

AUGUST



Scenario-based strategy

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Faced with increased complexity and uncertainty in the business environment, companies should operate on multiple future scenarios rather than a fixed plan

Changes in external environment and multiple simultaneous development opportunities increase complexity and uncertainty

To survive and thrive in such environment, companies need **scenario analysis** to address business-critical questions



“How much longer can we stick to our legacy business and expect to create value?”

“Is our strategy resilient to different external scenarios, or even shocks like the Corona crisis – how could we stress-test our strategy?”

“What will our company’s role be in mid-term future, considering the rapid technological development and other major trends?”

“If we execute that strategic M&A move, how will the competitors react – or if we don’t, who will buy that asset and how would that change the competitive landscape?”

“Are there new business opportunities that arise from this crisis and how can we capture them?”

“There are so many growth directions that seem attractive – where should we place our bets?”

Scenario-based strategy is a superior approach for developing a playbook that enables strategic resiliency and agility to capture new opportunities

HUMAN IMPERFECTIONS AFFECT STRATEGY FORMULATION

Limited attention capacity



- Managers, humans, **cannot keep up with all the changes** in the business environment
- Managers tend to **simplify assumptions**, which might be outdated or wrong

Narrow imagination



- Managers tend to stick to **the current strategy** when considering future alternatives
- **Limited facts** and **uncertainty** make it challenging to evaluate “wild ideas”

Delegated thinking



- Executives tend to **delegate** strategy formulation to a **dedicated team**
- **“Broken telephone” communications** create the risk of sub-optimal decisions

Emotional threats



- Strategic moves often **trigger strong emotions** towards company and personal interest
- Aggressive and dismissive behaviors suppress opinions by emotions like **fear and shame**

SCENARIO-BASED STRATEGY PROCESS TACKLES THESE IMPERFECTIONS

Steer focus to relevant factors

Scenario-based strategy work starts with a **systematic** view of the external environment, which **reveals relevant changes** and **filters away noises**

Compel the creation of multiple options

The process forces the working team to generate alternatives over a **wide range of variation**, as such “wild ideas” can turn out to be a great option

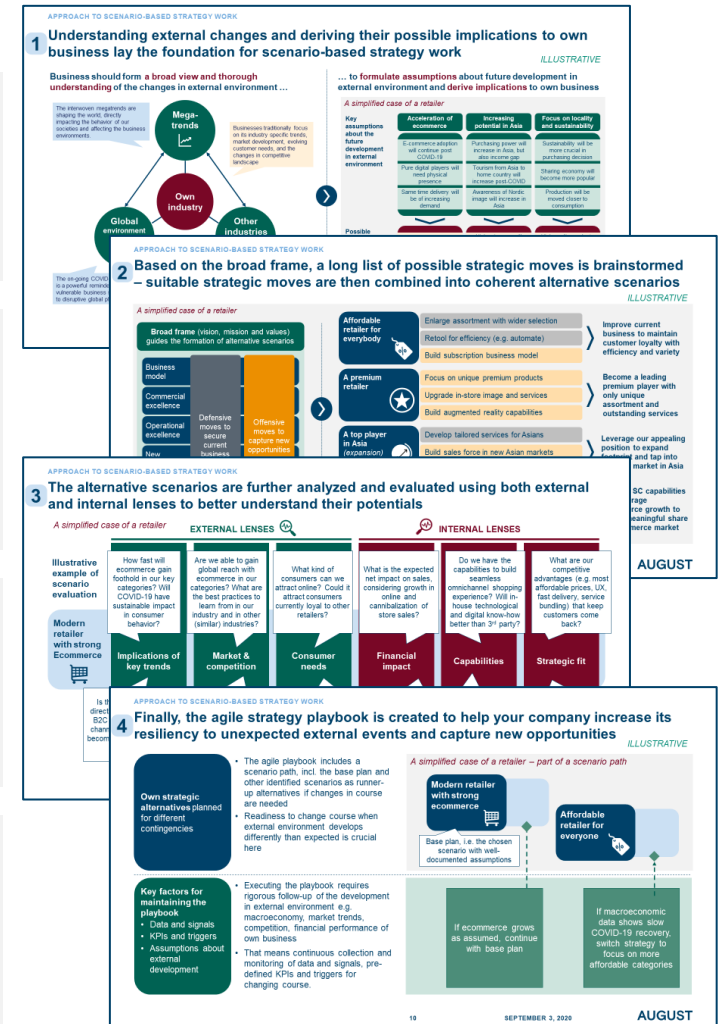
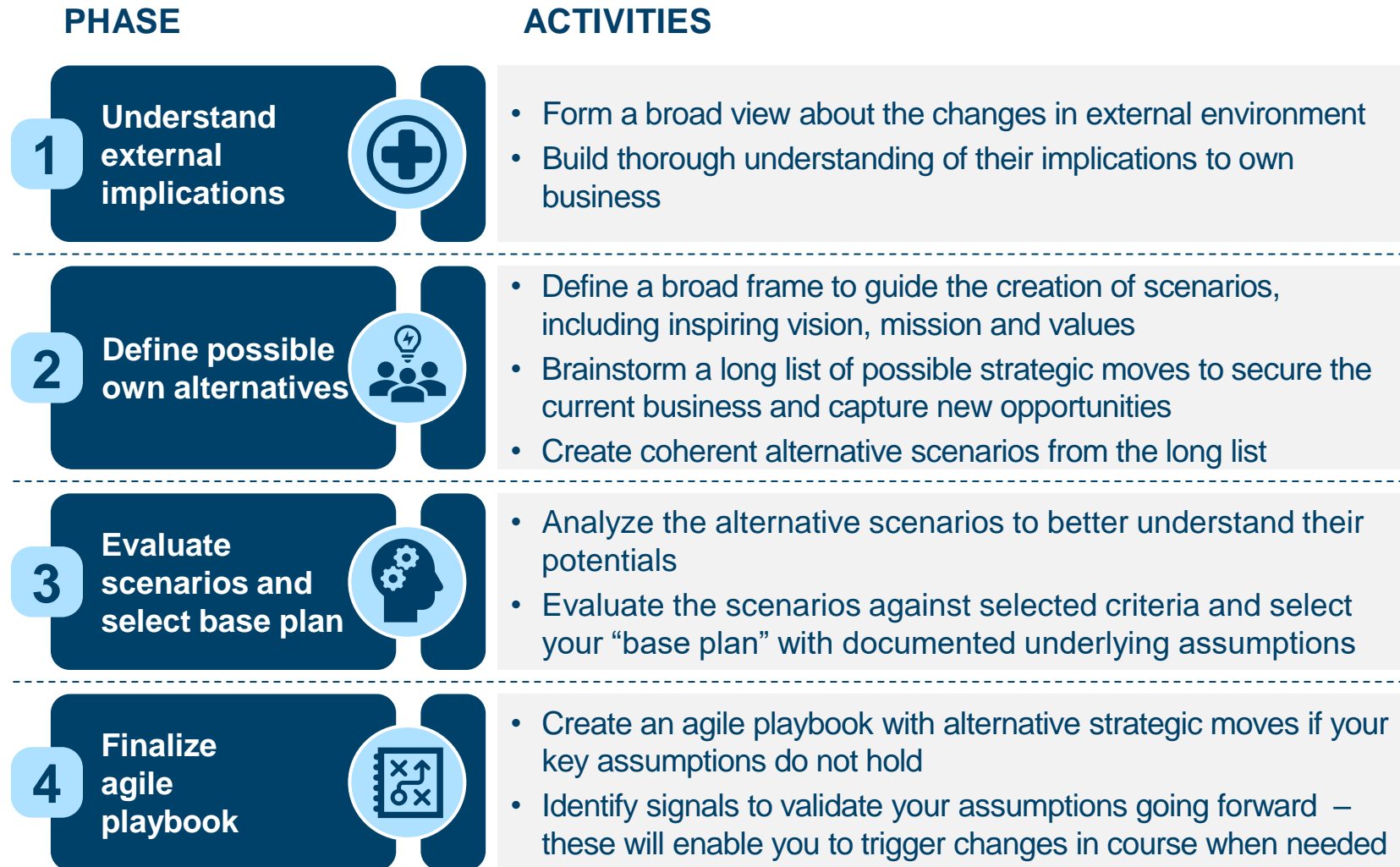
Engage people across the organization

