



SentinelReward
Your Risk Partner

A Framework for Enhancing
Strategy Risk Management

A Framework for Enhancing Strategy Risk Management

Introduction

Studying for a master's level diploma in strategy combined with decades of professional experience can make for an interesting journey. Pause to reflect is provided. In this author's personal experience, in taking this journey, a remarkable thing happened. The seed for a new business venture was sown. The combination of firstly, scar tissue from the trenches of financial services in over 25 years' experience in senior executive roles across Europe, UK, Asia, and North America, and secondly, exposure to academic excellence on deeper thinking on strategy, became a motivational force.

In the world of banking there is extensive prescriptive regulatory guidance on Capital, Liquidity, Recovery & Resolution, and Risk Management. No such detailed guidance exists on Strategy. As time goes on this has become more surprising to the author. Strategy implementation matters, and arguably warrants more attention.

A question presented to the author. What if a consultancy could be created that recognised the importance of a Strategy Development Framework (SDF), to a 'bank' type high fidelity level for the benefit of the broader corporate world. Typically, corporate leaders appreciate the importance of Strategy, but unlike large global banks they do not have a Head of Strategy. Instinctively many corporates know Strategy and its risk assessment are important, but they don't have the knowledge or bandwidth to evolve to better in these arenas, nor will they ever be able to afford, or fully need C-level executives formally leading solely in this area.

The focus of this paper is to underline the importance of a methodical considered approach to strategy, and indeed how it manifested in a business proposition devised by the author, leveraging the self-learnings and teachings of others combined with the quarter century of experience. The intent is to illustrate a view of what best practice might begin to look like for effective strategy implementation and the management of change in a firm that wants to do better in this arena.

Practical challenges to effective strategy – Why Strategy is hard

In 2024 the author of this paper set up a professional services consultancy. In an explorative meeting with a prospective client, the CEO of that company asked:

“What are the principal challenges you have encountered in strategy implementation?”

In answering the question, it occurred that the key areas identified were likely relevant to many and were certainly not just bespoke to the experience of the author. Given the focus of this paper it seemed sensible to list out the areas mentioned if only to frame some context around the importance of getting the strategic approach right. It is striking to think how many, including the author, have 'spinned their wheels' trying to address the key areas overleaf which can be so challenging when it comes to strategy execution:

Culture

Sound ways of working are fundamental to strategy implementation. To quote Peter Drucker, and in the experience of the author, it really is true that:

“Culture eats strategy for breakfast”

In studying strategy, several helpful theories emerge underlining the importance of culture. The congruence theory of change approach from Tushman et al really resonates in this area because of its capacity for practical application. Kanter’s wheel of change also recognises the criticality of culture in the context of change. The combination of a Holistic approach, focus on Vision and Leadership, Coalition building, and Open Communication are all powerful vectors for priming an organisation for Strategy implementation and Change Management. Kotter’s enduring Steps Model also recognises the importance of culture in the context of strategy.

From the author’s perspective you need buy in, your guiding coalition must be true believers in the Strategy. Equally in the experience of the author the quest to change a culture is one of the most daunting. One of the most striking examples of success in this arena is the successful cultural transformation of Microsoft by the long-term insider Satya Nadella. The shift from a ‘know it all’ to ‘learn it all’ and growth mindset was striking. Discovering his achievement in an excellent case study during the study of strategy, restored faith in the mind of the author that nothing might be impossible in the culture world given the right application.

In more recent years the importance of organisational culture and its impact on strategy execution has become a focus for regulators and prudential authorities in the banking world. In Ireland, the Central Bank of Ireland produced a specific ‘Behaviour and Culture’ report on Irish Retail Banks signalling a new era of focus on this domain. A key take away from all of the above, If people do not buy in, and say one thing and do another, the strategy will likely fail.

Alignment

Such a simple concept but arguably rarely ever properly respected in a large company. In the authors firsthand experience alignment is a keystone to strategic intent. Stephen Covey the author of the 7 habits of highly effective people put it well in saying:

“Strategy is not just a plan; its an alignment of the entire organisation around a set of shared goals and actions”

The essence of alignment is that the Executive intent is symbiotic with the strategy. As observed by author at times, the Executive may publicly agree with an internal shared strategy but privately have a different intent. Imagine a scenario for instance where the domestic mothership is dealing with domestic regulatory reprimands or

some other such critical priorities. At the same time Head Quarters will want to maintain morale and confidence in international satellite divisions. Taking a step back, how focused is one on an extension to their summer home if their primary domestic residence is on fire? A clumsy analogy perhaps, but powerful, nonetheless. Without Intergroup alignment there is no integral strategic intent. In such a circumstance it is likely the strategy will fail.

