Implications for Strategic Planning

Exponential Leadership in a Digital World

THE REPORTS OF STRATEGY'S DEATH HAVE BEEN GREATLY EXAGGERATED

Effective leadership today is harder than it's ever been, and arguably more elusive. Never before have we seen this level of complexity and uncertainty in our marketplaces. And just when the vaunted annual strategic planning work is seemingly complete, plans often feel obsolete. Continual changes in the operating environment are upending plan assumptions causing many leaders to think about simply jettisoning the strategic planning effort.

At the heart of the issue are the disruptive forces in the external environment that are threatening the Industrial Age business models. Particularly with the pace of technology advancements along with the increasing shift of power to the consumer, the effectiveness of most historically effective strategic planning approaches is quickly decreasing. Put simply, leaders today are dealing with exponentially more variables to consider and anxiety-inducing levels of uncertainty. (See the illustration on the next page.) The advent of platform business models, complex networks and eco-system approaches to getting work done, and the unprecedented focus on the customer experience, are compelling savvy leaders to re-think their approaches to defining – and achieving – their desired future states. In this environment, it can be tempting to wonder whether "strategy is dead." In the words of Mark Twain, we suggest this is an exaggeration. However, the content of strategy almost certainly must change, and the work of developing the strategy must be a dynamic, ongoing, and highly interactive set of activities.

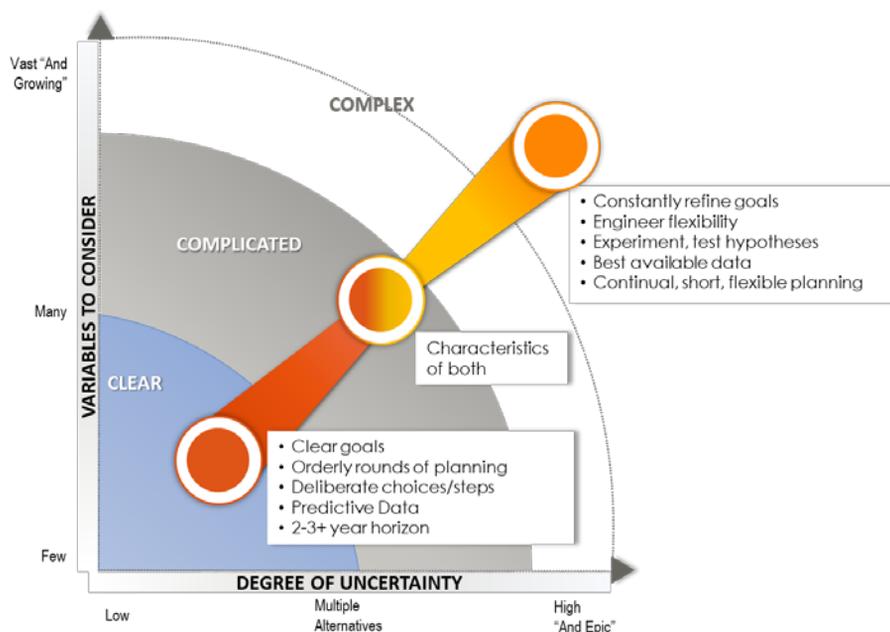### Just tuning into the Exponential Leadership in a Digital World series?

real. clear. insight.

Strategic Planning today is increasingly undertaken in a complex environment

The Environment/Strategy Relationship

The vertical axis represents variables to consider in the environment such as regulations, globalization, technical innovations, demographics, etc. The horizontal axis represents the degree of clarity, predictability and/or change inherent in the environment.

VARIABLES TO CONSIDER

Vast "And Growing"

COMPLEX

COMPLICATED

Many

CLEAR

Characteristics of both

• Constantly refine goals
• Engineer flexibility
• Experiment, test hypotheses
• Best available data
• Continual, short, flexible planning

• Clear goals
• Orderly rounds of planning
• Deliberate choices/steps
• Predictive Data
• 2-3+ year horizon

Few

DEGREE OF UNCERTAINTY

Low   Multiple Alternatives   High "And Epic"

SO, HOW DOES AN ORGANIZATION DEFINE ITS PATH FORWARD WHEN THE VERY NATURE OF HOW MARKETPLACE VALUE IS CREATED IS BEING RADICALLY (AND CONSTANTLY) REDEFINED?

Based on our ongoing work with clients across sectors, industries and scale, we are more convinced than ever that:

1. Strategy – focus on "what" an organization should do – has never been more important,

AND

2. The process of focusing is ongoing and iterative; many, if not most, organizations need to embrace a Rapid Cycle Strategy approach.

> **Strategically effective** organizations set the right goals and consistently achieve them.
>
> **How strategically effective is your organization?**

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RAPID CYCLE STRATEGY

As the name implies, Rapid Cycle Strategy is an approach to creating aligned strategic focus within an organization in a relatively short time-frame. Anticipating frequent changes in an organization's operating environment, this approach:

- Is built on scenario thinking, i.e., "what could be?" to identify what the external environment could look like in the future as well as how internally the organization might adapt or even completely morph to sustain or increase value creation

- Assumes shorter planning "sprints" (1-2 year horizons) within a longer-term conscientiousness

- Engages in the strategic planning process on an as-needed or episodic basis; not in adherence to a rigid planning calendar

Rapid Cycle Strategy is based on five core principles.

