



GROWTH STRATEGY ACCELERATOR



Company Profile

E.I. du Pont de Nemours (DuPont) is the number-three U.S. chemical maker and has undergone a restructuring that consolidated 18 strategic business units into five growth platforms. These platforms produce coatings (automotive finishes and coatings); crop protection chemicals and genetically modified seeds; electronic materials (LCDs, sensors, and fluorochemicals), polymers, and resins for packaging and other uses; and safety and security materials and chemicals. The company has sold its former subsidiary INVISTA (maker of polyester fibers and nylon, including Lycra and Stainmaster) to Koch Industries for US\$4.2 billion in a deal that closed in April 2004.

Selected Statistics

- FY2004 Revenue: US\$27.3 Billion
- FY2004 Earnings: US\$1.8 Billion
- FY2004 Employees: 60,000

* Registered trademark of E.I. du Pont de Nemours & Co., Wilmington, Del.

Source: <http://www.hoovers.com>; E.I. du Pont de Nemours & Co.; Corporate Strategy Board research.

NEW STRATEGY, NEW EXECUTION CHALLENGES

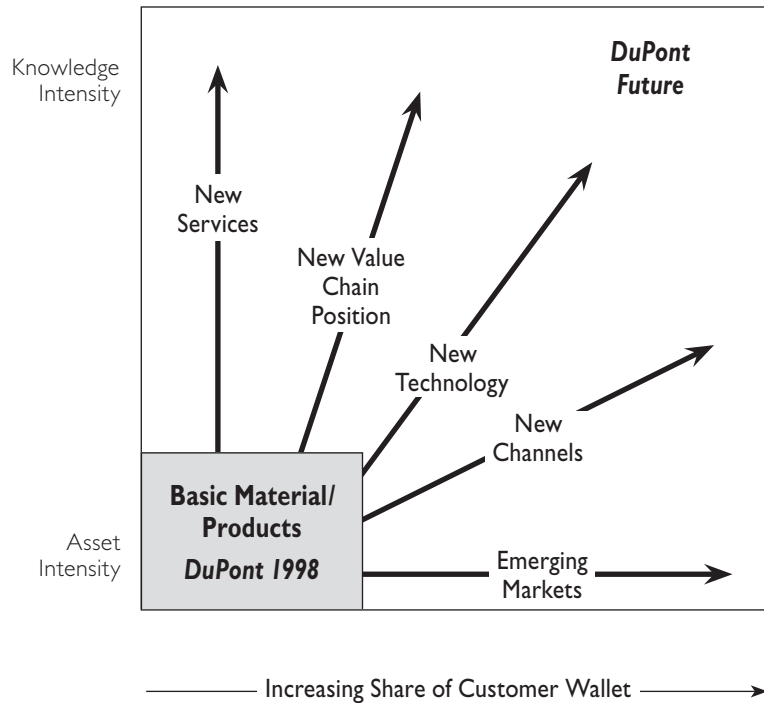
- After years of focusing on efficiency improvements and cost cutting, the CEO launches an initiative for “knowledge-intensive” growth (new business models to deliver value-added products and services), creating a new set of execution challenges for the company.
- Given the company’s new strategic direction, some businesses lack the tools and experience to translate the corporate strategy into high-potential strategic initiatives and find it challenging to generate buy-in and resource commitment by the multiple parties required for successful strategy execution.

WHERE TO START?

DuPont shifts its strategy to overcome price pressures in its commoditized industry...

Knowledge-Intensive Growth Avenues

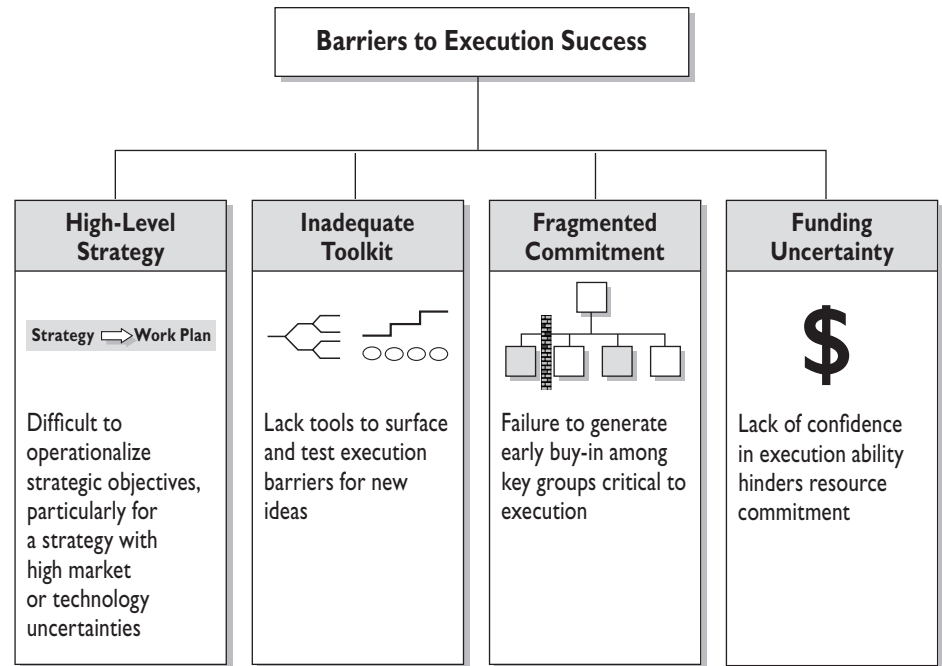
DuPont, Illustrative



...taking the company outside its normal range of execution

Strategy Execution Challenges

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Source: E.I. du Pont de Nemours & Co.; Corporate Strategy Board research.

