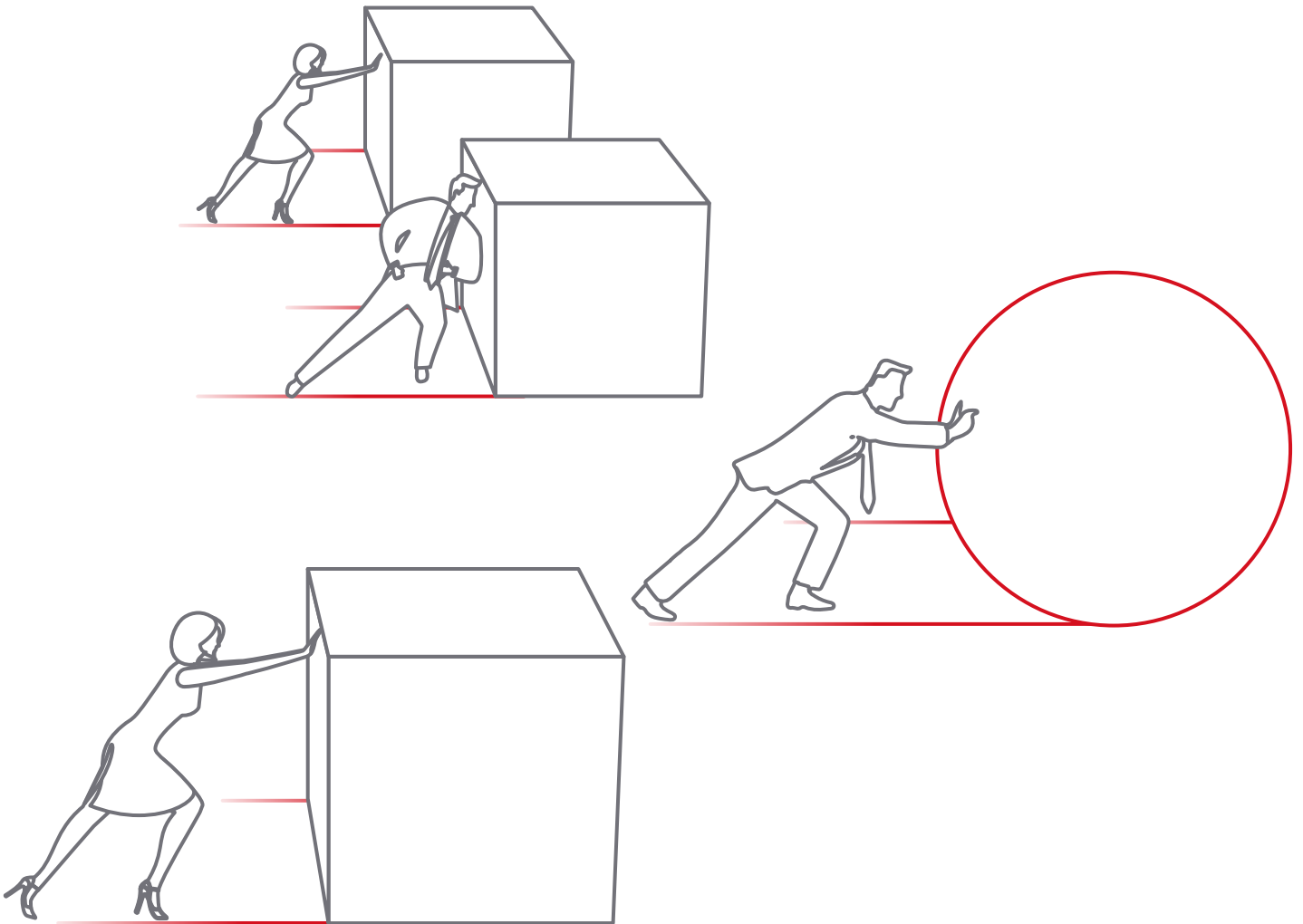




► The Future of Strategy Work

**From Projects to Real-Time
Development and Deployment**

The Future of Strategy Work

From Projects to Real-Time Development and Deployment

Business models are changing ever more rapidly as the share of digitally induced added value grows. This has consequences for how companies work on and with their strategies. An irreversible paradigm shift is underway. From strategy as a project to the development of strategic capabilities. From lengthy intervals between strategy development projects to continuous strategy development and deployment in real time. In order to identify and understand external and internal strategic impulses on a continuous basis, companies need comprehensive strategic capabilities. Large-scale strategy projects that aim to completely anticipate developments in coming years are a

thing of the past. Instead, the focus has shifted to developing strategy work with a sustainable orientation. Especially in large companies, the chief strategy officer (CSO) and strategy department will play an even more important role both as driver and catalyst of strategy work of the future.