Customer

Without customers there is no business. Customers are the life blood of the organisation. The founder of Walmart Sam Walton put it clearly in saying:

“There is only one boss. The customer. And he can fire everybody in the company from the Chairman on down, simply by spending his money somewhere else”

It is no surprise then, there is a plethora of Strategic models and academia with the customer in mind. A simple SWOT recognises the importance of this external group, Porter's 5 Forces zones in on 'Buyer Power'. The Net Promoter Score (NPS) brought a whole new effective approach to measuring customer feedback. VRIO asks what 'Value' is provided to customers. The Balanced Score Card approach zones in on how customers view the business. In 2015 Edelman et al talk of competing on the 'customer journey' in their seminal Harvard Business Review article. More recently Objectives and Key Results (OKR's) will frequently have customer centric metrics. You get the idea; the customer is vitally important and accordingly this needs to be reflected in the strategic approach.

Resource

To paraphrase Jim Carville, 'it's the capacity stupid'. As observed by the author often people may consider resource through one dimension, it could be financial or human capital for instance. In the experience of the author, often, it's not the quantum but the capacity that matters most. Capacity means having the ability to give a strategic implementation the right focus and fuel to succeed. It would be an interesting thought experiment to ask the C-Level in global banks how much true capacity they have for strategy. In the financial services landscape, a huge amount of resource is dedicated to regulatory reprimands, risk mitigation programs, legacy technology spaghetti junctions, and inadequate data capability. In such a world where is the resource capacity and time for Strategy?

The Balanced Score Card approach can be effective as a strategic management system for allocating resource, but such a tool requires a lot of disciplined application. The approach has its critics though, given the level of complexity to achieve an effective implementation.

There are of course many other theoretical approaches to addressing the resource conundrum. In their article 'How Good is your company at change' Micels et al call out:

"Companies need to identify and address their capacity bottlenecks"

Very true, this is a critical step in determining the capability for strategy execution. Hart provides a useful schematic to consider resource in more detail is his 'Resource Based View of the Firm'. More recently Whittington et al, consider resource capacity in quite some detail in 'Exploring Strategy' in 2020. Their breakdown of resource and capabilities into the three categories of Physical, Financial and Human is helpful and practical rather than lost in ephemeral theory. Sometimes though, the old ones are the best and John P Kotter once observed:

"Without adequate resources the best strategy in the world is doomed to fail"

Be real. Inadequate resource capacity can defeat the best of strategic visions. Without the right resource capacity, the strategy will likely fail.

Commercial Model

Determining the client/customer proposition and ensuring its provision is commercially attractive is fundamental for a strategy to be effective. Nonetheless the author has lost count of how many times he has witnessed this truism not given the attention warranted. It is not unheard of for business lines to overstate their total addressable market and profitability targets when looking for funding for strategy, only to then present almost unrecognisably lower figures for a budget target. A sound commercial model can only be determined if the proper thorough analysis happens. Alexander Osterwalder, co-creator of the Business Model Canvass said:

"A vision without a business model is just a dream"

Osterwalder and Yves Pigneur created a strong tool in the Business Model Canvass. It can be a great means to diligence a business model. Porter's 5 Forces and Blue Ocean Strategy are also helpful in this area. Porter's Value Chain Analysis is also a useful model to reference as it focuses on value creation but also recognises the importance of maximising profitability with an emphasis on cost efficiency. In summary if the figures don't stack up neither will the strategy.

Risk Assessment

On this area the author admits to being adamant that a solid risk assessment is fundamental to thorough strategy formulation, and has gone so far as to self-define a Strategic Risk Assessment (SRA) thus:

“The process by which the strategy of an organisation is formally assessed for any potential risks implicit and explicit to that strategy”

Intuitively launching a strategy without a bespoke risk assessment is an alarming thought. The reality is that it happens.