FACT-BASED EXECUTION TESTING

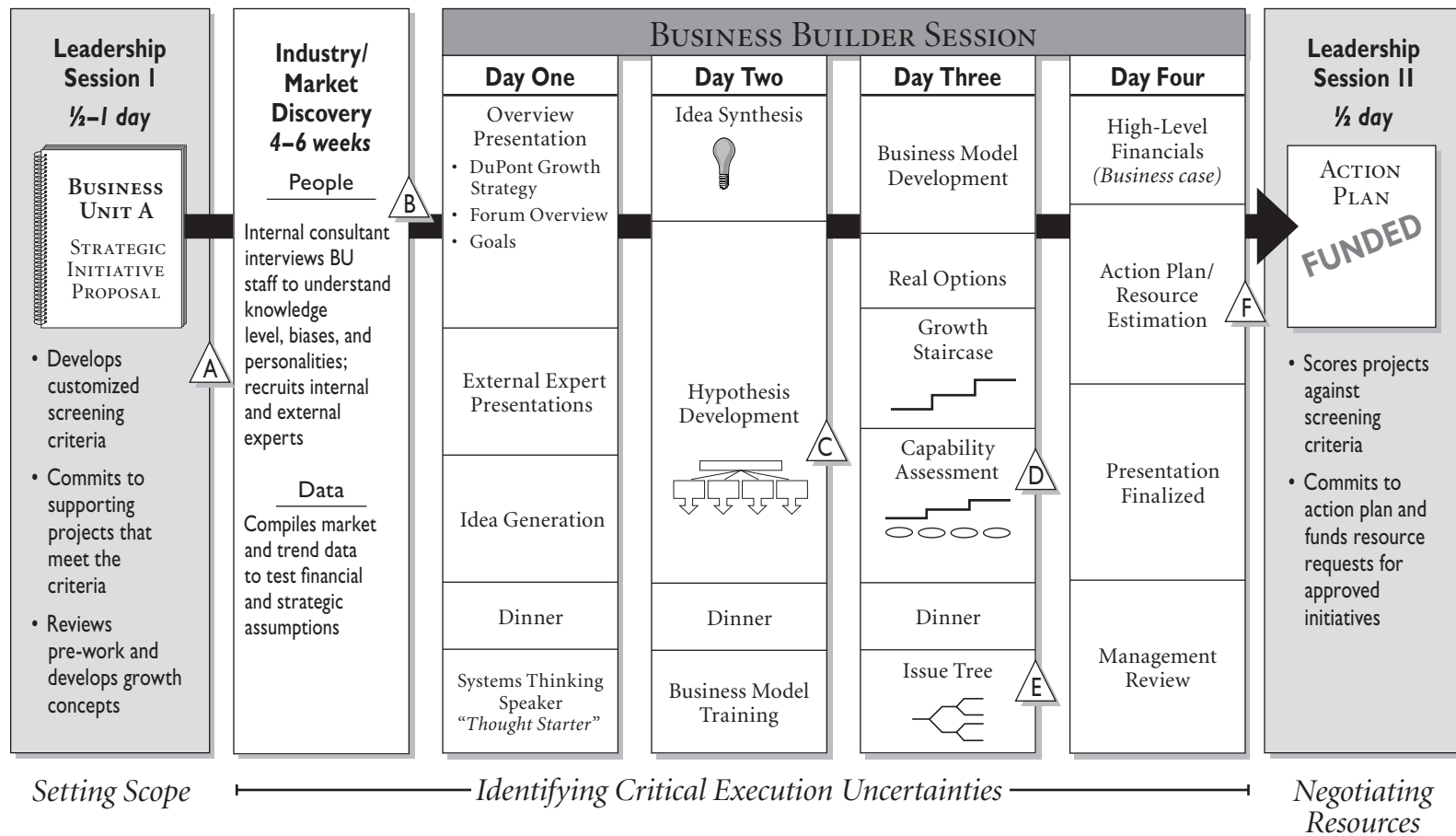
- To help businesses translate the company's new strategic vision into high-value initiatives, DuPont creates the "Knowledge-Intensive University" (KIU) in 1999—a disciplined process that generates agreement among mid-level managers, marketing and technical professionals, and senior executives about key execution challenges and whether DuPont can "win" in the marketplace.
- With the help of internal strategy consultants, project teams spend four intense days at an off-site location testing execution alternatives and identifying critical execution uncertainties that must be resolved prior to initiative launch; senior leaders are not involved in the Business Builder session to prevent a dominant voice in the room from biasing the analysis, but external experts with market and technical knowledge are included on the team.
- To compress decision time and foster commitment, DuPont book-ends the execution planning and barrier identification with Leadership Sessions that provide screening criteria on the front end and resource decisions on the back end.

A “HOW-TO” GUIDE FOR STRATEGY EXECUTION

DuPont Develops Fact-Based Tools and Processes to Generate Agreement on Potential Barriers and to Foster Commitment Among Groups Critical to Execution

Knowledge Intensive University

DuPont



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Source: E.I. du Pont de Nemours & Co.; Corporate Strategy Board research.



DEFINING SUCCESS

- In the first Leadership Session, senior leaders explicitly state the funding criteria against which proposed strategic initiatives will be evaluated.
- The opportunity screening criteria are customized, but typically fall under three broad themes—market relevance, uniqueness, and commercializability.
- Senior leaders are making an implicit commitment to Business Builder teams to resource opportunities that meet the predefined criteria and are high priority from a portfolio perspective.

CSB View

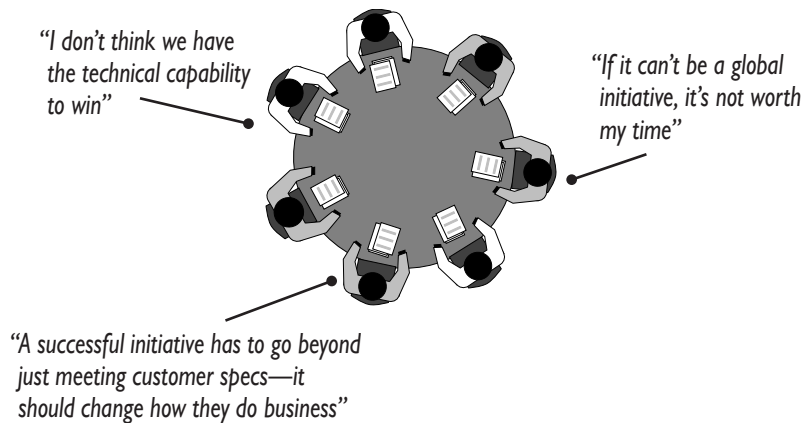
Bookend the execution planning process with leadership sessions that define investment criteria on the front end and commit resources on the back end for advancing a strategic initiative.