1 **Quickly formulate a clear strategic direction and aligned intent around that direction in a reasonable cycle time – what we call a "good enough" strategic plan.** In many circumstances, there is a negative correlation between the amount of time spent developing a strategic plan and the success with its implementation. Importantly, "good enough" is not an alternative to thoughtfulness or quality; it simply acknowledges at the planning stage the dynamism of a Digital World and the transformational power of doing, rather than simply talking about doing.

2 **Cultivate a culture of action and learning as an organizational competency.** This is often done through an experimentation, design/build, and/or an agile approach. It is the implementation of the plan – not the planning process itself – that demonstrates the plan's validity and/or the ways in which it may need to be modified.

3 **Nimbly, regularly and candidly review progress with strategy implementation and adjust the plan in real time as conditions change.** This adaptive strategy implementation builds in flexibility while maintaining strategic resilience.

4 **Build a results (versus activities) orientation across the organization**, bringing proven processes and tools to the work so employees avoid getting caught up in the day-to-day rush of activities that impedes successful implementation.

5 **Facilitate broad ecosystem engagement with the organization's strategic direction to foster understanding and build support for successful ongoing implementation.** Imagine a football team's offensive line where only the center knows the play. Loss of yardage at best – and a sack or turnover at worst – is almost certain to be the result.

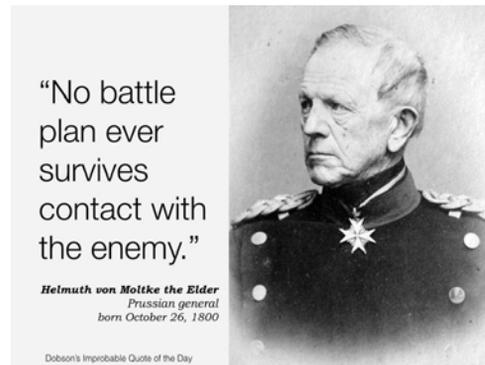## LET'S DIG A LITTLE DEEPER INTO STRATEGY IN A DIGITAL WORLD

Strategy, a term originating around 400 B.C. in China (Sun Tzu's *The Art of War*), is most fundamentally an organization's plan for creating unique value. While an organization's purpose in creating unique value will vary – e.g., to generate profit, to continually deliver social good, or to win a war – we know that strategically effective organizations have a clear "North Star" (mission, vision, and values); set the right (few!) strategic goals to help them reach that North Star; and consistently achieve those goals – regardless of the environment in which they operate.

The fundamentals of strategy haven't changed; good strategy must:

- Foster future-forward, bold thinking; famously, neither Amazon ("Earth's most customer-centric business") nor Google ("organize the world's information and make it universally accessible and useful") mention the internet or technology in their mission statements.

- Ensure all elements of the organization are aligned with and advancing its "North Star."

- Focus on creating something uniquely valuable.

- Reflect a deep understanding of the organization's capabilities and advantages today – and what is needed to succeed in the future.

- Inform the development of leadership, culture and organizing structures an organization needs.

If resources (human, financial, physical, system) were unlimited, organizations would have many fewer strategic choices to make. This is rarely the case. As such, organizations must have a basis on which to make those choices (both what to do and what not to do), to allocate resources, and to make capital investments. Continuing the military analogy on which the concept of strategy is based, they must be disciplined about figuring out "which battle to fight." (Tactics determine "how to fight the chosen battle.") And since "no battle plan survives engagement with the enemy," they must also learn to quickly adapt their strategies in response to internal and external environmental changes.

"No battle plan ever survives contact with the enemy."

Helmuth von Moltke the Elder
Prussian general
born October 26, 1800

Dobson's Improbable Quote of the Day

Importantly, strategy today must:

- Be co-created with the customer and unfailingly deliver on the expected customer experience(s).

- Anticipate increasing digitization of every facet of the value chain, fully integrating human and technology capabilities.

- Contemplate "what's never been" and "what could be" (industries now competing with industries, evolving competitors, etc.) – this is where scenario planning really helps!

- Consider, and prepare for, multiple scenarios.

- Be co-creative with others in the organizational eco-system.

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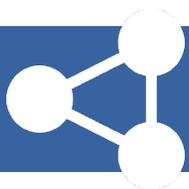
NOT SURE RAPID CYCLE STRATEGY MAKES SENSE FOR YOUR ORGANIZATION?

CHOOSING A FRAMEWORK

Choosing a strategic framework – the approach used to formulate a strategic plan – is fundamental to a strategy's success. But in a Digital World, leaders can no longer adhere to a single approach. Nor does one approach fit every organization.

