Overview

Think AND Do…
The Need for *Continuous Strategy*

By Sigvard Bore & Helen Rosen

This point of view will explore the concept of Continuous Strategy and how the concept has graduated from academic debate to a pressing business need.

To fully appreciate the shift that is now required, one must understand the strategic planning process as it has existed in boardrooms around the globe for more than a hundred years. This established method of a period of planning (thinking) followed by a longer period of executing on those plans (doing) will be placed in the context of sweeping changes underway in the 21st century. The bottom line is this: the global business environment is in a state of flux. A confluence of economic and technology forces are creating an unprecedented degree of operating uncertainty for businesses. Whipsawed by the volatility of events in recent years, many organizations have come to realize that the strategic planning process is ill equipped to help them manage through and thrive in the conditions of today's markets.

The new rules of the game put a premium on staying nimble and acting with speed at all levels of the organization, being able to spot change before it happens and then optimizing the levers of execution to profit from disruption. Organizations that are able to do this well have adopted a new model for planning called Continuous Strategy: they learn by doing, adjusting the strategy as demanded by risks and opportunities as they emerge at every level of the organization, innovating as they go, hoping to fail fast and win big.

View Point

Where have we been?

> *"A good deal of corporate planning... is like a ritual rain dance. It has no effect on the weather that follows, but those who engage in it think it does... Moreover, much of the advice related to corporate planning is directed at improving the dancing, not the weather."*
>
> - James Brian Quinn, Professor of Management, Tuck School of Business

The term strategic management has replaced corporate planning in recent years; however, the process has not changed significantly. Companies still align their strategy to the fiscal calendar instead of market events, and they usually adhere to three core principles:

1. Set goals based on forecasts and noteworthy market trends: The strategy should demonstrate rigorous quantitative analysis and awareness of all high-level market forces that have potential to impact the business model.
2. Document the plan collaboratively and comprehensively: The strategy should be created based on group-think with ample time for in-depth discussion and executive approval to ensure stakeholder buy-in and accountability. It also should be documented diligently with clear, actionable targets.
3. Have a high degree of confidence and certainty in the final strategy: Once the strategy has been finalized, it should not be challenged internally. Employees should align with the strategy and prioritize their efforts in order to meet the company's targets. Proposing any substantive changes is not advisable unless absolutely necessary due to extreme circumstances.

This traditional approach to strategic planning assumes that forecasts are accurate, market trends evolve predictably, and circumstances that would invalidate the strategy are rare. Large companies typically set their strategy annually, establishing goals, initiatives, resource plans, and budgets during the same period every year.

Figure 1

Each sweeping strategic goal is supported by three to six high-level tactics; and champions or advocates are assigned to tactic to ensure that it gains momentum in the organization. Quarterly reviews are conducted to take stock of results and lagging indicators.

Most large corporations build the strategic planning process around a structured exercise that flows linearly from a fact-base to imperatives that set direction for the business over the coming period:

1. Review the business context, past initiatives, results, and lessons learned
2. Gather input from key stakeholders to generate assumptions on the market, customers, product priorities, expectations for growth, and the costs to service or acquire new revenues
3. Align the aspirations of the operating businesses with the organization's strategic goals over a defined time horizon, typically for one-to-two years and in some cases five
4. Build the business case to justify the financial and strategic value of alternative investments and prioritize for the organization
5. Suggest and execute changes to business, operational, and organizational models

Substantial time and resources are consumed to ensure that the planning process is executed with rigor. And more often than not, ***it is not revisited until the start of the next calendar year's planning cycle.***

And yet, the return on this effort is often weak. A study conducted by KPMG found that 85% of corporate strategies fail to deliver their expected impact. In our view, the source of this failure lies in the rigidity of the process itself, relying as it does on the calendar to set the agenda along with assumptions and beliefs about the market that, in a rapidly changing business environment, are dated before the executive suite gives its signoff on the plan.

What is happening now?