COMPONENT A: COMMITMENT CRITERIA

“FORWARD CONTRACTING” COMMITMENT

Senior executives define success for Business Builder teams up front...

Customized Screening Criteria Development
Leadership Session I, DuPont, Illustrative



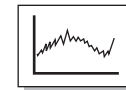
Opportunity Screening Criteria			
	Exceptional—9	Acceptable—3	Unfavorable—1
Speed to building capability platform			
Relevance to global market			
Ability to create or discontinuity			

...and make an implicit agreement to fund initiatives that meet the screening criteria and support strategic goals

Implicit Executive “Contract” with Business Builder Teams
Leadership Session I, DuPont, Illustrative



“If you”...



Support hypotheses with facts



Propose initiatives that support strategic goals

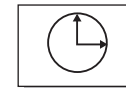
...“we will”...



Fund initiatives though first stage-gate



Secure personnel to execute initiative



Commit management time to support initiative

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Source: E.I. du Pont de Nemours & Co.; Corporate Strategy Board research.



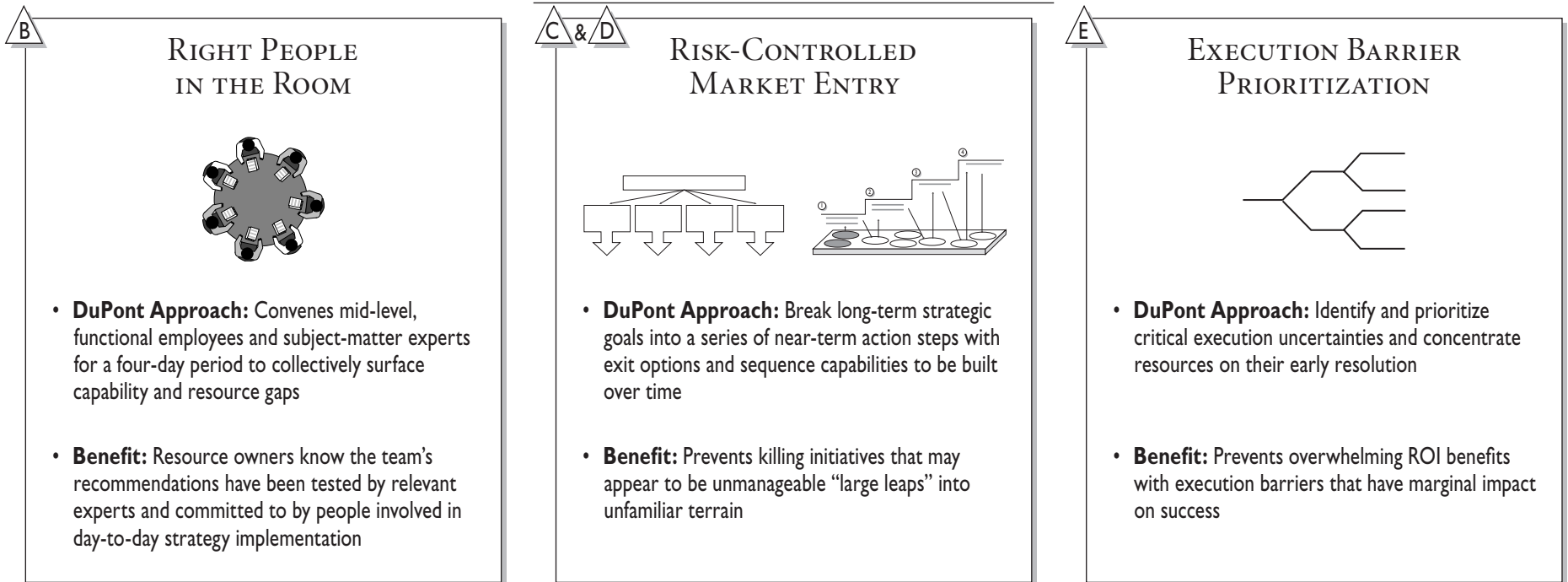
BUSINESS BUILDER WORKSHOP

- DuPont identifies execution barriers more accurately and accelerates their removal by involving functional, mid-level, and peer experts in executability testing prior to funding an initiative.
- During the Business Builder session, project teams decompose strategic objectives into an actionable work plan that will result in execution success; the work plan is imperfect but contains sufficient detail to make the strategy “real” for the people most likely required to implement proposed initiatives.
- To assess execution capabilities, DuPont identifies the appropriate sequence of action steps, mapping each activity to the capabilities required for its successful completion; the team then determines whether the capability currently exists, can be developed through the identified action steps, or must be acquired independently of the execution plan.
- No Business Builder workshop can settle all execution issues with an adequate degree of certainty; DuPont generates agreement about the most critical execution uncertainties and focuses resources on their rapid resolution.

BUILDING EXECUTIVE CONFIDENCE

Key Components of the Business Builder Session Help Drive Executives Toward Resource Decisions by Clarifying the Magnitude and Timing of Resource Requirements

Key Business Builder Components and Benefits



BUSINESS BUILDER VITAL STATISTICS

- **Process:** In addition to the above components, Business Builder teams create a business case with high-level financials, conduct market analysis, and build an action plan
 - **Duration:** Intensive, four-day session off site; daily workshops can last up to 18 hours
- **Facilitation:** Internal consultant facilitates KIU process on a fee-for-service basis
 - **Cost:** Approximately US\$60,000 to US\$70,000, including pre-work, facilitation, and facilities charges

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Source: E.I. du Pont de Nemours & Co.; Corporate Strategy Board research.



GETTING THE RIGHT PEOPLE AT THE TABLE

- Companies often fail to consult with key stakeholders in the early phase of execution planning, increasing the risk that foreseeable execution barriers are only uncovered after launching an initiative when costs are higher.
- DuPont identifies execution barriers more accurately and accelerates their removal by involving functional, mid-level, and peer experts in executability testing prior to funding an initiative.