The author can illustrate an interesting direct experience in this area having conducted an SRA for the European division of a global bank identifying risks and mitigating actions in relation to the new 3-year strategy. Workshops were set up with the lines of business and support functions focusing specifically on the new strategy. This was the first time a new term strategy had been subjected to a formal bespoke risk assessment. The value of the exercise became clear as critical issues emerged for consideration that likely would not have presented otherwise. Matters such as capacity of resource versus quantum of change, lack of detail on commercial rationale and deeper diligence on the amount of group funding and technology requirements, emerged. Noting this experience, it is of little surprise that key stakeholders are now becoming keen to see evidence of a formal risk assessment of a term strategy. Tangible proof if it were needed, as to the importance of the strategic risk management discipline. Forming a strategy without appropriate diligence of risk is unwise if not fatal.

In considering all the above factors, and indeed noting this list is not exhaustive, the case for a disciplined approach to strategy implementation and change management becomes more compelling. So where to begin?

The best place to start - Begin at the beginning

The purposes of illustrating the areas of focus in the prior section is not to dishearten those taking on strategic endeavour, but to underline the importance of preparation. Several primary areas of preparation are covered below:

Vision & Mission Statement – Begin with the end in mind

In ‘Building your Company’s Vision’ Collins et al, tell us:

“A well-conceived vision consists of two major components: core ideology and envisioned future”

This is a very useful article and should be part of the research for any executive contemplating the creation of a vision and mission statement. In the author’s experience having a strong intuitive compelling vision can be fundamental to excellence in strategy formulation. A beautifully crafted strategy, leveraging innumerate management tools is a folly if it does not get you where you want to go. The Vision and Mission Statement are helpful as a guiding north star to the strategy. A great example of a succinct powerful intuitive mission statement comes for Walmart:

“We save people money so then can live better”

Walmart may not be perfect but this mission does what it says on the tin, it frames the strategy and provides a guiding force for hundreds of thousands of employees every day. Feel the force first, and then write the strategy.

Environmental Analysis/Resource Audit

The criticality of this area cannot be over emphasised in the authors opinion, and this may well be the reason that there so many great academic articles and thinking out there in this arena. Perhaps the most revered is Porter's 5 Forces Model which literally needs no introduction given its arguable pre-eminence. Apple are renowned for the application of the 5 Forces Model in the early 2000's. Doing a thorough environmental analysis is essential to getting strategy right. A PESTLE analysis is also a most helpful tool from a macro perspective. More recently the Business Model Canvass approach has also come to the fore in this area.

When you are setting a strategy, it should be intuitive that you need to identify where you want to get to, clearly then it is equally important to know where you are coming from. Nelson Mandela is quoted as saying:

"We must dare to invent the future. But we must also understand the past in order to shape the future we envision"

A thorough environmental analysis illustrates the level of your foundations. The foundations may well need attention before any strategy build can commence.

Stakeholder Mapping

In 'Strategic Management of Stakeholders: Theory and Practice. Long Range Planning' Ackerman et al state:

"Every TMT (Top Management Team) holds knowledge about its organization's stakeholders, and (intuitively) about how to manage them, but these resources were often woefully under-used".

The benefits of getting disciplined and optimising the knowledge about stakeholders should not be underestimated. The world of business is at its heart, deeply linked to relationships. The Institute of Directors speak of Stakeholder 'Engagement' rather than 'Management'. The word engagement underlines the importance of connection, connection matters in the world of relationships and managing stakeholders. Knowing and managing your stakeholders is critical to ensure a thorough strategy implementation. In a prior paper the author observed, it is interesting to note that whilst good stakeholder management is desirable, poor stakeholder management has the potential to be catastrophic. The inference being, doing the job well is fundamental to sound strategy execution.

SMART Objectives

Being vague is no friend to effective strategy implementation. In 1981 ‘There’s a S.M.A.R.T. way to right management goals’ was revealed and commanded respect from the off. SMART stands for Specific, Measurable, Achievable, Relevant and Time-bound. The essence of the approach is to eliminate ambiguity and provide clarity of intent in objective setting. More recently, FAST goals presented in the 2019 MIT Sloan Management review, standing for Frequent, Ambitious, Specific and Transparent. These concepts are all about making strategic intent real. The author has used the SMART concept many times over the years. In nearly all cases steps were taken to ensure the goals were transparent and in doing so helped to build awareness, joint ownership and buy in across stakeholder groups touched by the goals and strategic approach. Transparency can be very effective. As Peter Drucker put it so well:

“What gets measured gets managed”

An effective strategy is often made up of building blocks of carefully considered and prepared SMART objectives.

