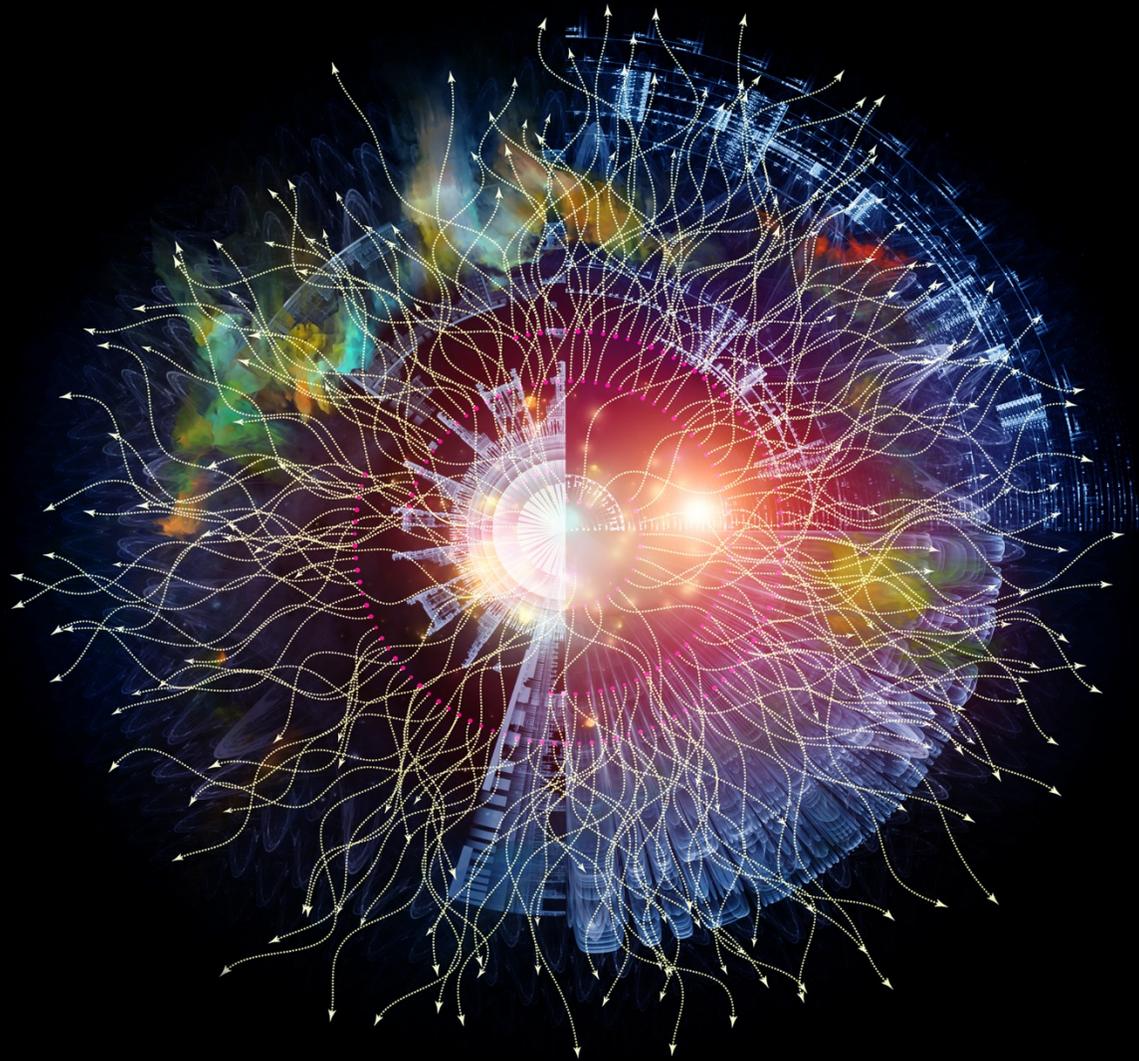


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Strategy Now

Agile, Inclusive, Resilient, Bold

February 2024

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New Realities

The big picture

Recently we asked over 100 CEOs to name the biggest challenges they face today.¹ Many of them pointed to the same few themes: growing uncertainty, changing stakeholder expectations, unpredictable political pressures, and keeping pace with the growing power of new technologies that create both opportunity and risk.