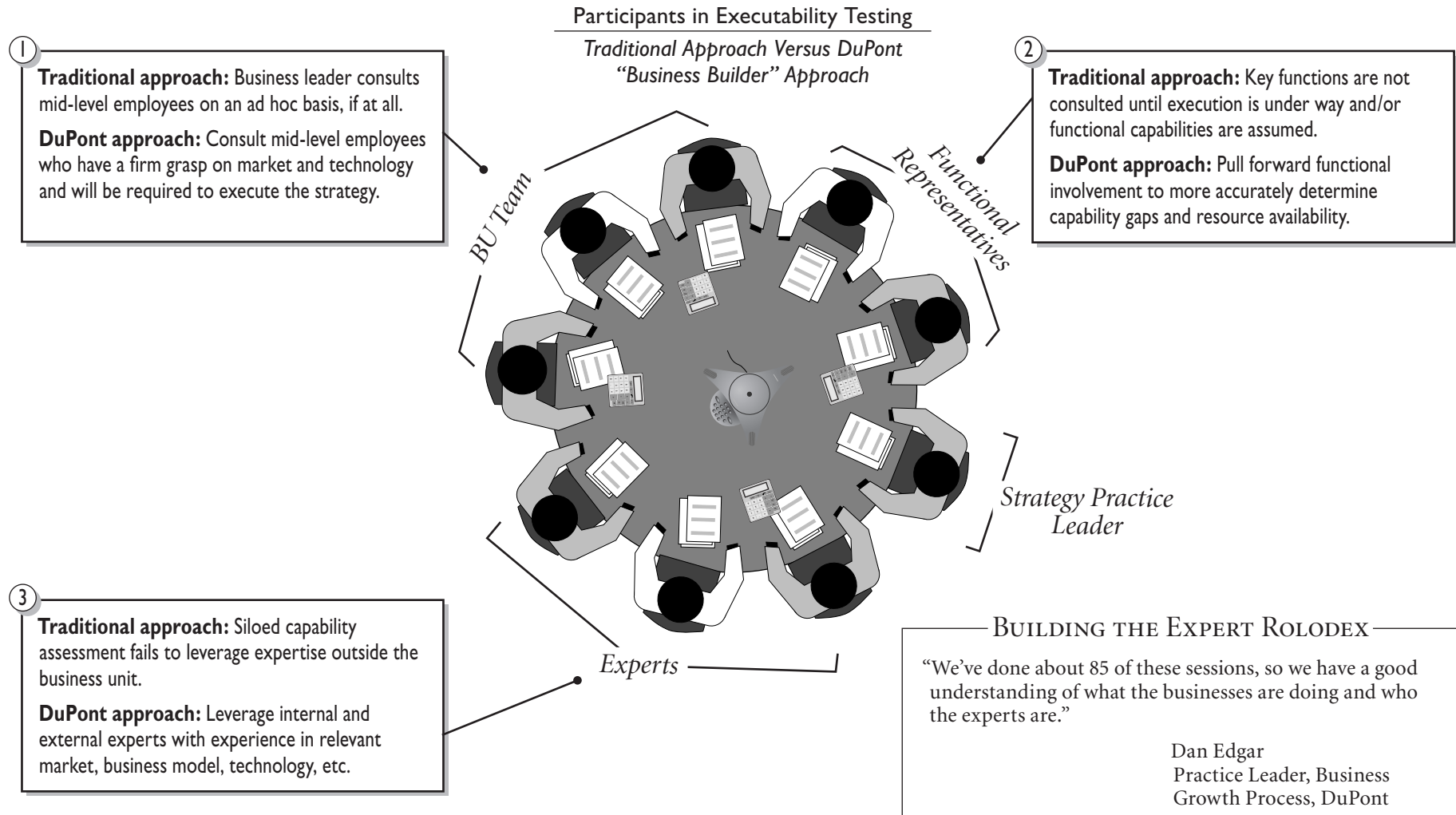
CSB View

Combine cross-functional representatives from the team tasked with executing a business development initiative with company and external experts on the market space, technology, or business model under consideration to surface and resolve execution barriers as early as possible, before investment.

COMPONENT B: RIGHT PEOPLE

WIDEN THE CIRCLE

To Improve Accuracy of Execution Testing and Foster Early Commitment Among Key Groups, DuPont Seeks Input from Actors Typically Left Out of the Execution Planning Process



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Source: E.I. du Pont de Nemours & Co.; Corporate Strategy Board research.

THE DESCENT FROM 30,000 FEET

- Failure to translate vague, high-level strategies into tangible execution steps before securing commitment and conducting capability assessments can result in strategy stalls as individuals realize, post-launch, the effort and resources required to execute the strategy.
- During the Business Builder session, project teams decompose strategic objectives into an actionable work plan that will result in execution success; the work plan is imperfect but contains sufficient detail to make the strategy “real” for the people most likely required to implement proposed initiatives.
- The participation of internal subject-matter experts with deep knowledge of markets or technologies enables the team to more credibly and accurately identify key action items and the organizational capabilities required for success.
- External experts with knowledge about markets, value chains, and technology trends outside of DuPont’s experience are invited to participate in part of the Business Builder session to make the analysis more robust and inject new ideas and perspectives into the debate.

CSB View

Develop operational plans by disaggregating each hypothetical business building strategy to highlight the relative ease or difficulty of each required action step.

COMPONENT C: OPERATIONALIZED HYPOTHESES

FROM ASPIRATION TO ACTION

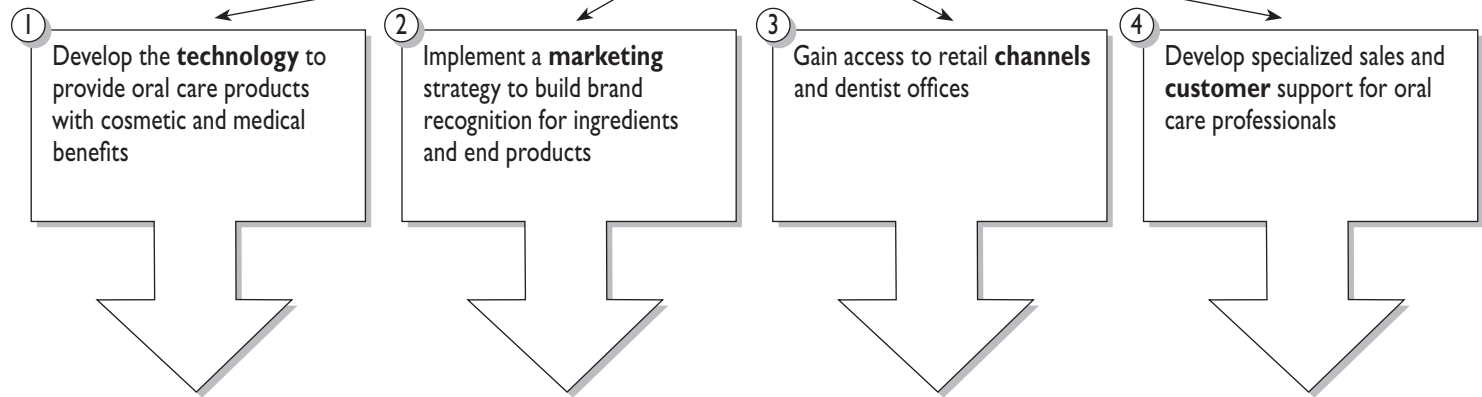
Before It Can Assess Its Ability to Execute, the Project Team Must Operationalize the Strategy So Execution Requirements Are Clear