Cultivate Buy In

In the prior section the concept of ‘buy in’ was mentioned in the context of sharing objectives in a transparent fashion seeking the input and feedback of others. In ‘The 7 habits of highly effective people’ Stephen Covey cries out the following:

“Without involvement, there is no commitment. Mark it down, asterisk it, circle it, underline it. No involvement no commitment”

‘Buy in’ is fundamental to effective strategic implementation and change management. ‘Culture’ and ‘Ways of working’ will be key elements to securing buy in from strategy execution participants and broader stakeholders. As previously mentioned, studying strategy revealed the ‘congruence model’ to the author and this really has struck a chord, and feels far more practical than some other more esoteric concepts which purport to assist in driving buy in. The model was developed by Nadler and Tushman back in the early 80’s and revolves around four elements of work, people, structure and culture and six combination categories considering the focus required to achieve high performance. Kotter’s Steps of change model is possibly the most well known model for driving change and has stood the test of time and indeed has been refined over time. Kotter’s ‘Guiding Coalition’ are a critical force for creating buy in. Elizabeth Moss Kanter’s excellent article ‘Turnaround Leadership’ in the Harvard Business Review in 2003 also underlines the importance of buy in. A common denominator in all these approaches is the critical importance of winning hearts and minds when it comes to strategy, buy in contributes fundamentally to effective strategy implementation.

Front load hard decisions

One area not often seen specifically called out for special mention in academic articles is the importance of facing into hard decisions early. You cannot get past go if clear and present danger obstacles are not addressed. As part of the environmental analysis disciplines described earlier, frequently this activity will ‘bubble up’ matters that need to be addressed. Such matters are best tackled as early as possible as if not they have the capacity to cause serious and potentially catastrophic outcomes down the line. Building on shaky foundations is rarely wise. Examples of such issues could be, a powerful influencer acting at odds to the strategic intent, lack of actual resource capacity given the overall quantum of change being undertaken in the firm, inadequate participation for business lines or indeed support functions in strategy diligence. The list goes on and on and cannot necessarily be neatly captured under one header. Maimonides the medieval philosopher and scholar told us:

“The risk of a wrong decision is preferable to the terror of indecision”

The reality is if hard decisions are presenting, many will recognise them, but the key part is who is going to make them and how soon. If not addressed, expect escalation, lack of clarity or worse still confusion, all enemies of effective strategy execution.

All the above are critical considerations when it comes to framing strategy but what is the best way to bring it all together? That is where a Strategy Development Framework emerges as an effective means to frame progress into real execution. The author has spent a lot of time considering this area and recent studies have been very helpful to the mission.

Genesis of ‘The Strategy Development Framework’

There is little in terms of practical guidance on how do a thorough job on Strategy Execution. This is not the case for some other imperative organisational disciplines. A good example of this is in the Banking Sector, where there is extensive regulatory guidance for the following:

- **Capital Management:** Internal Capital Adequacy Assessment Process (“ICAAP”)
- **Liquidity and Funding Management:** Internal Liquidity Adequacy Assessment Process (“ILAAP”)
- **Recovery and Resolution Management:** Recovery Plan (“RP”)

In the broader corporate world, there are extensive materials providing guidance on Enterprise Risk Management (ERM), the following are all good examples:

- **COSO** – Enterprise Risk Management: Integrated framework (COSO, 2004)
- **ISO 31000** – Risk Management Principles and Guidelines (ISO, 2018)
- **CHIA** – Three lines of defence model (2015)

The author has searched, and may stand to be corrected, but is not aware of any similar equivalent guidance on Strategy Management or the collation of a Strategy Development Framework (SDF). To make complex matters simple and intuitive is challenging in the extreme, and such was the case in creating a version 1.0 of an SDF.

Moving on from that inaugural SDF creation, in 2024 there was a culmination of several circumstances that contrived to create a eureka moment for the author, those circumstances were as follows:

Study:

- L9 Diploma Strategic Management - UCD via Institute of Bankers
- L9 Diploma Advanced Banking Risk - UCD via Institute of Bankers
- Chartered Director Programme - Institute of Directors

Experience:

- 25 years' experience in senior executive roles in financial services across Europe, UK, Asia, and North America.
- Working in treasury, and capital markets brought exposure to best practice in contingency planning and scenario planning
- Working in corporate strategy brought exposure to best practice in strategy formulation.
- A former challenge of having to create a SDF from scratch and the related difficulty

Events:

- Supporting a wonderful warrior wife through breast cancer and into remission
- Accepting the offer of a strong good leaver redundancy package
- Thoughtful encouragement from a respected strategy lecturer

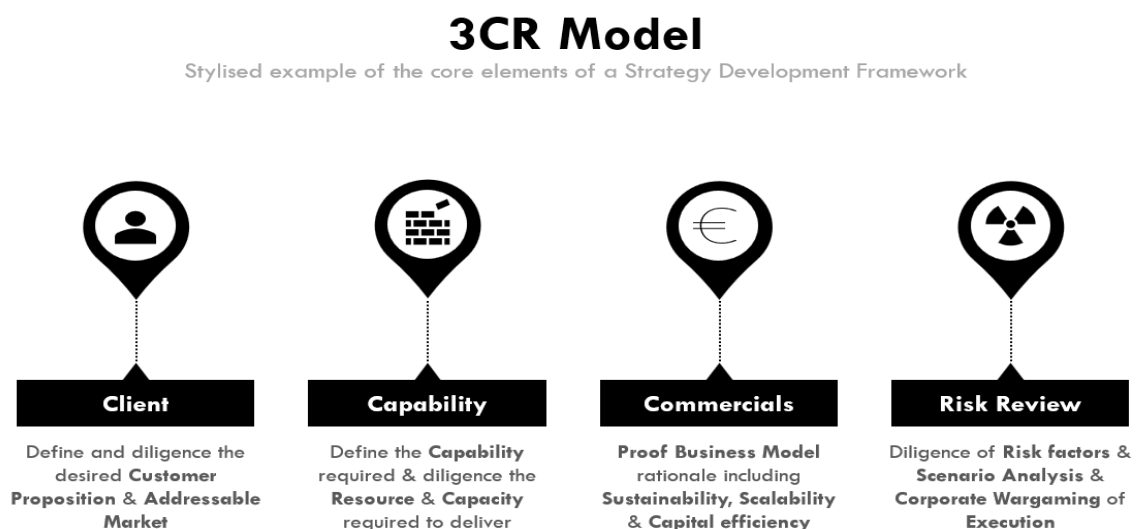
The combination of all the above created a catalyst to setup a professional services company, <https://sentinelreward.com/services/>, leveraging all the experience and learnings of a quarter of a century. Igniting a strong desire to share that expertise with corporate entity leadership who want to do better but lack the band width and deep expertise in specialist fields to do so. Strategy risk management and the on-going evolution of a SDF is one of the focus areas for the consultancy, drawing on multiple strategy learning insights to enhance the effectiveness of strategy implementation and the management of change, which it is hoped is self-evident in this paper.

Power of the Strategy Development Framework

So how does it work in practice. Consider this a summary of how the author has leveraged strategy study insights and experience to offer value to an organisation contemplating a robust approach to strategy implementation and the management of change. Taking account of all the sections heretofore in this paper the following approach is suggested.

A key focus is to keep things simple and intuitive, as this lends itself to the broadest buy in from all strategy touch points and stakeholders. Creating a bespoke SDF for an entity can be extremely useful for the creator. It results in going back to first principles and builds an effective means of enforcing discipline on the strategy development process. Before looking at a draft model it is imperative to remember the importance of a constructive ‘Culture’ and ‘Ways of Working’, this is a necessary foundation to drive ‘Buy in’ and ‘Alignment’.

The most important step is to define the core elements of the strategy. Ideally there should only be four to five. The following is a stylised example which could be applied across multiple industries, let’s call it ‘The 3CR Model’, illustrated below:



Note: ‘Strong Culture’ and ‘Constructive Ways of Working’ are essential for Strategy Execution to thrive

In the opinion of the author an effective SDF should frame client/customer deliverables, and the capability required to deliver on customer propositions over time, and commercial rationale. Another critical element to strategy development that should be included in the SDF is a symbiotic risk review and Strategy Risk Assessment (SRA).

These core elements form a foundation for the more detailed build out of a framework bespoke to the corporate entity considered. Moreover, the elements also provide a foundation for a more detailed Policy and Procedures is so required. In short, the elements are the spine of the Strategy Framework, Policy and Procedures which form a powerful driver for a compelling logical intuitive approach for all those touched by Strategy Execution.

It is beyond the scope of this paper to illustrate a full draft SDF and accompanying SRA but it is hoped the principles are clear as is the approaches intent to overcome aforementioned limited guidance in the strategy sphere.