Porsche Consulting derived four capabilities, each with three characters, that will be crucial for strategy work in the future. High performance enterprises will incorporate these characters into their strategy-related work in order to secure competitive advantages.

The need for a paradigm shift in strategy work

Humans think in linear terms—but the current environment is showing dynamic patterns. Technologies with exponential growth rates are finding their way into nearly all of our products and services. Given their scalability, digital business models are especially able to change our environments in significant ways

within short periods of time. One example of the typical pattern of exponential growth would be AI-based smart speakers such as Alexa and Siri. They are penetrating markets at considerably higher rates than previous technologies such as televisions, computers, or even smartphones.

Exponential growth as driver of disruption Sales (in million units)

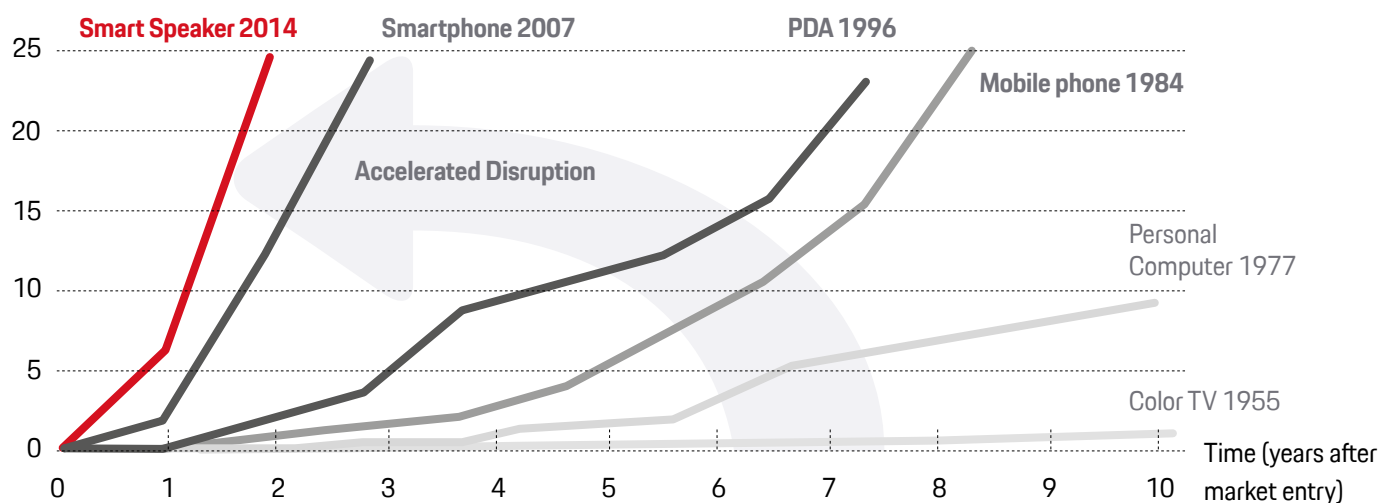


Figure 1. Driving forces of a disruptive environment

In order to remain successful in this type of environment and to continue generating competitive advantages, many companies across a wide range of sectors are radically transforming the majority of their departments and their way of working. For example, virtual and augmented reality (VR/AR) technologies are

now an integral part of development work, as are 3D printers in production departments and data-driven marketing in sales. Top management personnel at every company must tackle crucial topics like digitization, agility, and new ways of organizing in their areas of responsibility.