Strategy Operationalization Process
Hypothetical Oral Care Example

To achieve this aspiration...

Hypothesis: DuPont will be the leading provider of speciality oral care products to health care professionals and consumers

...we must deliver on these strategic objectives...



...which require these action steps

- [Redacted]
 - [Redacted]
 - Commercialize new products
 - [Redacted]
- [Redacted]
 - Sell new products directly to brand owners
 - [Redacted]
 - Co-brand with dentists and oral surgeon associations
 - Introduce branded products in U.S. retail outlets
- [Redacted]
 - [Redacted]
 - Launch co-branded products: DuPont ingredient brand and a consumer brand
 - [Redacted]
- [Redacted]
 - [Redacted]
 - Pilot tests in U.S. dentist offices
 - [Redacted]

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Source: E.I. du Pont de Nemours & Co.; Corporate Strategy Board research.



WRITING YOUR FUTURE BUSINESS HISTORY

- Typical capability assessments identify gaps between existing and required capabilities but stop short of specifying at what point in the execution timeline those gaps must be closed, increasing the risk that business leaders underestimate the time required to strengthen existing or build new capabilities.
- To assess execution capabilities, DuPont identifies the appropriate sequence of action steps, mapping each activity to the capabilities required for its successful completion; the team then determines whether the capability currently exists, can be developed through the identified action steps, or must be acquired independently of the execution plan.
- When building the capability platform, Business Builder teams start by identifying the desired end state, and then work backward to identify what action steps and capabilities will help them realize that aspiration.

CSB View

Sequence over time the action steps required for a potential strategy to achieve success and perform a gap analysis on capabilities required of each action step.

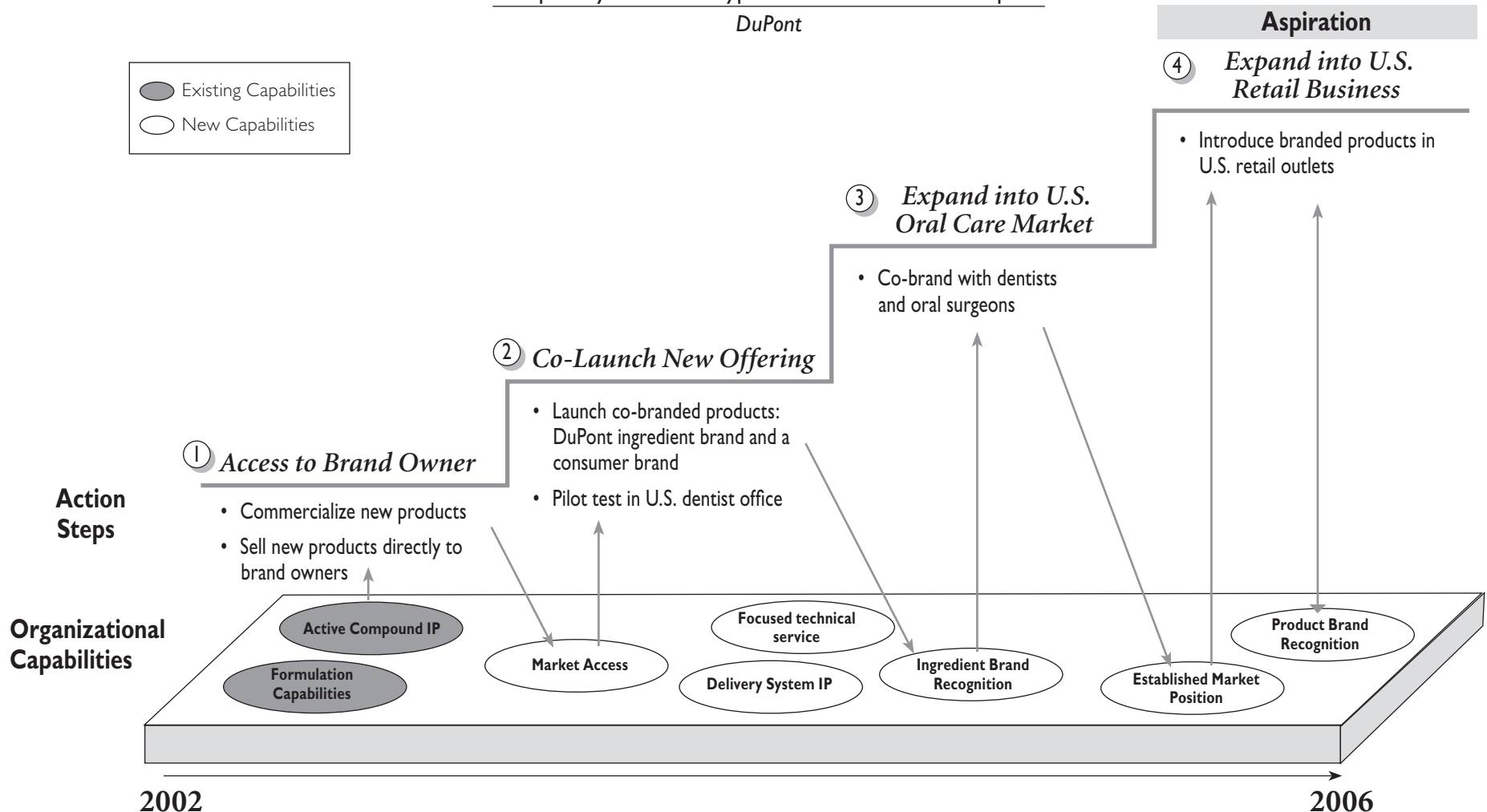
COMPONENT D: CAPABILITY ASSESSMENT

TIME-SENSITIVE CAPABILITY ANALYSIS

Sequencing the Interaction Between the Work Plan and Organizational Capabilities Enables a More Realistic Assessment of DuPont's Ability to Close Capability Gaps Before They Stall Execution

Capability Platform: Hypothetical Oral Care Example

DuPont



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Source: E.I. du Pont de Nemours & Co.; Corporate Strategy Board research.