Conclusion

The purpose of this paper was to illustrate how to enhance the effectiveness of strategy implementation and the management of change in an organisation. In commencing studies on strategy, the author had no idea where the journey would end, and when combined with 25 years' work experience, the importance of strategy risk management and its proper diligence grew in the mind of the author.

The combination of strategy study, work experience and personal events and encouragement created the passion and momentum to setup a professional services consultancy to share expertise with corporate leaders' who want to do better in the world of strategy risk management and other related areas. The message is thus.

Strategy is hard. Effective strategy execution demands disciplined preparation and a willingness to recognise the challenges and face into them sooner rather than later. The recognition that strategy is hard, and the extent of difficulties which present can serve to sharpen the resolve of the strategy creator. The strategy creator or Team cannot work in a vacuum, but must work hard to earn the respect, buy in and joint ownership of that strategy by the stakeholders involved. Stakeholders need to feel involved in the creative process. Knowing this underlines the importance of culture to driving alignment and real intent in ways of working to implement the strategy.

One way to involve people is to create a bespoke Strategy Development Framework for the entity. The core elements of the framework should be entirely intuitive and not overly complicated. The elements form the spine of the Strategy Framework and associated Policy and Procedures if so required. In this paper a '3CR' example of such a Framework was shared. Customer, Capability, Commercial and Risk assessment formed the core elements. Arguably this model, and associated context given prior, is the clearest evidence possible of how strategy learning combined with experience has been brought into effect by the author. Moreover, it is also the fervent hope of the author, that this knowledge and expertise can be shared with clients via professional services consultancy via SentinelReward Ltd. At its core this consultancy exists to help businesses thrive in an uncertain world. Effective strategy risk management is essential for sustainable growth. By empowering companies with the skills and frameworks to manage risk effectively they can be better enabled to navigate challenges with confidence, protect what they've built, and unlock their full potential.

Bibliography

- Ackermann, F. and Eden, C. Strategic Management of Stakeholders: Theory and Practice. Long Range Planning, Volume 44, pp179-196.
- Baltaci, A., Cergibozan, R. & Ari, A. Cultural values and the global financial crisis: a missing link?. *Eurasian Econ Rev* **12**, 507–529 (2022).
- Bourne, L, Stakeholders and Risk Series on Stakeholder Engagement, Volume IV, Issue IV – April 2015.
- Covey, S, The 7 Habits of Highly Effective People
- Doran, G, Miller, A and Cunningham, J. There's a S.M.A.R.T. way to right management goals, 1981.
- Drucker, P. Quote “Culture eats strategy for breakfast”, 2016.
- Edelman, D, Singer, M, Competing on Customer Journeys, Harvard Business Review, November 2015.
- Frigo, M.L. and Anderson, R.J. Strategic Risk Management: A Foundation for Improving Enterprise Risk Management and Governance. *The Journal of Corporate Accounting & Finance*, March/April 2011, pp 81-87
- Hart, Resource Based View of the Firm, *Academy of Management Review*, 1995.
- Harvard Business School, 2019. Satya Nadella at Microsoft: Instilling a Growth Mindset, Harvard Business School Case 119-045.
- Kanter, R.M., Turnaround Leadership, *Harvard Business Review*, June 2003.
- Kotter, J. P. Leading Change. Boston: Harvard Business School Press, 1996.
- Micels, D, Murphy, K. How good is your company at change. *Harvard Business Review*, August 2021.
- Newcombe, R. From Client to Project Stakeholders: A Stakeholder Mapping Approach. *Construction Management and Economics*. December 2003, Volume 21, pp 841-848
- Porter, Michael E. "The Five Competitive Forces That Shape Strategy." Special Issue on HBS Centennial. *Harvard Business Review* 86.
- Rowland, D. “Our culture assessments will analyse the leadership behaviour of management in banks”, March 2018.
- Sull, D. and Sull, C. With goals, FAST beats SMART. *MIT Sloan Management review*, 2019.
- Tushman, M. L. and O'Reilly III, C. (2007), Managerial Problem Solving: A Congruence Approach, Excerpted from *Winning through Innovation: A Practical Guide to Leading Organisational Change and Renewal* (Chapter 4), Harvard Business School Press, Boston: MA.
- Watkins, M. What Is Organizational Culture? And Why Should We Care? *Harvard Business Review*, May 2013
- Whittington, R, Exploring Strategy, Pearson, 2020.