That's not what we heard just a few years ago, when CEOs said they worried more about organizational culture and more intense competition.² But a lot has changed since then. Economic shocks rattled political systems. A pandemic broke global supply chains and created new habits around work and daily life. Friction grew between trade partners. Disruptive technologies remade what's possible for both companies and consumers. Industry convergence transformed the competitive landscape. New laws and billions of dollars of losses drove new urgency for sustainability. Consumer expectations rose for personalization, frictionless experiences, and corporate transparency and authenticity.

These and other changes have created a new context that influences how companies compete and win. That doesn't mean the foundations of strategy have changed, nor the definition of good strategy. Companies should still make choices across five key dimensions—a winning aspiration, where to play, how to win, core capabilities, and management systems—in order to create competitive advantage.

Yet many companies have not acknowledged this new context, nor have they modernized the approach they take to develop their strategies. While many organizations have strong, internal strategy processes and capabilities, it's still often common to rely on hindsight to inform future choices, to anchor on conventional data analyses when there's more data and richer insights available, and to commit to multi-year strategies when the assumptions underpinning those choices may get disrupted before the next planning cycle.

THERE'S A NEW CONTEXT *that influences how companies compete and win*

That's why we set out to describe strategy now—to highlight some of the new global and marketplace realities facing business leaders (pages 1 and 2) and link them to a new approach to creating strategy that we believe will yield better results (pages 3–5).

Because a new way is needed, better matched to the challenges of today. If the world is moving fast, strategy needs to be *agile*. If the challenges are complex, strategy needs to be *inclusive*. If the future is uncertain, strategy needs to be *resilient*. And if the status quo is being serially disrupted by powerful new technologies, strategy needs to be *bold*.

New Realities

The evolving marketplace

Just as the world around business and markets has shifted in recent years, so too have the marketplace realities for companies and their leaders. As a result, strategists have new options to consider and new challenges to resolve as they consider how to create and capture value today. Four stand out:

New sources of advantage add new options for strategic leverage.

Companies have historically differentiated on traditional sources of advantage: cost, quality, and focus. Those are still important, but advantage can now also be created in other ways, such as new business models (such as when a manufacturer offers “equipment as a service” or an insurer offers data insights), or new ways to reach consumers with immersive, personalized, and unique experiences.

STRATEGISTS HAVE NEW OPTIONS

to consider and new challenges to resolve as they consider how to create and capture value

Look beyond the boundaries of “industry” to unlock new possibilities.

Regulatory changes and digital technologies have helped make it easier for new entrants—whether start-ups built with new capabilities or companies from another industry—to challenge legacy incumbents. This has changed who a competitor is (or might be) and challenged companies who were not anticipating competition from beyond their sector. At the same time, cross-industry collaborations are becoming increasingly important for many organizations to

help deliver finished products or services to customers. (For example, a retailer with a trusted consumer brand collaborates with its logistics and service partners to offer “care at home” services.) Those collaborations have implications for knowledge, inputs, manufacturing, distribution, and customer interfaces. Companies should assess which strategic choices they face are defined by traditional industry considerations and where traditional notions of industry boundaries may keep them from seeing new possibilities.

Embrace technology to power bold new opportunities.

Technologies from AI to biotech and space tech are creating new business opportunities and new sources of competitive advantage. Digital technologies have enhanced supply chain optimization and bolstered back-end functions that can enable powerful cost and quality gains. Perhaps even more visibly, they can pave the way for innovative, tech-enabled business models and new ways to reach and build relationships with consumers through direct, digital channels. Yet they also impose new costs and require new skills and processes that may raise the complexity of strategic options.³

Inspire and align an expanded set of stakeholders in pursuit of long-term value.

Consumers, employees, investors, and policymakers have all challenged the notion that the corporation exists only to benefit shareholders. Today, many companies face pressures from various stakeholders to address environmental and social concerns in their operations and consider their role in society to reduce perceived negative impacts and navigate contentious social questions.

New Approach

Strategy development now

Winning strategy today needs to reflect the fast-paced, disruptive environment that companies operate in, while managing the hard tension between commitment and flexibility in markets that are changing rapidly. To achieve that, the process, inputs, and tools to develop strategy should evolve around six mutually reinforcing principles tailored to the new context.