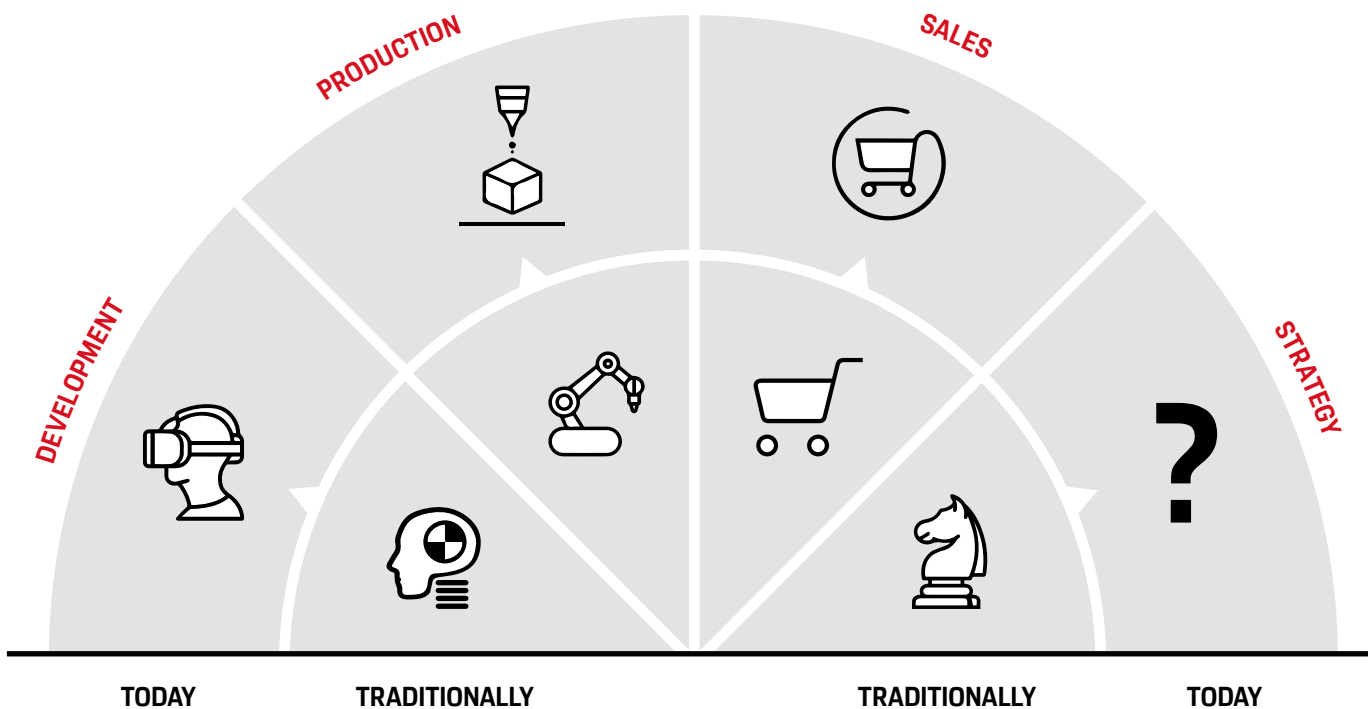


Figure 2. Changes in company functions

Interestingly, only very few companies are undertaking similar radical changes in their strategy-related work—one of the tasks most closely linked to the future. At regular intervals, strategy development appears on the agenda of top management, who then attempts the Herculean task of exhaustively anticipating the next five to ten years, translating it into targets and initia-

tives, and rolling it all out as a documented new strategy. After only a few months, the underlying hypotheses are frequently out of date, and significant corrections need to be made to the strategic course. Leading companies tackle this issue by developing strategy-related skills in order to succeed in disruptive environments.

Strategy work of a high performance enterprise

Strategy work at companies in the future will focus on systematically promoting development of the requisite strategic structures and skills. Four capabilities with twelve corresponding characters have been derived as key factors for success. Porsche

Consulting therefore seeks to challenge companies to develop these characters in suitable ways, in order to enable them to respond effectively to new strategic impulses and thereby achieve long-term success in a constantly changing world.

