

Big Strategy is Dead

Innovation and Strategy
for Disruptive Times



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Who still writes 5-year strategy plans?

By a straw poll estimate these are out of date after about 18 months. Does this mean we are “post-strategy?” Are we in an age where we “just do it?” This is a familiar refrain from consultancies extolling us to “act like a start-up” and just get out and do stuff.

But this is lazy thinking, and the opposite of what successful start-ups actually do. With little cash to burn, start-ups think desperately hard and thoughtfully about their every move, since they often have little time and less money. Every decision needs to be worthwhile.

Far from being in a post-strategy world, strategy has never been more critical to business survival. Get your choices wrong—or worse—miss the choice and the speed with which you become irrelevant is breathtaking.

What is dying is the whole idea and process of strategic planning, where businesses do a one-time dip into the world, make some plans, and then lock the business down into execution mode from there on out.

This may have made sense when business clock cycles matched a longer cycle. But with the increased flexibility of assets and technology, people, skills, and customers, and with shifting needs, the clock cycles of businesses have rapidly compressed. Decisions which once might have spanned a 5-year frame of change are now needing to be made in 18 months. Conventional strategic planning is dead, but making strategic choices is more alive, more constant, and more crucial to driving the business than ever.

This accelerating change and the need to have a strategic framing is most obvious in its absence. Most commonly seen in large incumbents struggling to meet the challenges of markets that they once knew and dominated, yet which now seem incomprehensible.

18 MONTHS



In two very different industries, we see the need for strategic framing and the challenge facing some incumbents.

RETAIL BANKING

In the UK, retail banking is taking a significant hit from challenger banks. While both Revolut and Monzo topped 1m current accounts mid 2018, dominant banks struggle to keep their customers and create any cross sell. The business logic and strategy of these new entrants is fundamentally different than the high street bank. "What we are trying to do is build the first bank with real network effect, so that you are encouraged to bring your social circles in, because it makes the product better for you," says Monzo CEO Tom Bloomfield. When Monzo looked at the space, at the existence of platform models, and at customer experience on social and mobile platforms, they knew there were big strategic choices to be made about the sort of bank they needed to be. The speed with which they grow and adapt their offer is in stark contrast to the main banks. Banks confuse what Monzo is doing as features and benefits, meaning that tactical plays (witness recent ads on freezing your card by established multinational competitor, something Monzo have had for 3 years) become their answer to new propositions.

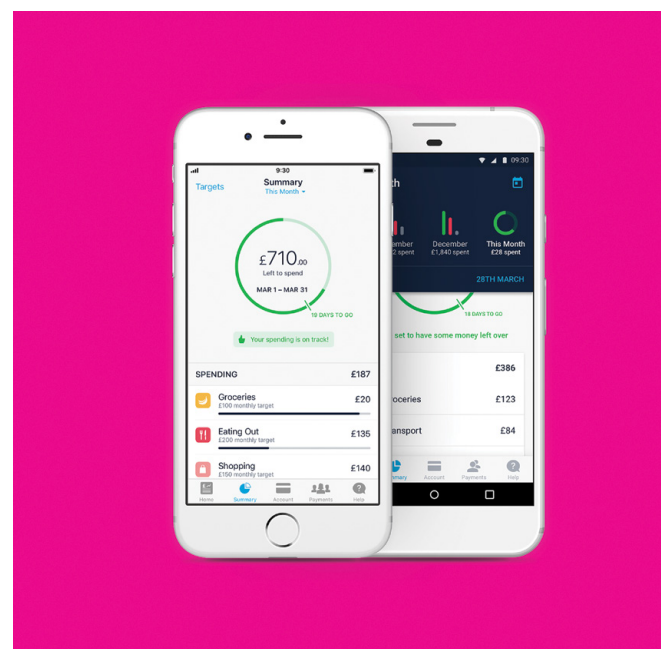
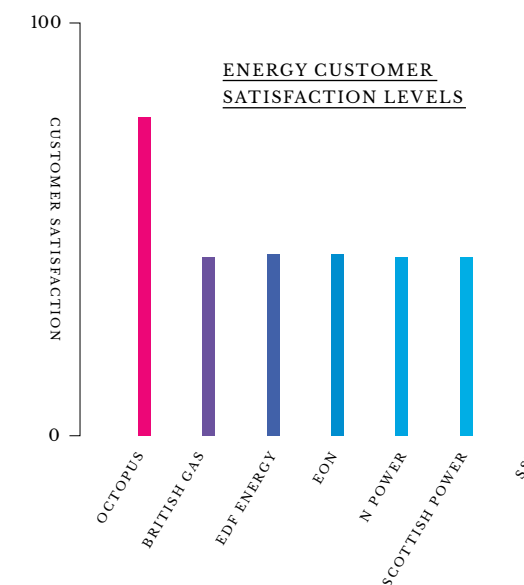