SURFACING CRITICAL EXECUTION BARRIERS

- Business Builder participants consider all the available data and analysis to generate a list of execution-related questions for which they do not have answers and then vote on which of those issues are most critical.
- The quality of the data compiled during the pre-work phase has a significant impact on the number of critical uncertainties that remain at the end of the Business Builder, and by association, the magnitude of the funding decision made in the final Leadership Session.
- No Business Builder workshop can settle all execution issues with an adequate degree of certainty; DuPont generates agreement about the most critical execution uncertainties and focuses resources on their rapid resolution.
- Identifying potential execution challenges and ways to overcome those challenges not only avoids execution derailment but motivates the team to put the strategy in action because they believe they successfully execute.

CSB View

Differentiate among the remaining execution uncertainties to identify “showstoppers” that would invalidate the initiative’s business case and create action plans to reduce those critical uncertainties as soon and as efficiently as possible.

COMPONENT E: ISSUE TREE

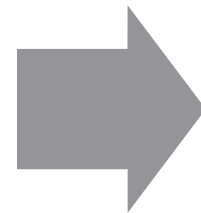
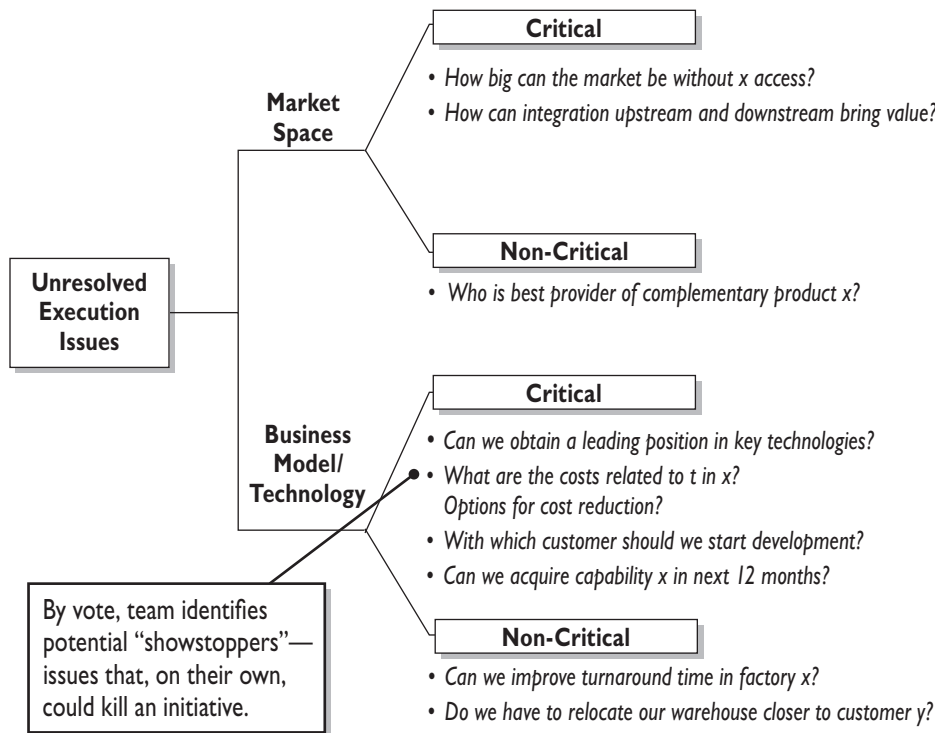
GAINING AGREEMENT ON “SHOWSTOPPERS”

Project team reaches agreement on critical issues that could derail execution...

...and develops an action plan to lower barriers

Execution “Issue Tree”
DuPont, Illustrative

Action Plan for Reducing Execution Uncertainties
DuPont, Illustrative



ACTION PLAN

Goal: Develop fact-based execution plan in 90 days

Activities

- Assemble portfolio of potential technologies; evaluate capabilities against customer needs
- Improve supply chain understanding
- Deconstruct market size figure
- Test value proposition with a sample of customers
- Financial evaluation (with and without x)
- Integrate other teams plans

Resource requirements

Three to four full-time people

- KEY INPUTS FOR BUILDING ISSUE TREE**
- Screening criteria from Leadership Session I (see Appendix)
 - Hypothesis statement
 - Business model summary (see Appendix)
 - Market space analysis

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Source: E.I. du Pont de Nemours & Co.; Corporate Strategy Board research.



LEADERSHIP ALIGNMENT

- Senior leaders join the end of the Business Builder to hear teams present their findings and to score proposed initiatives against the customized investment criteria developed in the first Leadership Session; scoring is not designed to be scientific but as a tool to surface different perspectives about the value of an opportunity.
- The Leadership Session participants reach agreement on the best initiatives to pursue, critical execution uncertainties, and the next steps required to reduce uncertainty to a level where more significant funding can be released.
- To generate commitment and momentum, DuPont invites all business, regional, and functional leaders whose resources or approval are required for execution to attend the final Leadership Session; however, the seniority of the assembled leadership is matched to the project's materiality to avoid overburdening executives.
- Planning for execution without consulting peer business leaders and functional heads that control critical resources increases the risk that those resources will be unavailable when they are required, either because they do not exist or because uncommitted leaders refuse to make them available.

CSB View

Compare the fully developed business building initiatives to the original screening criteria, consider cross-initiative portfolio impacts, and commit resources—financial and human—to the initiatives most attractive from an enterprisewide perspective.

COMPONENT F: RESOURCE PRIORITIZATION

COMMITMENT ACCELERATOR

Business Builder teams present findings to senior leaders who then evaluate proposed initiatives...