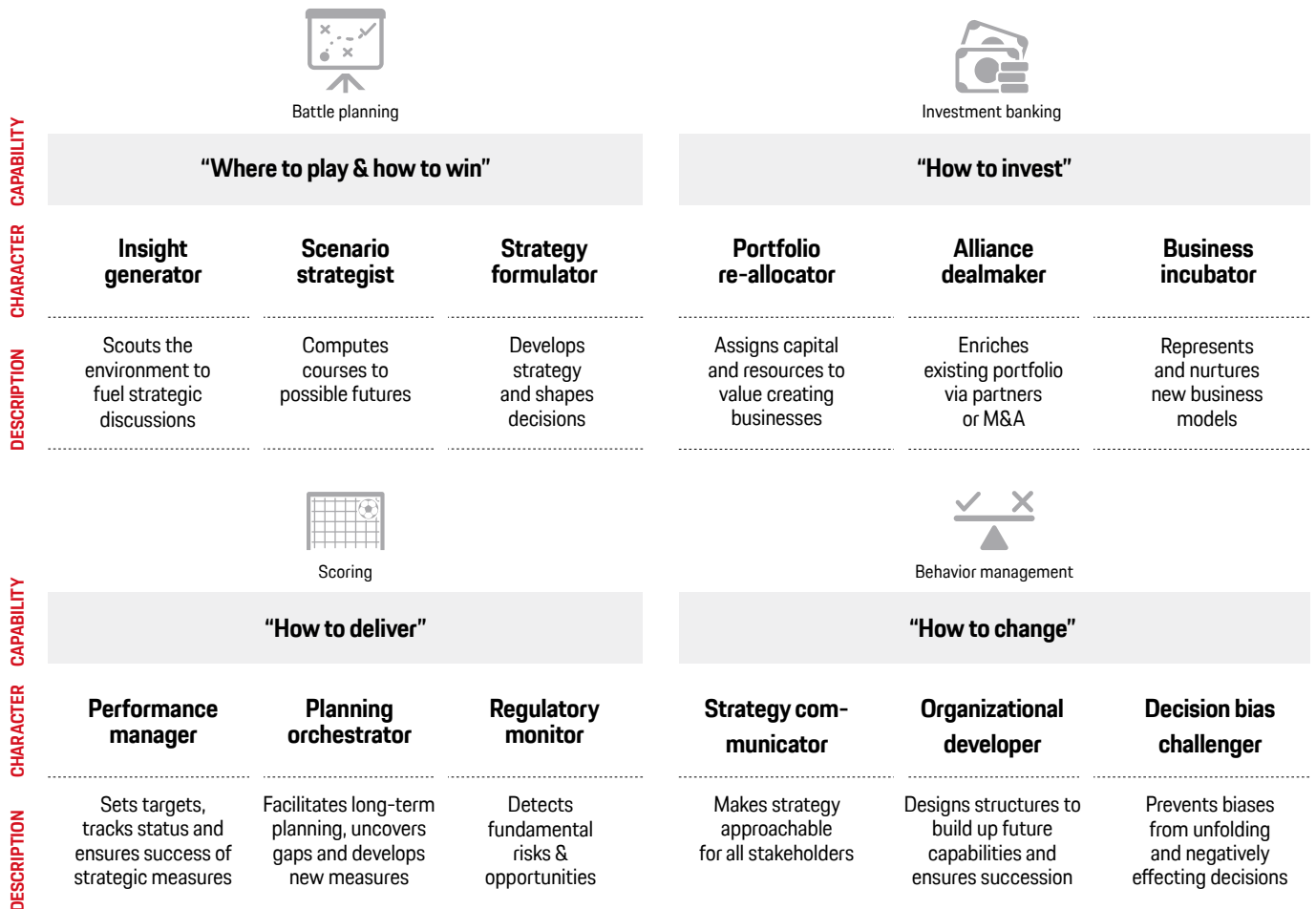


Figure 3. Four strategic capabilities and twelve characters in Porsche Consulting's strategy work for the future

Each of the four capabilities addresses a particular strategic challenge: where to play & how to win/battle planning; how to invest/investment banking; how to deliver/scoring; and how to change/behavior management. This does not mean that the content of traditional strategy-related work is obsolete. Defining a vision and mission and identifying relevant strategic goals, for example, are subsumed into the battle planning capability.

Yet these capabilities need to be supplemented by continuous monitoring of the environment and short-cycle decision-making on strategic options. The capability investment banking, which is needed to implement and finance strategies, is often underrepresented in strategy departments. That can render many strategies, whose development requires considerable effort and resources, effectively worthless. For example,

trans-industry alliances (M&As, joint ventures, partnerships) have become a key competitive factor in an increasingly complex and connected world. Another essential capability for future business success consists of deliberate control and (re-) allocation of capital and resources to strategically relevant projects, especially those in environments with new digital business models. To ensure the actual implementation of these strategically relevant projects and initiatives, the capability scoring is needed. Many companies realize the missing focus to

score on strategy deployment too late. They frequently launch initiatives but do not pursue them consistently and provide a sound financial basis. Finally, the capability behavior management becomes enormously important, at the latest when these strategic initiatives are put into practice, often associated with major changes. Without actively shaping the “desire” to put a strategy into practice and without removing behavioral pitfalls and resistance, it is very difficult to actually implement strategy-related impulses.