Embrace uncertainty to build resilience

When we speak with executives about their broad aspirations for strategy, the goal is not only for it to be better—more robust, data-driven, well-articulated, and actionable—but also more resilient, to accommodate the variety of challenges leadership teams face today due to the pace of change. While no one can predict the future, executives should consider scenario planning, wargaming, horizon scanning, and monitoring to regularly test and even challenge their assumptions about what may lie ahead. Scenarios can help organizations prepare for how the world may change in ways that could threaten their success, where the company could go in the long-term, what options might become more valuable, and what this means for their business. By understanding how their strategies may perform in different, even unexpected, futures, executives can identify and pursue new ways to drive growth and lead the organization.

Once direction is set, executive teams can use those same tools (in combination with technologies described below) to watch for signals of change and engage in ongoing dialogue to adjust their priorities and actions. A strategy team might, for example, use AI to quickly scan global trends from thousands of global sources and identify potential issues to address and options to consider as they review and refresh their strategy.

While it's as critical as ever for organizations to align on a “north star” ambition, it's equally important to speed up the cycle of a company's strategy refresh and strategic plan reviews to make sure that day-to-day execution and investments adapt to new conditions. (In a recent Deloitte survey of CSOs, 58% agreed that the frequency of their strategic reviews was increasing.⁴) As they engage in these reviews, leaders should keep in mind that strategic planning is more than process tracking and budgeting: it is an opportunity to reevaluate or fine-tune strategic choices based on new data or information about the changing environment and the company's performance.

SPEED TO INSIGHT *is the strategist's next KPI*

Be quick and decisive

The speed of strategy development should reflect the pace of change in the markets in which companies compete. Speed to insight is the strategist's next KPI. Data and advanced analytics can help decision makers make faster decisions with inputs that are both more immediate and drawn from a wider array of sources. The speed at which an organization can observe, orient, decide, and act has been meaningfully increased by those tools, which means options can be identified, tested, and selected more quickly. To do that, they may need to work with a data science team that can draw on data from inside and outside the organization to model their options or track important indicators. Just as importantly, though, they may need to update their decision-making processes to

accommodate the new and faster input. Without new processes, more data from more sources could slow things down rather than activate quicker, more confident decision-making.

Close the gap with execution

Execution is a critical part of strategy, yet organizations too often tend to treat it separately. Strategists and operators should work together to both ensure insights from the frontlines are considered when setting and evolving strategy and to get the feedback needed to quickly assess the potential of their strategic choices. For example, prototyping and proofs-of-concept can allow businesses to test and revise their ideas in the real world to satisfy the “burden of proof” before making significant financial commitments. And rather than trying to interpret and execute a strategy after it’s been developed, operators should be involved in the process early, which can give them the clarity to drive to outcomes more quickly. Their perspective can also help optimize the allocation of capital, time, and talent throughout the process and minimize wasted effort.

Identify and synthesize diverse perspectives from inside and outside the organization

Effective strategy should incorporate diverse experiences, opinions, and points of view to find more innovative options. Internally, rather than be led solely by the traditional strategy leads—Chief Strategy, Financial, and Executive Officers—strategy can also include those close to the heart of the business and how the company creates value, which varies by organization but could include the CIO/CTO, CHRO, brand, or data executives as key collaborators. (A recent Deloitte survey of CSOs found that 62% of respondents identified technology leaders—CIOs and CTOs—in particular as “playing an increasing role in corporate strategy.”⁵)

At the same time, today’s more complex external landscape can make executives feel pressured to articulate their commitments to various stakeholders (e.g., how they will create value for all) and challenged to make choices they may not have needed to make before. A successful strategy process should recognize the goals of different stakeholders and help facilitate productive dialogue that surfaces tensions, weighs tradeoffs, and drives alignment around different and sometimes conflicting aspirations, all in service of long-term value.

THE ABILITY TO RECONCILE *diverse perspectives and voices from both inside and outside the organization likely increases the odds of success*

That ability to reconcile a broad, diverse set of perspectives and voices from both inside and outside the organization early in the strategy development process can bring richness to the strategic dialogue and likely increases the odds of success in a world of heightened social expectations. It also speaks to the important role of strategy in facilitating alignment among stakeholders. It can give executives greater confidence that their strategic choices align with the realities of the market and the business.