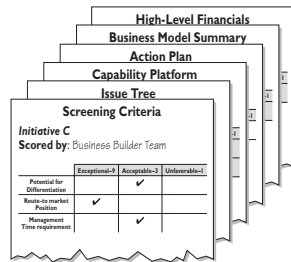
...spend up to five days assessing portfolio impact...

...and reconvene to commit resources for approved strategic initiatives

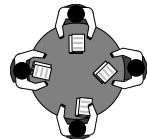
Business Builder Session: Management Review

DuPont

Business Builder Outputs



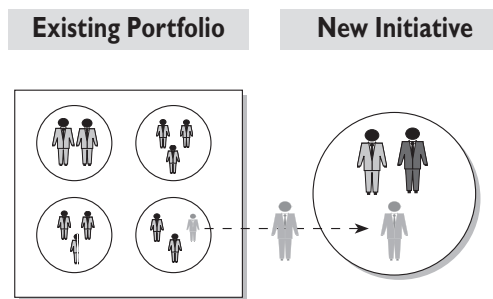
Senior Executive Evaluation



- Resource owners independently score initiatives against screening criteria and agree on best execution alternatives
- Scores do not determine resource allocation, but are used as a discussion tool

Portfolio Considerations

DuPont



Portfolio Evaluation

- ✓ Evaluate existing initiatives against screening criteria to enable comparison
- ✓ Identify potential team members with appropriate skills and experience
- ✓ Assess impact of resource shifts
- ✓ Negotiate with resource owners

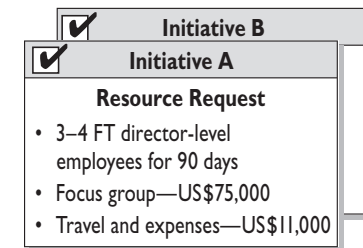
RESOURCE TRADE-OFF

“Money isn’t the real issue—people are.”

Dan Edgar
DuPont

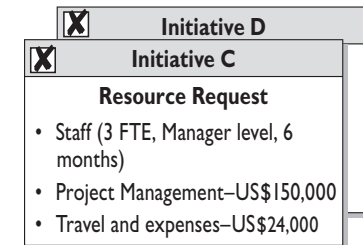
Leadership Session II: Resources Decision

DuPont, Illustrative



Approved

- 3 FT employees (2 director level, 1 manager level)
- US\$75,000 for focus group
- US\$9,000 Travel and Expenses



Killed for Cause

- Low confidence in capability assessment
- Lower priority relative to other project alternatives

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Source: E.I. du Pont de Nemours & Co.; Corporate Strategy Board research.



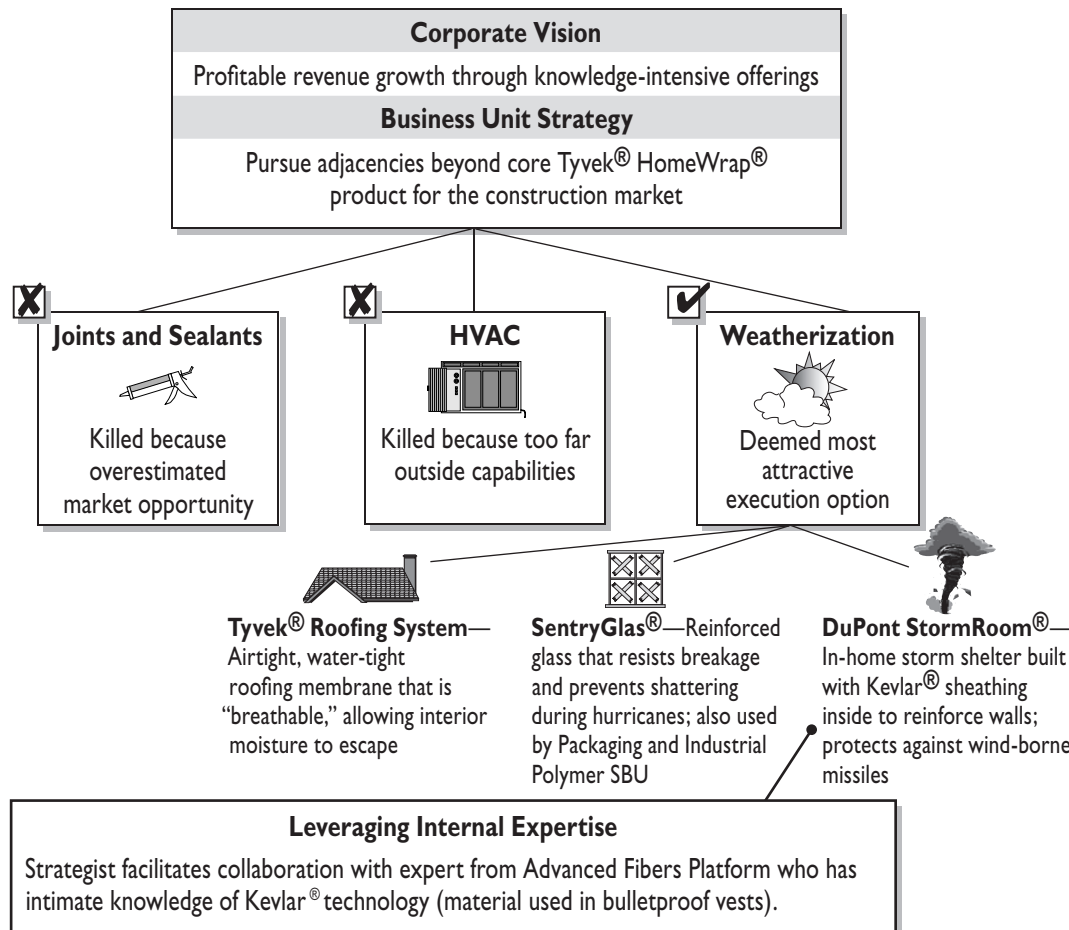
ACCELERATING STRATEGY IMPACT

- Faced with a new strategy requiring the business to expand beyond its core product, the Non-Wovens business sends a team to KIU to jump-start strategy execution and identify the most attractive execution alternatives.
- The KIU process not only speeds identification of high-potential initiatives that have since been successfully launched but also enables the business to weed out execution options that initially seemed attractive, but overreached their ability to win in the marketplace.
- The KIU process significantly enhanced DuPont's ability to execute on its growth strategy as evidenced by the improvement in the quality of initiatives the company is pursuing and their impact on the company's bottom line.

