

# GETTING STRATEGY RIGHT: IT'S ALL ABOUT HAVING THE RIGHT STRATEGIC CONVERSATIONS

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## A case study of transformation at Rexam

*From 2010 to 2011, Kit Jackson served as consultant to Rexam and then joined the company to lead its Office of Strategy Management. In that role (which she held from 2011 to 2014), she spearheaded the establishment of the Balanced Scorecard-based strategy management framework and discipline. She also facilitated executive leadership team and quarterly business review meetings.*

Many people believe that success hinges on having the right strategy. Others swear it's all in the execution. Still others would say it's a bit more elemental: it's all about having the right strategic conversations.

That's certainly how the CEO and leaders at Rexam would put it. They should know: having the right strategic conversations was instrumental in getting their company—one of the world's leading global manufacturers of beverage cans—back on track.

What exactly does it mean to have the right strategic conversations? It's the ability to focus management discussions on strategic priorities, without getting mired in short-term operational concerns. It's about being able to address concerns candidly, rather than putting the best possible face on them (or worse, sweeping problems under the rug). It means being able to collaborate for the enterprise's common good and long-term success, rather than competing for resources, unit against unit.

The ability to have the right strategic conversations was, in a very real sense, the key to restoring Rexam to fiscal health and setting it on a path to sustainable long-term performance—neither outcome a small feat in an increasingly volatile global economy.

When the UK-based company (2013 revenues: £4 billion) put itself on a major course correction in 2010, new CEO Graham Chipchase set about crystallising a new vision and strategy. He put in place the Balanced Scorecard and other governance mechanisms and practices to map, manage, and communicate the new strategic direction. But of all the new approaches, two measures were perhaps the most critical in advancing the company: the executive leadership team meetings and quarterly business reviews. These meetings served as the forums for Rexam's strategic conversations—focused, purposeful, and candid discussions in which leaders assessed progress with the new strategy, discussed and debated how best to close up performance gaps, and tackled challenges, both chronic and new.

## Moment of Reckoning

Rexam manufactures beverage cans for the likes of Coke, Pepsi, Heineken, Kirin, Red Bull, and Monster in 55 plants throughout 23 countries. The company originated in 1881 as a paper wholesaler and newspaper publishing agent; a little more than a century later, the FTSE 100 company was enjoying explosive growth as it transformed itself into a global consumer packaging conglomerate. When it ran out of beverage can companies to buy, Rexam turned to plastics, which promised faster growth and higher margins.

Amid its bold expansion, new challenges arose. By mid-2009, company profits began to slide, canned drink consumption had slumped, and cyclical products within the plastics business had been battered by the global downturn. Rexam's share price took a big hit. In January 2010, the company appointed Chipchase, then head of the plastics business and previously finance director, as CEO. Chipchase's mandate was clear: restore the company's financial health and credibility with investors by focusing on costs, cash flow, and ROCE. Chipchase committed to delivering 15% ROCE by the end of 2013.

Identifying the goal was one thing. But how to implement the changes necessary to realise it—especially in the face of a languid global economy, investor dismay, and a management team that wasn't working effectively?

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## From Loose Confederation to “One Rexam”

Up until that point, strategy and planning at Rexam were primarily part of the financial function, handled by the CEO, CFO and their limited circle. Except for budgeting and financial planning, there was little opportunity for the rest of the leadership team—at either the Group or the sector (unit) level—to be part of strategy discussions.

Moreover, interactions between Group and the sectors were compartmentalised. Sector leaders viewed their businesses as almost separate enterprises. As Chipchase explains, “They felt like ‘it’s our business. We know the customers. We know how to do things. Just write the cheques for the investments.’”

Rexam's culture was about promoting the success of the individual region rather than the success of the group as a whole. If all regions were successful, the Group would be, too. “It had served the business well up until that point, says Chipchase. But as we started to evolve the strategy, it became clear that we had to leverage process, resources, and thinking in a more global way.”

To get performance back on track and get fit for the future, Chipchase knew that, above all, he had to get his leadership team and the company's far-flung workforce pulling in the same direction. Achieving “One Rexam” required moving to a more collaborative culture that fostered a sense of “one for all and all for one.” This called for putting certain key elements in place: new tools to foster consensus on strategic priorities; management mechanisms to instill discipline in strategy management; and a major emphasis on transparency and open communications. Chipchase recognised the need for organisation restructure and alignment, “Some leaders were not prepared to play that game so they needed to move on” he explained.

## The BSC as Platform

In a first gesture of best-practice-leveraging, Chipchase followed the lead of Rexam's South America unit and adopted the BSC enterprise-wide as the platform for strategic change. The South American unit had been using the scorecard to improve performance and employee engagement, and Chipchase envisioned it as a way to both establish strategic priorities throughout the company and serve as a road map for delivery. By articulating the areas of strategic focus, showing and tracking the initiatives for guiding change, and containing targets for all strategic measures, the BSC would also be a way of aligning people and the organisation with the new strategic priorities.

