changes before the

IT implementation; it was expected to lead to a CHF 3 billion improvement through supply chain efficiencies and improved demand generation and support functions. Pilots were started in three geographies – Malaysia, Switzerland and Chile – to create a template that could be used when the implementation was scaled to other locations.

One example of a **locally adapted cost-reduction initiative** occurs when companies take on illicit trade, such as counterfeiting, which can damage brands and endanger customers. For example, when Philip Morris International crafted its response to the illicit trade of cigarettes, priorities were set by headquarters, but each geographical area needed to create its own tailored implementation plan. This involved securing its supply chain and investing over US$150 million in implementing a tracking and tracing solution. Local subsidiaries worked with more than 20 governments around the world on specific agreements to track the movement of products along the supply chain in more than 700 locations and involved training over 11,000 law enforcement officers in these geographies.

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Managing strategic initiatives

Once strategic initiatives have been identified, it is important to decide on the governance of these initiatives. Central initiatives will often have a **corporate steering** committee, which usually includes the owner or sponsor of the initiative, as the responsible decision-making body. The corporate steering committee should ensure that the initiative has the resources it needs and delivers the outputs desired in a sustainable, long-term manner. It also monitors the progress, approves or rejects deliverables at relevant points in time along the way and ensures that learning occurs so that adjustments can be made. The **initiative sponsor** is the initiative’s advocate. If competing priorities arise across different initiatives, it is the sponsor's job to weigh in on priorities, help the team learn and promote this particular initiative. The sponsor, who also ensures commitment from senior management, is usually an executive board member or a member of the business's functional and unit management team. In more locally adapted initiatives, these bodies might not be formally nominated, but a sponsor is often key to steering the initiative through the political minefields of large corporations.

Then there will be a **strategic initiative leader** responsible for delivering the project's outcomes and the **strategic initiative team** includes the key people focused on delivering the initiative objectives. The team coordinates strategic actions between headquarters and subsidiaries; this is particularly important when centrally implementing global or regional strategic initiatives. The team will report to the steering committee or sponsor at regular intervals and must inform it of any changes in scope. ***Figure 4*** shows the various bodies often involved in the implementation of initiatives.

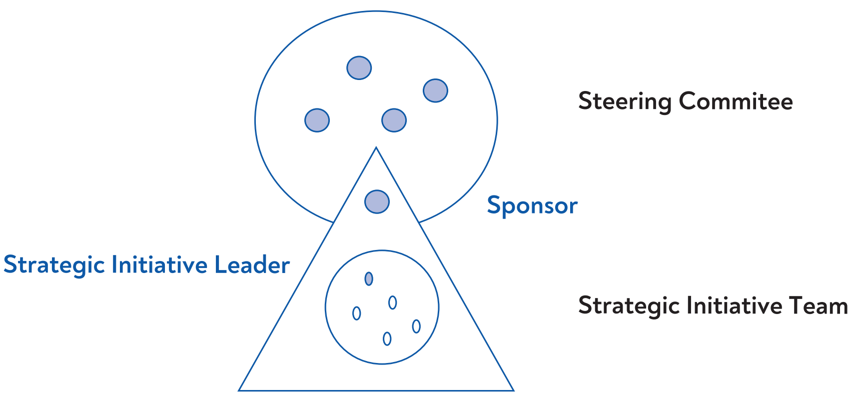

Figure 4: Management of strategic initiatives

With local business efficiency initiatives, the governance is often kept at a local or, at best, regional level. There is often a sponsor, an initiative leader and a team responsible for the implementation but given that this initiative will have a potentially "limited" scale beyond a few geographies, these types of initiatives are usually coordinated largely between the sponsor and the initiative team. For local growth initiatives, the early implementation is also often local, yet there may be potential to leverage the new product or service to other geographies once successful in a local context. Yet operating "under cover" within a limited context might be helpful for ensuring that early successes have the chance to demonstrate their potential before coming under the scrutiny of central control.

Given the challenges that cross-functional and often cross-geographic initiatives typically entail, we have learned that companies can stack the odds in their favor if an agile approach to implementation is employed. This approach starts by addressing users' or customers' needs. User or customer involvement is encouraged, and it is important to provide visibility and transparency of the learning and the actual progress that is being made. The fact that there is continuous planning and feedback through the process means that teams start delivering business value from the beginning. To be able to get this feedback, execution involves deploying pilots as part of strategic initiative implementation. Pilots are employed to operationalize the new practice or product/service in one or several country subsidiaries before adopting it more widely across the MNC. By pilot, we refer to the subsidiary location(s) where the new practice or product is first tested and where a routine or business model is created for subsequent subsidiary-by-subsidiary scaling. Piloting is the process of creating a workable template or business model in a recognized subsidiary of an MNC that can, and is intended to, operate in other locations. In the next chapter, we will outline the concept of piloting.

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Key takeaways

- Strategic initiatives enable companies to translate their strategic priorities into actions that can result in quantum leaps in performance. The effect on earnings can be substantial. The key is to focus on the few key strategic initiatives that matter most.
- Business efficiency initiatives, primarily aimed at reducing costs, and growth initiatives, aimed at enhancing revenues, are key in the overall business portfolio to build a sustainable company.
- When implementing initiatives, finding the right balance between centralized control and local flexibility is key. While a centralized approach can lead to economies of scale and scope, there are some instances – e.g. a highly regulated environment – where a local approach is more suitable.
- A quantum leap in performance requires you to mobilize all the cross-functional, cross-unit resources in your organization to cooperate in ways that demand intense teamwork.
- Given the challenges that cross-functional and often cross-geographic initiatives entail, companies can stack the odds in their favor and maintain their strategic agility by piloting strategic initiatives.
- Piloting allows you to carefully sequence initiatives by breaking down the stages of execution in a way that knowledge is continuously accrued, while the flexibility to adjust the path is maintained as learning occurs.
- The initiative's corporate steering committee should ensure the initiative has the resources it needs and delivers the outputs desired in a sustainable, long-term manner.