> "Modern thinking about strategy does not fit neatly into one or another…school."
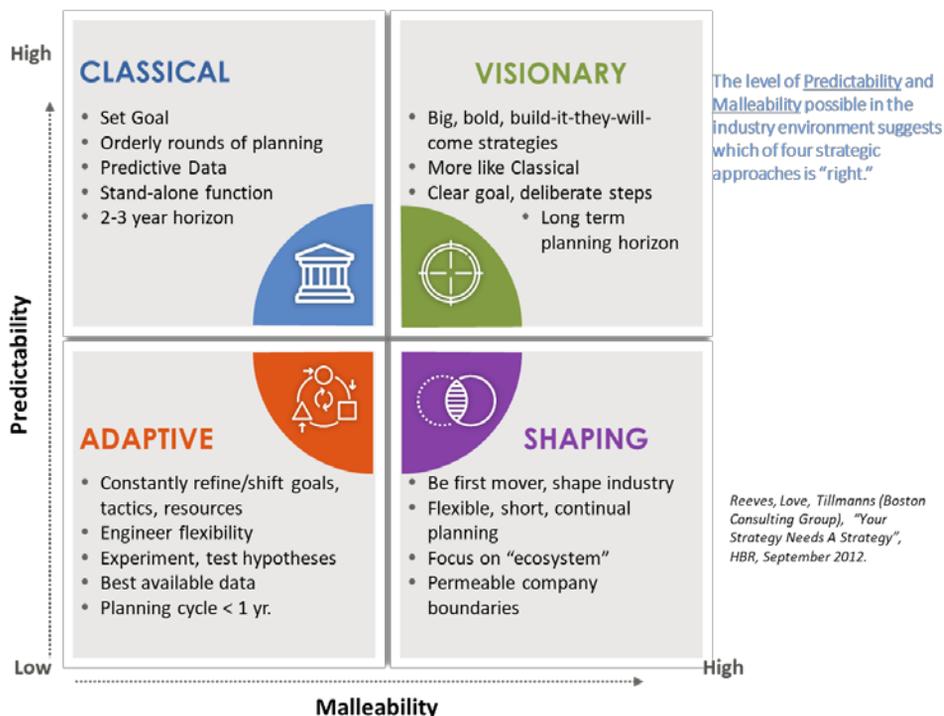>
> *(New Realities of Strategy, Stuart Crainer, Des Dearlove)*

What we are seeing more and more often among our clients is a reluctance to undertake traditional approaches to strategic planning, as these are often highly orchestrated, lengthy, formal processes that include many players. These approaches tend to take too much time, cause strategic rigidity (an unwillingness to modify what was so painstakingly developed), often fail to see or take big disruption threats into account, and separate leaders from understanding what problem really needs to be solved. Given we anticipate acceleration of the paradigm shift from Industrial Age business models to networked, digital platform business models to touch every industry and sector strategic shifts are likely to be much more common. (Read more in our first article in this series). And the "end

goal" of a strategy is more often unclear. While it continues to be essential for leaders to contemplate and make thoughtful decisions about their organizations' futures, it also is critical that they build enough flexibility into both the strategic planning process and the resulting strategy to allow for continuous adaptation.

Given the difficulty of creating unique value in a digital, networked world, the half-life of a strategic plan is quickly plummeting; we call this "strategic plan decay." As such, planning horizons are decreasing across the board. The five-year plan is essentially "dead" ("The Digital Era is Crippling the Five Year Strategic Plan," Forbes, 4/26/16). For many private sector organizations, the strategic plan horizon is 12-24 months; it is somewhat longer (24-36 months) in the public sector. In general, as the pace of digitization within an organization increases, the life of the organization's strategy generally decreases. We are, in fact, seeing more and more organizations moving to an episodic approach to strategic planning (done when needed) as opposed to undertaking a set annual process.

Choosing the right approach to strategy depends largely on the predictability and malleability of an organization and its industry or sector, and the pace of technological disruption.

The level of Predictability and Malleability possible in the industry environment suggests which of four strategic approaches is "right."

Reeves, Love, Tillmanns (Boston Consulting Group), "Your Strategy Needs A Strategy", HBR, September 2012.

WHAT'S NEXT?

As leaders contemplate their strategic planning efforts, they need to ask the following questions:

- How strategically effective is your organization?
- How comfortable are you with your strategic planning approach? How well is it achieving success in your market or sector?
- What are some potential scenarios that could play out in your industry or sector – and how would you respond?
- Do you understand what your marketplace requires and allows?
- Are you clear about your distinctive value to the market? Where will disruption most likely come from and how well prepared are you to respond?
- How sustainable is your economic model in the long term?

"Companies that do best follow bold and disruptive strategies. They make big bets on new technologies and business models, champion a test and learn culture where every failure is an opportunity to improve, and launch change programs that transform their whole business."

(A CEO guide for avoiding the ten traps that derail digital transformations, McKinsey Digital, Arun Arora, Peter Dahlstrom, Pierce Groover, and Florian Wunderlich)

We invite you to stay in dialogue with us.
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