Twelve characters in strategy work

Twelve characters will be crucial in strategy work of the future. Each of the four capabilities contains its own three archetypal characters.

Characters in the battle planning capability

The first capability, that of suitable battle planning, has three distinct character archetypes. The first character is the insight generator, which continuously monitors the environment, performs market and customer analyses and issues proactive early warnings when the threshold values of defined tipping points in certain focal areas are exceeded. The results of business environment analyses are divided by STEEP factors¹ and displayed on a trend radar so they can be regularly discussed with top management and internal experts and translated into concrete recommendations for action. When predetermined threshold values are exceeded, an alarm triggers a result-based evaluation of and adjustment to the strategy. The insight generator therefore lays the foundation for agile adaptation of the strategic course to external influences.

One example: companies in the automotive industry can observe the tipping point for electromobility. When the electric vehicle range, charging infrastructure density, and total cost of ownership (TCO) all reach an acceptable level for customers, the demand for electric cars will rise steeply within a short period of time. Concrete and observable variables can be derived for forecasting, for example, the total cost of ownership (TCO). When costs for battery cells and modules fall below a certain level, electric vehicles can be sold profitably at prices that enable end consumers' TCO to go below that for vehicles with

combustion engines. When this point is reached in the foreseeable future—along with sufficient range and charging possibilities—a strategic implication will arise. Distribution channels and production infrastructure will then be required to adapt at the right time to meet an abrupt rise in demand for electric cars. Initial applications show that artificial intelligence will be used in the foreseeable future to increase the speed and accuracy of tipping-point observation and work with a trend radar.

The ability to adjust a strategic course, which sometimes needs to be done very quickly, requires access to existing alternative plans that take new opportunities and risks into account. The second character, scenario strategist, is responsible for developing different scenarios within the strategic planning framework. Strategic planning that covers only one possible future development represents a considerable risk. Companies like Shell develop scenarios for different sustainability demands on the energy mix as a result of climate change, in order to identify suitable strategic options.² Consistent analyses of these new impulses derived from the tipping points in scenarios lay the foundation for rapid and successful action. Moreover, consistent attention to scenarios ensures that top management is prepared to handle changing environments and can develop more robust strategies.

Lastly, the strategy formulator is responsible for actually determining the strategy and making decisions in response to the associated questions. In addition to formulating classic defini-

¹ social, technological, economic, environmental, political

² www.shell.de

tions of mission and vision, this character also makes continuous and prompt strategic decisions. Tipping point occurrence and derivative scenarios are discussed with top management and translated into specific need for action and the resulting strategic initiatives.

Characters in the investment banking capability

Implementing defined fields of strategic action requires not only sufficient internal capital and resources, but in some cases access to external skills as well. The capability investment banking covers the characters portfolio re-allocator, alliance dealmaker and business incubator.

The portfolio re-allocator ensures that the right resources—funding and expertise—are assigned to the defined strategic initiatives. For many companies, introducing this character represents a new way of working and thinking. Resources are no longer allocated according to the “watering can” principle (i.e. adhering to historical ratios such as capital expenditures to sales), but rather in accordance with targeted strategic imperatives. This generally leads to reallocating investments from pre-existing to future business models rising an immense potential for value creation. The key to this process consists of finding the right balance between investing in new types of business and maintaining current business models. In addition to successfully developing new areas of business, it is also very important to resolutely divest when needed. With five acquisitions and nine divestments in the period from 2014 to 2018, Siemens is an example for this type of resource allocation approach.³ Siemens continuously invests in promising future fields of business and funds this by simultaneously and consistently restructuring its organization, including divesting from conventional fields.

If the right business fields cannot be established internally within a reasonable period of time, the alliance dealmaker brings the relevant skills into the company via partnerships or participations (M&A, venturing). One example of the general trend toward strategic alliances can be seen in the financial industry. For example, Deutsche Bank has made another investment in the fintech sector with the startup ModoPayments. Here, too, the strategic background consists of entering promising new growth markets outside the traditional banking business.⁴

Whether sufficient capital and resources are available internally or startups are recruited externally, the business incubator plays a decisive role that extends far beyond conventional innovation management. This character not only ensures that relevant

business models are set up from a strategic perspective, but also seeks to maximize speed of decisions and the likelihood of their success. So in addition to selecting and integrating business models into the company’s overall strategy and infrastructure, it also creates a safe space for creativity and exchanging ideas. The business incubator embodies the complementary tasks of providing support and funding, on the one hand, while also ensuring timely discontinuation of activities should the associated business model not be viable or future-oriented. As observed with GV (former Google Ventures), successful companies cover a wide range of activities, from comprehensively transforming their innovation management and business models to mentoring startups to be able to convert the results into profitable products in their current portfolios.