In short, the BSC would serve as the central framework for fostering consensus among leaders, identifying gaps in alignment and execution—across the enterprise and within units—and managing and executing strategy.

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Chipchase and the executive leadership team shaped a new strategy: shifting from growth through acquisitions to being a focused beverage can company aimed at producing steady, predictable returns. They translated their vision—of being the best—into four strategic themes. Invest for Value (recently modified to Create Value with Customers) represents Rexam's goal of better serving customers' increasing demands and complexity in two ways: by being their preferred partner and by making investments that optimise value. Drive Operational Excellence refers to the relentless focus on efficiencies, along with world-class manufacturing, as being at the heart of Rexam's business. Ensure Our Future captures the need to sustain the business over the long term. And Building a Winning Organisation reflects the company's goal of being enriched by its diversity, strengthened by the One Rexam spirit of collaboration and being safe and fit for the future. (See Exhibit.)

Crafting the strategy map and BSC served as a forcing function to crystallise the specific objectives that would enable the company to achieve its strategy. For example, the team realised that Building a Winning Organisation calls for fostering an engaged and performance-oriented workforce in which everyone understands how they contribute to implementing the strategy. It also puts a premium on working together to deliver the best results.

Over the course of 2010, scorecards were created for all units, as well as for the Group. The very process of developing and iterating the map and scorecard solidified alignment and forged a deeper understanding between the Group and the business units.

Initially some of the leaders at Group saw the BSC as a way to aggregate sector performance at the Group level, which gave sector leaders pause. True alignment emerged once everyone understood where consistency in the strategy was appropriate. Strategic objectives required alignment in intent, but implementation could—and should—be tailored to each sector's market conditions, maturity, and business context.

One of the most groundbreaking accomplishments in this process was establishing the “Ensure Our Future” theme. Rexam’s strategy and future orientation hadn’t ever extended much beyond a three-year horizon. Leaders realised that this short-term horizon was increasingly risky if the goal was to thwart competitive threats and ride out marketplace headwinds. This led leaders to rethink their approach to investing in innovation, which until that point, had been treated in a more ad hoc way in each sector. To instill consistency and discipline to the innovation process, Rexam created the position of director of technology with an innovation team at Group. It also established an innovation board to oversee a central innovation fund and global initiative portfolio.

## Rexam’s Theme Descriptions



### Create Value with Customers

As our customers’ preferred partner, we balance growth and returns through prioritised investments which optimise value.



### Drive Operational Excellence

We focus relentlessly on efficiencies and world class operations.

We are the reference in the manufacturing industry because we search out, share and implement best practice.



### Ensure Our Future

We understand, anticipate and respond to long term opportunities and threats to ensure our business is sustained through innovation, sustainability programmes and by mitigating and managing the risks.



### Build a Winning Organisation

We are a great team where everyone works together to deliver the best results. Our culture of a One Rexam spirit of collaboration, delivery, and behaviours centred around our values and Leadership Practices underpins everything we do.

**REXAM**

## Getting Discipline, Bolstering Governance

Recognising that it takes time to embed a new way of managing strategy, governance conventions and practices were designed while the scorecards were being developed. Leadership teams throughout Rexam were expected to use the BSC to review and report on performance from the get-go, to instill new behaviours right away.

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One crucial governance mechanism was the theme team. For each strategic theme, Rexam established a theme team (one at the Group level and one at the sector level.) Each team is composed of cross-functional managers, and is owned by a senior leader who leads the discussion of his or her theme at ELT or QBR meetings.

As a theme steward, the leader is personally invested in guiding the theme's success. Theme owners must actively monitor progress on strategic initiatives and activities that touch all areas of the organisation related to that theme. Because team members come from all functions and processes, theme teams are the most potent way of breaking down silos and siloed thinking.

The office of strategy management, established in 2011, is another important governance mechanism. The OSM essentially facilitates, coaches, and coordinates strategic processes and change. As Group director, Kit Jackson oversaw and sustained strategy implementation through the BSC, initially reporting directly to Chipchase. In Jackson, Chipchase sought not only strategy management know-how, but an individual with the fortitude to influence senior leaders and ensure disciplined, rigorous implementation.

The rest of the OSM included professionals from Group headquarters and various sectors who are responsible for all strategy-management processes. They work with line leaders to support strategy development and planning, translating and aligning strategic priorities, managing initiatives, reporting and reviewing strategic performance and learning, and ensuring discipline in the governance approaches and management by strategic theme. Strategy deployment software i-nexus was implemented across the business to further reinforce the governance mechanism and approach.

## Facilitating the Conversations

Executive leadership team (ELT) meetings, along with the quarterly business reviews (QBRs), were the critical catalysts of strategic change. The ELT, made up of the company's seniormost leaders, meets five times a year. QBRs, which occur three times yearly, bring together Group leaders and top management from each of the beverage can sectors: North America, South America, Europe and Africa/Middle East/Asia (AMEA).