PHOTO: ANDREAS GÜCKLHORN

ENERGY

The same is true in the Energy space where the new entrants are leagues ahead in their thinking. Octopus Energy leads in customer satisfaction levels at 96%, while the big six are at the opposite end. This is translating into a loss of customers, for example one multinational energy and services company lost 372,000 customers in Q3 of last year. Large energy companies look at customer centricity as a feature, so they create marketing material and slick ads and think that is "job done," yet keep with the same strategy of engagement and use of comparator sites to create a misleading read on savings. Companies like Octopus recognize the strategic importance of engaging with their customer, and design with them at the heart of the experience from ease of onboarding, understanding of bills, use of mobile, and so on. They see the strategic consequences of each choice and build them out thoughtfully and cumulatively. This blend ensures the whole business and strategic intent is designed around this focus. What looks like a marketing decision to the big six is a strategic reframe and execution for the energy challengers.



OCTOPUS V THE BIG 6

*To survive and prosper when the ground beneath you is shifting means a very different approach to strategy. The strategy function is now “**always on.**” Businesses need to be constantly tuned to the dynamics of their markets, as well as recognizing that their market itself is a moving feast of new competitors, changing customers, and emerging technologies.*

But how do you get started?

Here are 5 innovation plays that ensure you are thinking and acting with strategic agility.

1

Vision as a delivery tool

Historically vision is a thing that sits at the top of the strategy, while the strategic plan is the execution vehicle. Today, companies are increasingly using the strategic vision as a way of giving people a strong framework in which to make decisions and understand their context. This means there is a rich, detailed, and shared lense that everything can be viewed through. This in turn allows for fast and frequent strategic reflection that can be executed against a deadline. Having a clear 'North Star' means you know where you are heading. It allows the organization to organically evolve through smaller shifts, through decisions made on the ground rather than only relying on change through large disruptive planning and transformation exercises.

2

Strategic experimentation

Strategy is a set of assumptions, given it is about the future. By getting clear on the assumptions, and in particular which ones are most critical and most uncertain, companies can accelerate their understanding of the future and de-risk their strategic choices. This shortens the speed of learning and shifts strategy into execution fast and seamlessly. Remember that customers don't buy strategy, they buy products and services. Experimentation in this case can be about smart ways (e.g. brochureware, dummy website, etc.) of testing offers that are manifestations of the strategy.



“Planning is everything. The plan is nothing.”

3

Thank you Mr. Eisenhower. The act of creating a synced up and rich view of the choices you are making and why you are making them is critical. This is not because you will execute it but because you will understand where you need to focus the change when things don't pan out. The plan gives you your starting assumptive logic and if/when things go differently you can backtrack to the assumption that turned out to be wrong. This gives you the opportunity to reconfigure. Without a clear, holistic plan in the event of a misstep, all you have is a wrong answer and nowhere to go. Precisely because strategy only exists in execution, this has to be a fundamental tenet of any strategic approach.

4

Know what your strategy asks

A critical question for strategy is whether the ambition is realizable within the existing business. Businesses need to understand the stretch capabilities of their current business model to know if the ask they have is actually a different business model. Part of the strategic framing is understanding if you are doing a better or a different version of today. If you have an eyes wide open understanding of what you are asking of your business, the market, and customers, the strategy will guide you to your answer, i.e., is it new products or services, or an entirely new sort of business. To get this clarity the strategy needs to contextualise the performance ask – is our ambition asking us to double the size of the business in the next 3 years when it took us 10 years to double previously? A business needs to recognize if it is making its current self better or is it changing its business model entirely. This insight only happens by having a good hard look at the performance intent and the stress limits of the current business.

5

Do it in an ecosystem

No one lives in a narrow value chain anymore. Any strategy will work through the web of partners, suppliers, and routes to market. A strategy needs to reinforce and breathe life into the rest of the ecosystem as much as it gives the company a route to success. There is no company success without a thriving ecosystem. Again, the answers aren't always big disruptions but can often be shifts of focus, product, or an evolved service experience that subtly and critically shifts your role in the system relative to other players.



Strategic planning is alive and thriving.

As business cycles get shorter and competitors continue to flood the market and challenge big incumbents, it's crucial to take another look at how businesses can leverage strategy to pivot in this climate.

If you're interested in learning how we help our clients implement the strategy plays outlined above, please contact us at:

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About the author: Tobias Rooney is an Engagement Director based in our London office. With over 15 years' experience in innovation and strategy, the experience has left him with the certainty of how much there is still to learn and how each new engagement is the chance to find out and explore. At the same time, having spent time in the world of ideas he is passionate about not just the ideas but making them happen, in fact more about making them come to life.



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