Characters in the scoring capability

The crucial point of all strategies consists of successful implementation in practice. The characters performance manager, planning orchestrator, and regulatory monitor are relevant to the scoring capability.

The performance manager is responsible for both monitoring initiatives and supporting with external impulses in the event of deviations. Strategy departments often do not have the sufficient set of capacities and judgment skills to provide content-related support when putting defined strategic initiatives into practice. At the same time, nontransparent, manual mechanisms for monitoring progress are often used to identify deviations from steps in the implementation plan. Strategy work in the future will use more advanced IT tools to measure success in real time, run forecasts, and help generate transparency about the progress of implementation. It will also serve as a catalyst to bring the relevant departments together and advance the implementation process.

The planning orchestrator serves as the bridge between successful implementation of the current strategy, additional future-oriented iterations and financial planning. In essence, this character translates the impact of strategy into main KPIs and portrays the financial impact of strategic decisions in the long term. This long-term picture is then fed back into strategy discussions and generates impulses for additional adjustments to requisite scenarios, the strategy, and its initiatives. Examining

³ www.siemens.de

⁴ www.bloomberg.com



a time horizon of approximately 1.5 times the product life cycle can enable long-term effects to be incorporated into the strategy at a sufficiently early point. For example, a mechanical engineering company with a product life cycle of approximately eight years, yields a planning horizon of twelve years. The product portfolio can then be adapted to address growth options and to plan and synchronize cost efficiency measures.

The character regulatory monitor, which identifies changes to regulations early on as well as the associated opportunities and risks, is seldom part of the conventional understanding of strategic tasks. The aim here is to bring immanent opportunities and risks linked to regulations and related business models into strategy discussions. Alongside attention to the purely legal issues in this area, an increasingly strong emphasis on sustainability can be observed at many successful companies. Deutsche Bank predicts that within ten years, institutional investors will make up to 95 percent of their investments on the basis of ESG (environmental, social, and governance) factors. Hence, the regulatory monitor will play an increasingly conspicuous role in the near future.

Characters in the behavior management capability

One decisive factor of strategy deployment is the cultural will to embrace transformation and change. This is addressed by the following three characters in the behavior management capability in strategy departments.

Even the best strategy work can fail in many cases if it lacks a cultural focus. The character strategy communicator ensures one crucial factor here: that corporate strategy leaves the top management level and is made accessible to all employees via diverse media. Successful strategy communication makes simultaneous use of such channels as the intranet, newsletters, video clips, flyers, and road shows, and also covers individual stakeholder management.

In parallel to this, the organizational developer guides the corporate adjustments required by and defined in the strategy. Talent and succession planning as well as strategic personnel planning are conducted to ensure the requisite resources.

In order to consider additional qualitative factors, the decision bias challenger ensures that not only the cognitive but also the emotional level of the company and its decision makers is properly addressed. As shown by technology companies in Silicon Valley, nudge management reinforces employee behavior in positive ways. Richard Thaler received the 2017 Nobel Prize in Economic Sciences for his work in this field. Simple measures, such as adding an empty but clearly labeled "investor" chair to group discussions, can guide strategy talks. In this particular example, participants repeatedly brought the investor perspective into their strategy discussion. This character covers all measures or nudges that circumvent behavioral pitfalls in the strategy process, such as the overestimation of individual abilities leading to hockey stick planning.



Figure 4. Maturity model with 45 tasks for Porsche Consulting's strategy work for the future. Each maturity level from basic via advanced to next level comprises specific tasks.

Identifying missing strategic characters in three steps

The utilization of all twelve character archetypes ensures that the capabilities needed for continuous strategy work are adequately represented. Not every character has to be housed in a central strategy department. Certain characters can of course be covered by the collaboration model with other corporate functions such as the finance department. For implementation to be successful, it is crucial that the capacities of all those involved are actually used for strategy work. An initial assessment can be done in three steps.

Step 1: Creating awareness for strategy work of the future

The first step is to work with the strategy department involved to check the current state of capabilities, characters and tasks, (as shown in figure 4) and to determine which of the twelve characters are represented in the status quo of strategy work. It is essential to create awareness for the fact that strategy work in the future will cover a considerably broader perspective than it does today.