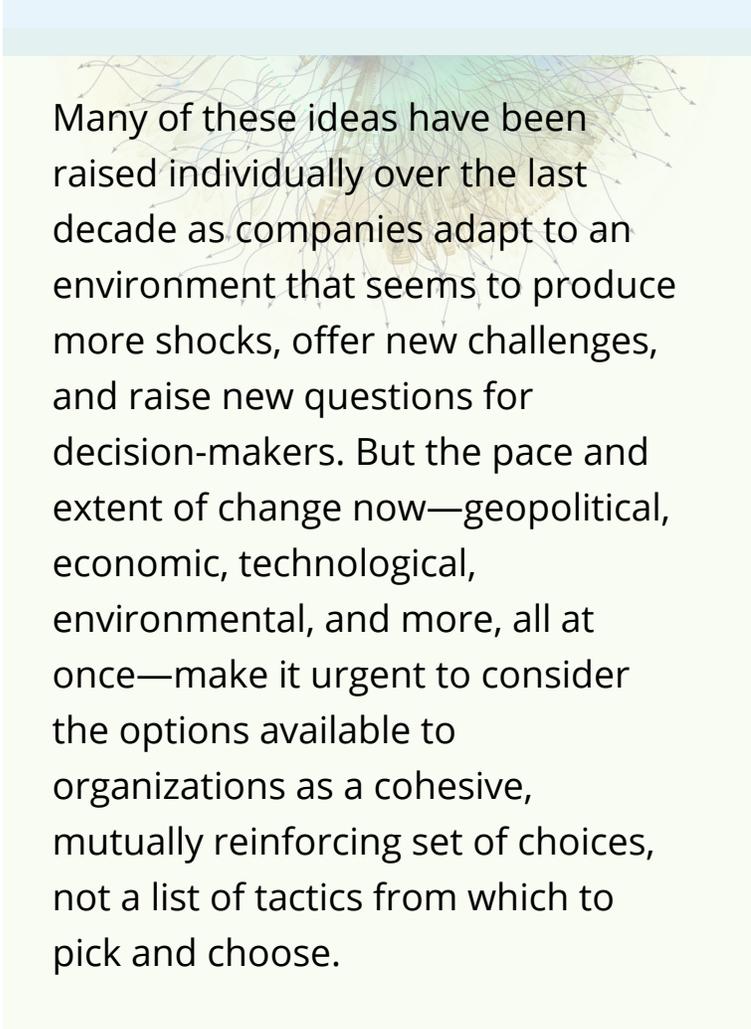
Leverage data and analytics to make better informed choices

Decision-makers have more data available to them—about operations, markets, customers, competitors, and more—than ever before. It should enable them to better understand market conditions and strengthen the logic and rationale for their decisions. They are also able to access and synthesize larger and richer datasets through AI, which can generate insights that help them better understand the impact and outcomes of decisions. The integration of relevant data and powerful analytics, quantitative evidence, and simulations can bring more discipline and rigor to enhance the creativity and human judgment at the core of strategy development. The same tools can also help monitor the changing landscape and enterprise performance and enable closer to real-time adjustments.

RELEVANT DATA AND POWERFUL ANALYTICS *can bring more rigor to the human judgment at the core of strategy development*

Match bold plans with bold execution

Experts in organizational change have long known that efforts to steer a new course require bold action.⁶ As leaders consider translating their strategy into new behavior, they should consider decisive and differentiated investments in a company's capabilities and management systems. Depending on the organization, this may mean significant commitments to new technology, talent pools or skills that may stretch the current business and management systems, M&A to supercharge growth in existing markets or expand into new ones, or rapid execution through prototyping and automation.



Many of these ideas have been raised individually over the last decade as companies adapt to an environment that seems to produce more shocks, offer new challenges, and raise new questions for decision-makers. But the pace and extent of change now—geopolitical, economic, technological, environmental, and more, all at once—make it urgent to consider the options available to organizations as a cohesive, mutually reinforcing set of choices, not a list of tactics from which to pick and choose.