Both ELT and QBR meetings today contrast sharply from their past incarnations. These meetings were once financially and operationally driven; non-financial executives and sector leaders had had no opportunity to contribute on strategic matters. The meetings were largely treated as updates. And their tone was entirely different: transparency wasn't encouraged. "It wasn't a good thing to fail. People weren't encouraged to share options, or ask for help," observes Chipchase.

Today, the ELT uses the BSC to structure the agenda for their meetings; QBRs use the BSC as the basis for monitoring and supporting sectors' performance and progress. Discussions are issue-driven, and conducted by strategic theme. Reviewing past performance provides context and supporting evidence for discussion, but the real focus is on the implications for the future. Leaders balance trade-offs and ensure that decisions drive shareholder value.

While theme ownership has gone a long way toward instilling commitment to the strategy among leaders and senior managers, it wasn't the sole factor that changed Rexam's leadership culture. Nor was the CEO's leadership acumen or force of personality. For even the most inspiring and galvanising leader may find that it's an uphill battle to change a conglomerate's culture—in this case from decentralised and focused on individual unit success to recognising the good of the enterprise as the ultimate goal. Creating a role of full-time discussion facilitator helped advance this change. This role, assumed by the

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OSM director, (currently held by Group HR Director Nikki Rolfe), went a long way in shaping how strategy is managed at Rexam. As facilitator, Jackson initially attended all of the meetings across the sectors and at Group. This gave her a unique perspective on the issues. She also had a unique view of how different parts of the organisation could collaborate and learn from one another—and how changes could be made at Group to help the sectors address chronic issues they all faced in one form or another. The insights she gained were then used at QBRs and ELT meetings to guide the CEO in how to approach agenda items constructively—thus driving the right conversation in the meetings.

"Having the trust of both the sector leadership and CEO was fundamental to establishing the right environment and behaviours for the conversations to happen," observes Jackson. "The sector leaders had to feel comfortable with leading a discussion on emerging issues and implications without an inquisition to establish blame. And Graham had to feel confident that the sectors were being transparent about the real issues and options," she adds. At sector leadership meetings, the facilitator also offered

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reverse guidance: sharing with members the CEO's expectations and how best to organise the discussion for the most constructive outcome. "We're having very different conversations today," says one ELT member. Another: "We're acting as a real team."

The facilitator encourages transparency, both by the CEO and senior executives as well as by the sector leaders. She gives them confidence that transparency is desired, not merely accepted. As Jackson explains, "To be valuable, strategic conversations require prepared minds and a constructive environment. The facilitator has a key role to play in mentally preparing not just the leaders, but also those providing the assessments and insights that will be the basis of the discussion." So, the facilitator must also ensure that the environment is safe and constructive by setting the rules for an appropriate tone and establishing meeting discipline. With these elements in place, says Jackson, "it can have a transformational effect on the organisation's performance and culture."

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The role of facilitator has helped establish the right conditions for meetings that advance the strategy: by ensuring the right topics are addressed, the right conversations held, and that decision making is of good quality.

## The New Rexam

One of the greatest changes at Rexam has been the shift to a longer-term focus. “In the past,” says Chipchase, “managers were firefighting short-term projects.” Another major change has occurred in capital allocation. It used to be, says Chipchase, a “tortuous” process in which everyone was “defending their Capex allocation like mad.” Now, because leaders understand the big picture, they are much more willing to share resources. “People understand that if part of the business is struggling, we need to inject more resources into it if it’s able to deliver more opportunity sooner.”

### **Rexam’s Performance Premium**

*Alignment was a major goal, but certainly not the ultimate goal of Rexam’s transformation. Rexam significantly improved its performance. From 2010- 2013, ROCE hit 15.5%, exceeding its target of 15% (and up from 9.5% in 2010). In addition, the company’s share price doubled and between 2010 and 2013 operating profit improved by 22%.*

But instituting a strategy management framework and strategy discipline has done more than help structure strategic conversations. It has gone beyond giving sector leaders a safe environment in which to ask for help and resources. In fact, one of the key reasons the company adopted the scorecard, according to Chipchase, was its value as a communication tool.

A recent trip to one of Rexam’s U.S. plants confirmed to Chipchase that this part of the scorecard’s mission was already accomplished. A union shop floor leader (and top union leader) gave a presentation in which he praised the scorecard for showing workers where they fit into the sector strategy and for helping them to see their role. “That,” says Chipchase, “is really what we did it for. To ensure everyone—the whole workforce—is pulling in the same direction. To get that level of understanding is the holy grail.”

Seven years on from when the South American team first implemented BSC, Chipchase remarks that “it’s still work in progress.” Whatever challenges Rexam faces in the future, the business is better positioned to have the right strategic conversations to address them, and engage the whole organisation in delivering the best results.