Step 2: Defining the target state of strategy work

The second step is to stipulate which capabilities and characters should be anchored more strongly in the target state for the strategy work of the future. It is not necessary to insert every character ad hoc and strive for the highest level of maturity. Depending on the company's situation and the dynamic aspects of its sector, partially developed character archetypes can be sufficient for the time being (as exemplarily shown in figure 5).

Step 3: Prioritizing fields of action

The third step consists of prioritizing the missing skills in the context of current strategy work and consolidate them into a set of measures. The result is the starting point for your journey toward strategy work of the future.

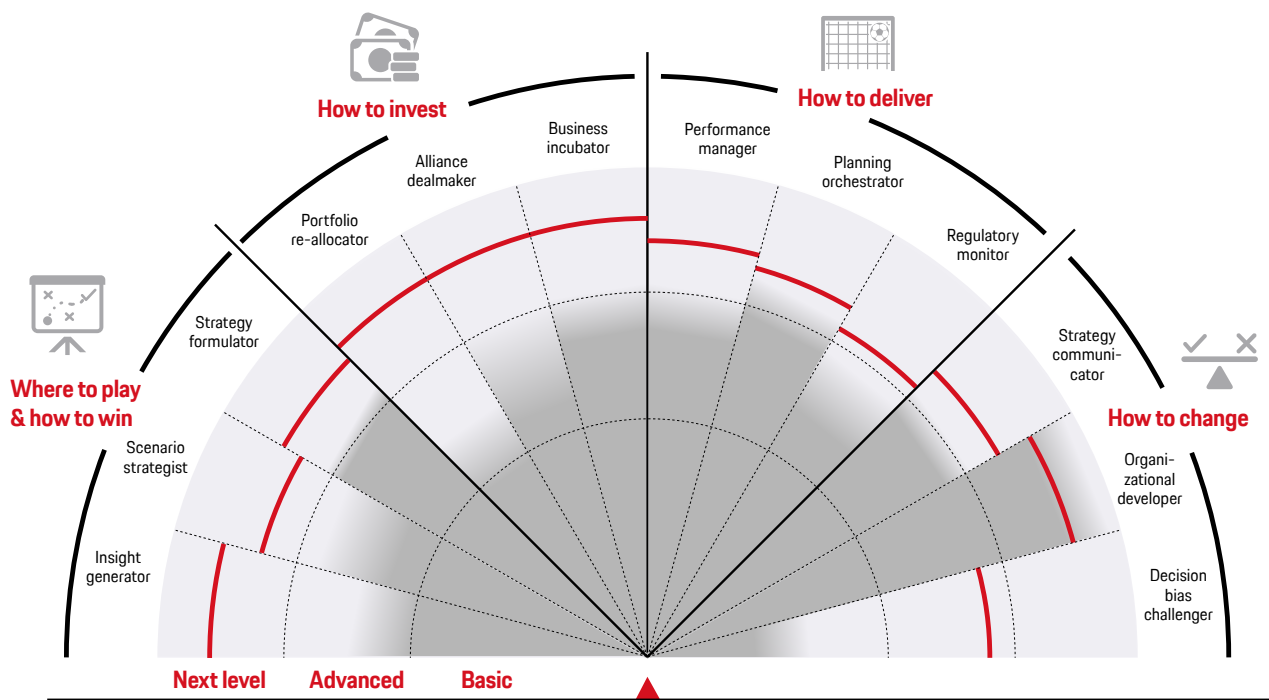
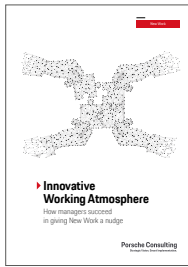


Figure 5. Client example of character maturity in current (grey area) and target states (red line)

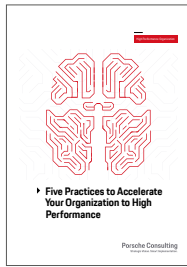
The twelve characters of strategy work and the corresponding 45 tasks provide a powerful framework to evaluate your missing capabilities as well as your structured roadmap for strategic work transformation. This will be crucial to defend and further expand your competitive advantage.

Further reading

Porsche Consulting regularly publishes reports and articles on major trends, innovations, and ways to keep companies competitive.



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**Innovative Working
Atmosphere**



Strategy Paper
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Strategy Paper
**High Performance
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