New Approach

What next?

The ability to consider and commit to choices in the context of the changing landscape, to monitor change and evolve strategy over time, and to incorporate multiple perspectives from within and outside of the organization can help executives increase the odds of success in today's world and drive the business forward with greater confidence.

But where to start? Perhaps by considering a few questions whose answers can point to practical options for next steps:

- 1 How does your strategy position you to create and maintain an advantaged position specifically in light of today's macro and market environments?
- 2 Where does your strategy capitalize on sources of value and competitive advantage that lie outside of traditional industry norms?
- 3 How have you evolved your organization's capabilities to adapt to the changing conditions in which you need to compete and win?

Does your strategy reflect the needs of diverse stakeholders (internal and external) and have you gained their alignment on the strategy? How have you stimulated an inclusive yet bold and ambitious dialogue across multiple contributors to the strategy development process?
- 5 What plausible scenarios have you developed for how the future may evolve and how this might impact your strategy? What specific metrics are you tracking to determine whether you need to adjust your strategic choices?
- 6 What data, insights and tools are you leveraging to develop, monitor, and adjust your strategy? How are you leveraging AI to drive to outcomes faster and/or better manage your resources?
- 7 Which specific elements of your strategy feel bold and ambitious? Which reflect more conservative or incremental choices? Was that an explicit choice?

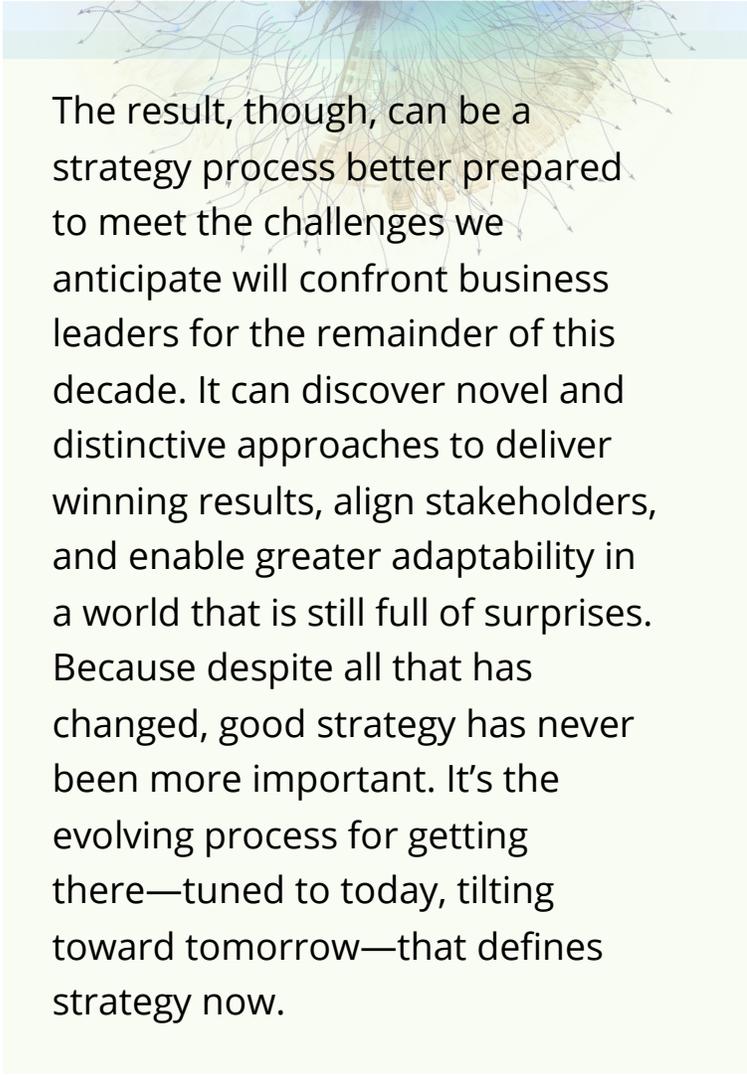
Your answers to these questions could spotlight opportunities to address vulnerabilities before they become problems. For example:

- ❖ If you're not satisfied with the answers to questions (1), (2), (3) or (7), consider convening the executive team or the strategy team to refresh the strategy, perhaps in a dedicated strategy lab to accelerate the process. You may not need or want a full strategy review, but a focused effort organized around these questions can allow for tailored adjustments to better align current strategy with today's realities.
- ❖ If the answers to questions (4) or (5) reveal potential gaps, you may want to consider rethinking or revising the strategy process. While it may be conventional to launch a scenario planning effort as the first phase of a full strategy process, it can be done at any time to stress test the current strategy or surface potential risks that may not have been visible when the strategy was created.