Early buy-in to own brainstormed alternatives encourages management to **engage regularly** with the analytical work done by dedicated resources





Focus on emotional management

The **working attitude is explicitly facilitated** during the work to reduce emotional threats – e.g. positive and tolerant tone are fostered in scenario creation phase while more critical and challenging mindset are encouraged in scenario evaluation phase

August's scenario-based strategy approach consists of four phases – the outcome is an agile playbook for the business to navigate through future uncertainties



Our clients have benefited from August's top-notch expertise and ample experience in scenario-based strategy work in creating their own agile playbooks

Client industry		Examples of clients' engagements utilizing scenario-based strategy work
Financial services		As a response to changes in the market and regulatory environment to protect client's current established market position, a revised strategy was created using elements from 4 identified scenarios
FMCG		The client's core business had a poor growth outlook and consumer preferences in the market were evolving fast, leading to the need to evaluate several scenarios in parallel and create a playbook to monitor key assumptions and address future events
Recycling		The client wanted to stress-test their strategy before committing into major growth investments in an unpredictable external environment – scenario work helped confirm the overall strategic direction and improve the analyses of future alternatives
ICT		Built through several M&A activities, the client wanted to assess the options of "holding company" vs. "industry focused company" and used scenario analysis to make the decision (more industry focused) and improve synergies between selected BAs
Healthcare		The client needed to revise its strategy to better address the trends shaping the industry – scenario analysis was used to effectively engage a wider part of the organization to the work via facilitated opportunity identification and supported pre-screening of potential growth opportunities
Energy efficiency		Challenged by increased competition and slow growth, the client, a leader in its field, used scenario-based strategy work to revise its strategy by evaluating multiple scenarios to secure the right direction during disruption

Using this approach, our clients have successfully engaged their organizations in finding the new direction by working on multiple scenarios

"We have never had such a fresh and content rich internal debate before. This was a great way to engage our people!"
- Business Area head of an FMCG company

"Documentation of the assumptions behind the strategic choices and continuous follow-up of their validity, enable us to be agile"
- Charman of the Board, growth company

"Thanks to the scenario approach, we were much better prepared to react to a sudden regulatory change than our main competitor – giving us an edge on the market"
- Executive, financial institution

Contact us if you want to learn more and access the full document of August's scenario-based strategy approach



TOMI ERE

Managing Partner

Phone: +358 40 823 3848

Email: tomi.ere@august.fi



TIMO VUORI

Executive Advisor

Phone: +358 50 441 9072

Email: timo.vuori@august.fi

For further information on our team and our services visit www.august.fi

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