Consider the economic upheaval and **Financial Shock** of recent years. Past recessions have played out with a similar pattern of decline and recovery, albeit with varying slopes on both ends of the cycle. However, this time things are different. Four years after global economies teetered on the brink of collapse, the worst credit crisis in more than half a century still cripples the developed markets. Some liken the stagnation gripping the US to Japan's "lost decade." Across the Atlantic, the Euro-zone stands on the precipice of a double-dip under the weight of massive sovereign debt. And in the developing regions, a deceleration of growth poses the risk of fiscal uncertainty, which could tamp down prospects for expansion in what had been a safe haven for business. A rocky recovery coupled with sweeping regulatory changes and massive public intervention in the private sector are, collectively, upsetting business norms and fuelling market uncertainty.

As the financial crisis has demonstrated the net effects of **Globalization** – fewer barriers to trade, communication, and cultural exchange – do not always translate into wealth creation. The dependencies between markets (e.g. China on the US for exports, the US and Europe on China for bond purchases) have made it impossible for economies and businesses to take shelter when trading partners falter. This inherently adds more risk and uncertainty to the business environment, which underscores the need for organizations to continuously validate the strategic imperatives of the business.

While markets roil in search of equilibrium, digital technologies have made global economies ever more interconnected, raising the specter for big wins and big losses. The Internet, as we've seen, has created unprecedented access to new **Digital Consumers** and markets, while at the same time has dramatically lowered entry barriers to emerging competitors. Likewise, the proliferation of mobile devices is expanding points-of-sale and advertising channels for all kinds of businesses, but at the cost of fragmenting audiences and user experiences. In a similar vein, we've observed how social media is raising the potential for word-of-mouth marketing and two-way dialogues with customers. When it works well, new products and brands can build momentum overnight. When it fails, the pain can be immediate and amplified globally across the chatter of social networks.

An interconnected digital world is giving rise to the notion of **Pervasive Computing**, or the seamless integration of communications and computing with end-users. By turning nearly everything into a computing device, pervasive computing is making it an imperative for organizations to consider new models for reaching end users. Users in turn are accessing content and applications through a multitude of channels, resulting in an exponential growth of data that need to be constantly monitored and analyzed. Pervasive computing can have a profound impact on competitive strategy for those organizations that can manage through the complexity and get it right.

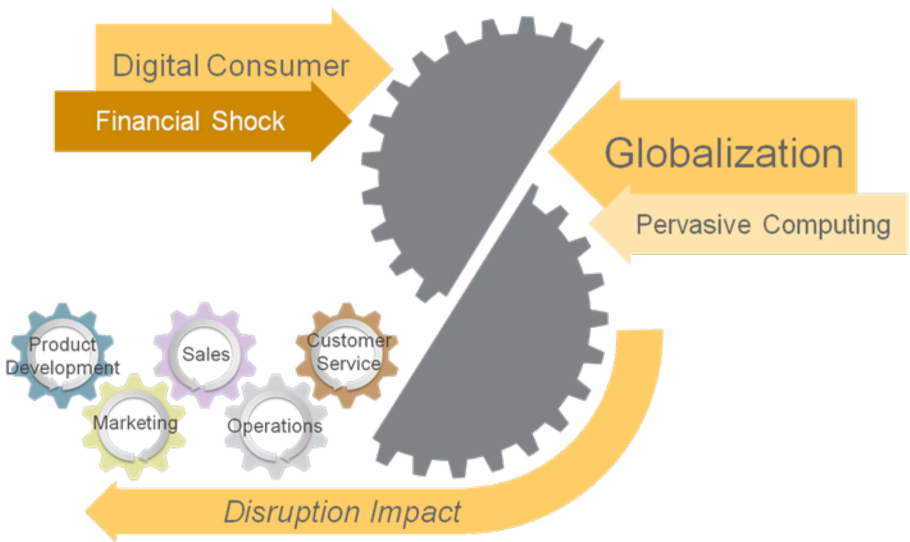

Figure 2

The disruptive impact of these forces is being felt across every part of the enterprise (see Figure 2 above), compelling the various core business functions into accelerated motion. Although specific effects will vary across functions, one common effect is shared: cycle times are being slashed. Product development groups are being challenged to become responsive. Marketing faces a reality where campaign messaging needs adjustment in days, not months. Sales departments struggle with playbooks never designed to meet customer demands that can change overnight. Operations face heightened pressures to be agile and modular in response to fluid circumstances, while customer service areas struggle to maintain customer intimacy and service levels through ever-changing segment priorities.