GOOD STRATEGY HAS NEVER BEEN MORE IMPORTANT. *It's the evolving process for getting there that defines strategy now*

- ❖ The answer to question (6) may point to an opportunity to close some capability gaps and enhance the skills of the strategy development team. As noted above, CIOs and CTOs are often playing an increasing role in strategy development, and that can be further enhanced by bringing data scientists to the conversation to discover or create options that may not have been imagined in years past but will be vital in years to come.

The evolution toward a new, more contemporary approach to strategy need not happen all at once, and your answers to these questions can point to a practical starting point to address the greatest current need. But as in any organizational transformation effort, good results require sustained effort, often in collaboration with stakeholders and partners, each of whom will need to be mobilized toward a more robust system for strategy development.



The result, though, can be a strategy process better prepared to meet the challenges we anticipate will confront business leaders for the remainder of this decade. It can discover novel and distinctive approaches to deliver winning results, align stakeholders, and enable greater adaptability in a world that is still full of surprises. Because despite all that has changed, good strategy has never been more important. It's the evolving process for getting there—tuned to today, tilting toward tomorrow—that defines strategy now.

Authors and acknowledgements



Kristen Stuart

US Strategy Practice Leader
Monitor Deloitte

[Email](#)



Gagan Chawla

US Corporate and Business Unit Strategy Leader
Monitor Deloitte

[Email](#)



Andrew Blau

US Leader
Eminence & Insights
Deloitte Consulting LLP

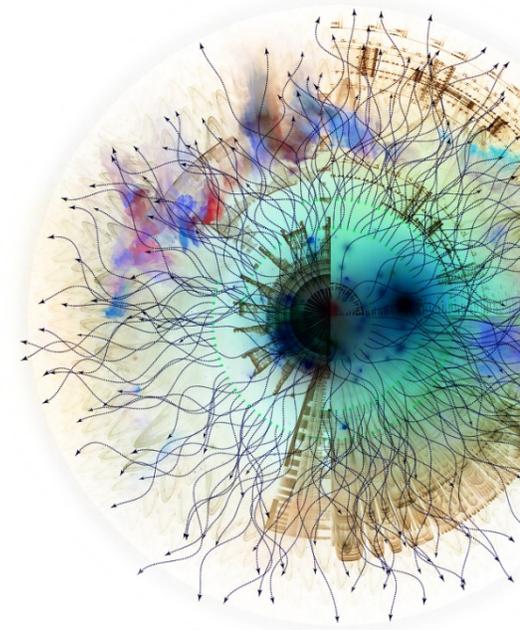
[Email](#)

With



Harumi Shiraishi

Manager
Monitor Deloitte



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Endnotes

1. Deloitte CEO Survey, October 2023, <https://www2.deloitte.com/us/en/pages/chief-executive-officer/articles/ceo-survey.html>
2. See, for example, Chet Wade, "CEOs Worry Culture Holding Back Innovation," *Forbes*, Jan 2, 2020, reporting on a Conference Board survey of nearly 750 CEOs
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4. Monitor Deloitte, "2024 Chief Strategy Officer (CSO) Survey," forthcoming.
5. Monitor Deloitte, "2024 Chief Strategy Officer (CSO) Survey," forthcoming.
6. See, for example, John Kotter, "Leading Change: Why Transformation Efforts Fail," *Harvard Business Review*, May–June 1995: "[G]etting a transformation program started requires the aggressive cooperation of many individuals. ... when the urgency rate is not pumped up enough, the transformation process cannot succeed. ... [R]eform generally demands activity outside of formal boundaries, expectations, and protocol..." See also, Francisco Salazar et al., "Behind the Scenes of Bold Change," *Deloitte Insights*, October 2023.



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