JUMP-STARTING EXECUTION

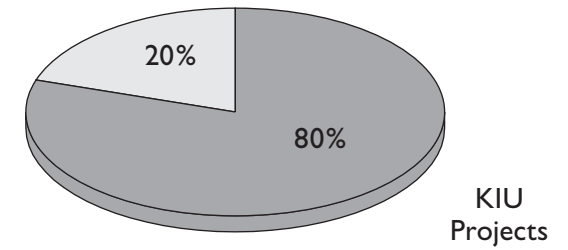
DuPont’s process enables business units to realize greater value from strategic plans...

KIU—Tyvek® “Weatherization” Example
 Non-Wovens Business, DuPont, 2002



...and positively impacts corporate performance

Corporate Priority Technology
 Projects Post-Portfolio Review
 DuPont, 2004



Additional Benefits of KIU

Approximately US\$150 million of annual earnings attributable to KIU projects as of 2004

SPEED TO MARKET

“The KIU accelerates commitment among business leaders and their teams and helps us get new offerings to market more quickly.”

Dan Edgar
 Practice Leader,
 Business Growth Process
 DuPont

Source: E.I. du Pont de Nemours & Co.; Corporate Strategy Board research.

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APPENDIX

Growth Strategy Accelerator

SCREENING CRITERIA: CATEGORIES TO CONSIDER

What Is the Basis for Choosing the Screening Criteria?

- Experience suggests that there are some categories that are useful to think about when you select the screening criteria
- Categories to consider are
 - Market Opportunity
 - Market size
 - Growth rate
 - Market Attractiveness
 - Trends
 - Discontinuities
 - Competitive dynamics
 - Near-Term Prospects
 - Defined customer group
 - Potential for differentiation
 - Potential revenue in three to five years
 - Operational/Execution Aspects
 - Adjacency success factors (around strongest cores/leadership economics; repeatable characteristics; around strongest customers)
 - Resource needs (with a clear description of what kind of resources—capital, people, management time)

Opportunity Screening Criteria—Example

MARKET RELEVANCE			
	Exceptional—9	Acceptable—3	Unfavorable—1
Strong Customer Pull	There is clear evidence either from needs-based segmentation studies or actual customer experimentation that there is strong customer demand	There is evidence the customer desires our offering through discussions—we asked what they want from DuPont as an example	Customer demand was determined by internal studies
Favorable Trends (Growth Rate)	We expect > 2 GDP growth because there is strong macro economic, industry, or regulatory trends that favor our offering at the customer, Favorable FTAs	We expect 1 to 2 X GDP growth since the trends are neutral to our offering, Moderate FTA Conditions	Our growth potential is less than GDP since the trends seems to be working against us; unfavorable/weak FTA conditions
Size of DuPont Opportunity in Country X in Year 5	The potential size of the opportunity is >\$50 M	The potential size of the opportunity is \$25 M–50 M	The potential size of the opportunity is < \$25 M
Ability to Create a Discontinuity	Our offering has the potential to fundamentally changes how our customers do business	Our offering significantly improves how our customers do business	Our offering just meets the specified physical attributes
Improves Life for Society	Positive impact of BoP needs and societal values, e.g., income creation, lower costs, job creation, access to better products, etc; sustainable—no environmental impact	Marginal impact on BoP needs and societal values. Moderate environmental impact	Not a clear view on how can directly positively impact BoP; large negative environmental impact
Route-to-Market Position	We can secure a very strong, defensible route-to-market	We can get to market	Our route-to-market will most likely be blocked without significant effort to restructure the industry
Relevance to Global Markets	Applicable to other global markets. The potential size of global opportunity > 200 M	May be applicable to other global markets with some modifications; potential size of global opportunity in the range of 100 M–200 M	Applicable only to the South Asian region; potential size of global opportunity < 100 M

Opportunity Screening Criteria (Continued)

UNIQUENESS			
	Exceptional—9	Acceptable—3	Unfavorable—1
Competitive Position	We can see a way to become the best in the world at delivering the offering to our target customers and thereby develop a unique competitive position	We can be comparable to other suppliers but can establish a strong competitive position	We are a “me-to” supplier with no real competitive strength
Intellectual Assets to Sustain	We have a strong portfolio of intellectual assets (patents, know-how, etc.) to protect our position into the foreseeable future	We have an intellectual asset position but its sustainability is a concern	We have little if any protection
COMMERCIALIZABILITY/TIME TO MARKET			
Speed to Building Capability Platform	The capability platform required to commercialize the offering is in place	The capability platform required to commercialize the offering can be developed over time at an acceptable cost and risk	The capability platform required to commercialize the offering will be very difficult to develop at an acceptable cost and risk
Rapid Customer Acceptance	The offering can be used by our target customers with minimal cost, time, or risk to them; the ability for them to use our offering will not impact the time to market	Our customers will have some cost and/or risk, e.g., in retooling, but they deem it acceptable; this will impact our time to market, however	Our customer will have significant cost to adapt our offering into their system and this could be a real barrier to our ability to commercialize
Short-Term (Two Year) Financial Impact	Generates positive earnings and cash flow	Generates positive earnings but negative cash flow	Generates negative earnings and negative cash flow

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Source: E.I. du Pont de Nemours & Co.; Corporate Strategy Board research.



BUSINESS MODEL SUMMARY

BUSINESS CASE ELEMENTS	
Value Proposition	<ul style="list-style-type: none"> • How do we create value for the customer? • What needs are we satisfying?
Unit of Business	<ul style="list-style-type: none"> • What combination of products, service, and solutions do we want to sell?
Value Capture	<ul style="list-style-type: none"> • How do we capture, as profit, a portion of the value we created for customers? • What is our profit model? Can we develop a non-auctionable system?
Sustainability	<ul style="list-style-type: none"> • What makes my proposition unique versus other competitors? • What strategic control points can counterbalance customer or competitor power? • Are we the “center of gravity” or ancillary to the offering?
Scope	<ul style="list-style-type: none"> • Which activities or functions do I want to perform in house? • Which ones do I want to subcontract, outsource or work with a partner to provide?

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