Sample Case Study

The Challenge

In April 2004, Gemini Business Media was ranked second in B2B trade advertising revenues and was growing at a rapid clip. Through a series of smart acquisitions, the eighty year-old publisher assembled a portfolio of premium publications noted for its crisp editorial and wide readership among senior executives. Drawn by an unrivaled circulation base, the publications commanded top pricing from advertisers and consistently maxed out inventory. In a 2007 year-end pipeline review, management took note of softness in ad bookings. Of particular concern were declines in planned spending among its core accounts, which drove up to two thirds of annual gross sales. With the US economy teetering on recession, the publisher assumed the advertising industry was poised for a cyclical decline that it could weather with a strategy of retrenchment. Taking comfort in the knowledge that “we have been through this before”, executives drew up a plan to navigate what felt like the makings of a typical slump.

Management quickly undertook a review of the portfolio to assess how the decline in ad sales was impacting revenues and profitability. Rather than winnowing the portfolio of its weakest performers, management decided to streamline instead, while also tweaking its pricing models to boost demand.

The financial review resulted in a set of actions to rein in costs, on the one hand, and delight advertisers on the other. On the cost side, the finance and insurance publications were taking the biggest hit: sales were down sharply and margins were contracting. To reduce expenses, design and editorial teams were cut by half; publication cycles were lengthened from four to eight weeks; and outsourcing post-production was put on the table. On the revenue side of the ledger, pricing tiers were modified to give advertisers options to gain wider exposure to readers at a lower unit cost. And for the first time, incentives were created to encourage cross-selling of inventory. With operating expenses under control and a new pricing model in place, Gemini Business Media was confident that results would improve over the coming quarters.

The Aftermath

1H results were in and sales had not improved. In fact, unsold inventory was up by 20% across the board! Belt tightening had edged margins higher, but new pricing tactics had not delivered. Management was flummoxed. What had it missed and what else could be done?

What do we need to do?

Navigating the uncertainties of the current financial crisis, digital transformation, globalization, and pervasive computing requires a break with convention. Firms need to adopt a capability that allows them to act with speed and agility even at the strategic level, going where the growth is before their peers. It means thinking and doing in tandem, refreshing core assumptions and tactics in real-time, and pulling multiple levers at once to truly optimize execution across the enterprise. In the simplest terms, if all the components of a business are in constant motion, and the strategy is central to the company's survival, the strategy itself must be capable of continuous adaptation (Figure 3).

Figure 3

Organizations that embrace continuous strategy are constantly evaluating their performance and making strategic shifts to account for new and better information. They learn by doing, adjusting the strategy as demanded by risks and opportunities as they emerge at every level of the organization. By staying nimble, these firms gain the capacity to fail "fast and cheap", allowing for greater innovation at a lower ongoing cost in time and resources.

Organizations that make continuous strategy their credo reap additional benefits, too:

- Actively narrow the gap between strategy and execution
- Orchestrate tactics in tandem while operating within the constraints of the strategy
- Widen the range of options available to the business and the ability to act with urgency
- Acquire the capacity to flexibly scale up or down participation in global markets
- Sharpen decision making with a deeper, transparent line-of-sight into drivers of performance
- Meet customer requirements with greater precision and skill

Putting continuous strategy into practice requires a feedback loop of information that the business can absorb and act upon in near real time. This requires a data model and set of practices for collecting, synthesizing, and sharing insights into aspects of the business, its customers, and partners that have the greatest bearing on business opportunities and risk. Of equal importance are the measures and metrics used to extract what's important and how they are delivered to enable easy consumption and rapid decision making.

Armed with better information, governance models become essential to how organizations protect the integrity and confidentiality of data circulating throughout the business. Policies and controls have a role, too, in clarifying how and when line managers can take action on information for the benefit of their operations and the organization at large. And finally, a capacity to learn and embrace complexity and change is what distinguishes organizations that live by the maxim of continuous strategy. It's a cultural choice that sets them apart from their peers who look to the past and refuse to adapt.

Sample Case Study (continued)

Continuous Strategy: A Better Way

Gemini Business Media like most publishers used a traditional planning model to set the strategic agenda, which it tracked with a few financial metrics. Management quickly realized that this approach was not up to the task of managing through its current challenges. For example, when executives observed that ad spending was soft, they wrongly assumed a weakening economy was the main culprit. A continuous planning model would have armed the business with a broader mix of leading indicators that could have enabled Gemini to foresee the coming storm and take earlier action on a wider plank. In fact, it would have recognized that its business model was unraveling on two fronts:

Shifting Demand: Print was rapidly falling out of favor as online advertising sales gained momentum. Gemini, however, stubbornly refused to adopt an integrated advertising model, assuming its portfolio could sustain the current ad base. Had the sales organization been in more frequent touch with its accounts it would have learned that expenditures were not being cut, but rather shifting from print to the Web. With this information, the business could have worked with its advertisers to co-create stronger packages of inventory, improving retention and loyalty, and laying the foundation for a smoother transition to a hybrid print/online revenue model.

Alternative Products: Gemini's editorial was second to none. However, with alternative content choices mushrooming online, its audiences began to fragment. Because Gemini was so singularly focused on satisfying its advertisers, it had not paid sufficient attention to what its readers wanted. It learned that large swaths were flocking to blogs and online magazines because content currency, personalized experiences, and interaction with peers had become key sources of value. Gemini's advertisers knew this and were funneling dollars online. Had Gemini developed a capacity to track customer behaviors, preferences, and needs it would have known that its publications were vulnerable and set about to rapidly create and test stronger offerings.

By adhering to a traditional planning model, Gemini was ill-equipped to foresee and rapidly adapt to the technology changes redefining its market. By the time it caught on, the economy was in a tail-spin and old remedies were not enough to right the ship. In Part II of this paper, read how Gemini's management team implemented a continuous strategy capability to return the business to growth.

Conclusion

Although the concept of Continuous Strategy may be new for some, the need for this capability has been steadily increasing over the past decade. Unfortunately, the early responses to converging disruptive forces have happened mostly in tactical pockets around the organization, much like troops in the trenches will be the first to adapt to a change in battle. However, the sea of change is now so pervasive, companies that expect to survive (much less thrive) need to adapt across all levels on a continuous basis, even at the strategic level. Continuous strategy is not constantly planning while doing; rather, it is having the capability to make strategic adjustments in a rapid manner when warranted by changing circumstances. Actively monitoring trigger events coupled with predefined calls to action enable companies to efficiently handle strategic shifts. More importantly, it allows a company to fully align with the realities of today's unpredictable business environment, from the top of the organization to the bottom

About the Authors

Sigvard Bore is a Head of Management Consulting & Industry Solutions for Pactera Technology International Limited. Sigvard excels at rapidly building consensus while always remaining focused on generating tangible value. This strategic view is bolstered by a practical experience that spans strategy formulation through operational support. Sigvard can be reached at sigvard.bore@pactera.com

Helen Rosen is a Managing Director and the Chief Operating Officer for Global Access CSG. Helen is a seasoned strategist with more than 20 years of experience assisting Fortune 500 companies and early-stage ventures with the development and execution of their global growth strategies in the information services, publishing, IT, and financial services industries. Helen can be reached at Hbrosen@globalaccesscsg.com.