



Creating Resilient Strategies

Insights on how companies are responding to societal challenges



CORPORATE CITIZENSHIP
Part of The Good Relations Group

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Introduction



What excites you about strategy development? Is it getting the right process in place for success, the critical analysis to build the foundation and context, the ideas creation for growth, working with a wide group of stakeholders, seeing the final vision in writing signed off, or, perhaps it is the

moment of winning – everything coming together in the implementation to achieve the overall target?

For me it is the moment when choosing the right ideas for growth – the ones that are on the edge of chaos – from where there is little agreement among decision makers and high uncertainty of the outcome. It is about selecting those ideas for growth that take the wider context into consideration and open up opportunities that can make a company thrive in the long term.

Creating Resilient Strategies is the follow-up from the Corporate Citizenship briefing paper, *Mastering Resilient Growth** and our point of view on strategy. Many of the business leaders who read this first paper were happy to be interviewed to share their views and experiences.

We are grateful to these companies for allowing us to learn from their insights into key strategic challenges

around disruption versus linear thinking, demands from society versus those of the shareholders or owners and what makes for success or failure.

This paper is in six sections: sections one to four are takeaways from the research, five is Corporate Citizenship's conclusion more theoretically and the final section is our own thinking about how to approach strategy.

If you want to re-energise your company's approach to strategy, you will find the key questions to ask on pages 14 and 15 and a practical guide to strategy development at the end of the paper. Tempting as it might be, don't skip the middle section – the companies interviewed have some extremely valuable insights.

It was a really positive surprise to see how many companies have started taking the wider context into consideration when developing their strategies. Seen from different continents, *Creating Resilient Strategies* strengthens my belief that business is clearly the lead candidate to solve many of the challenges the world faces today and in the future.

Karin Mortensen Laljani

Managing Director, Corporate Citizenship

*See our publication *Mastering Resilient Growth* for our full analysis - <http://corporate-citizenship.com/our-insights/mastering-resilient-growth/>

Regional perspective: Europe

I very much welcome this excellent report which is really hitting all the nails in the current strategy debate in general and in sustainable business debate in particular.

At **ABIS***, The Academy of Business in Society we are engaged in transforming executive education and leadership development with companies and business schools exactly on the basis of the agenda set out in this report. This is a great alignment of thinking and action, bridging practice and theory.

Therefore, rather than elaborating on the report itself I will offer some observations of academic relevance. As academics we often generate our research questions from literature or from hypotheses that fit a particular theoretical framework. Instead we should be more often informed by reports like these, which explore the broad managerial agenda and concerns the issues that keep executives awake at night.

1. ON STRATEGY THEORY

The strategy community has been divided for a long time between two schools:

Industry Structure Based Strategy (personified by Michael Porter from Harvard) and

Resource Based Strategy (personified by Jay Barney from Ohio State).

The first school emphasises the importance of choosing positions in the value chain of the industry sector - for gaining competitive advantage with products and services with the best margins and highest barriers to entry by competitors.

The second school emphasises the importance of developing and leveraging unique and difficult to imitate resources – especially knowledge, relationships and capabilities for gaining comparative advantage.

This report shows all that is deceiving in this academic debate:

1. Too much focus on the industry sector leads to ignorance of disruptive shifts, destroying entry barriers almost overnight.
2. Pursuing external competitive strategies first and developing internal cultural and organisational engagement and core competencies second, leads to a dangerous time trap.

3. Emphasizing only competitive strategies ignores the need for co-operative strategies with business stakeholders and societal stakeholders.
4. Long-term leveraging of resource advantages may hinder the company's ability to deal with ongoing volatility and uncertainty, unless the ability of agile responsiveness dealing in such an environment is considered a key cultural and organisational resource.

2. ON SUSTAINABLE BUSINESS

For a long time Stakeholder Theory has been central in the debate of corporate sustainability. This report shows that it is important to evaluate and weigh the impact of different stakeholders on the business, and invest in the relationships with these stakeholders. This is already a departure from the point of view that all stakeholders are equally important and that there is a normative imperative to recognise their claims.

But more importantly, the report shows that stakeholder management is only one side of the sustainability matrix. On the other side of the matrix are the business portfolios and business models and the exposures to megatrends as set out in this report. Apart from these, major global shifts in terms of geo-political change, demographic change and climate change need to be taken into full account in corporate and business strategy.

This calls for more, and deeper competencies in terms of risk management, scenario planning, managing and shifting business portfolios and innovating in the value chain.

Both communities which I am involved in – the strategy community and the sustainability community – better take this report into full consideration for charting a way forward in their respective fields. But more importantly, from a business perspective, both fields are interwoven and form an integral part of the managerial agenda, as this report clearly demonstrates.

Professor Gilbert Lenssen

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*<http://www.abis-global.org/en>

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The research

We carried out interviews with 16 companies in North America, Western Europe and Singapore. In some companies we interviewed two people, specifically a director with sustainability responsibilities and a senior executive closely involved with, or leading strategy. In other companies the interviewee had an involvement in both areas, and in some cases the person was focused purely on sustainability.

In order to obtain free and frank responses, interviews were conducted on a non-attributable basis.

Our research covers many sectors as well as geographies. All the companies are multinational and almost all are publicly listed. Some are award winning in recognising the wider societal context and developing successful products or brands as a result.

1. Resilience in corporate strategy

When company CEOs are hauled before legislators or investigated by the press to explain their tax affairs, employment practices or environmental catastrophes, something has clearly gone wrong. Also flawed are the companies that miss out on new markets because they fail to see the potential in social media, environmental protection or emerging markets' burgeoning middle class.

The executives of such businesses have failed to develop strategies that are sufficiently far-sighted and robust to cope with a fast changing operating context. Although few hit the headlines quite as spectacularly as Starbucks, Apple or BP, many companies have been equally blinkered about crucial changes in the world that affect their strategies.

We believe that strategic thinking is typically too narrow, trapped in conventional analysis and blind to disruptive shifts in people's priorities and principles. Firms operate in a complex, dynamic context – including economic, social, political, technological, cultural and environmental interactions. They need to fully understand the nature of this context, accepting that businesses need to manage a series of inter-relationships with other key actors in society. They are an integral part of this bigger picture. Developing this wider perspective, stretching horizons and timeframes to spot opportunities for innovation that will underpin long-term success is what we have called Resilient Growth.

Some companies are alert to immediate economic shifts and potentially disruptive technologies in their industries, but few seem ready to look for long-term disruptive trends. Recently, the technology sector has produced examples of growth with a responsible mindset and resilience, and companies such as Patagonia base their constitution on different values and ambitions. But most established companies are struggling to re-set the traditional business model and strategic context.

As a result, strategic thinking within many companies misses vital opportunities for innovation and growth. At worst, the flawed approach to developing long-term strategy is causing companies to sleep-walk into disaster.

The dangers of missed opportunities and potent threats are greater now than ever. These are volatile times. Businesses have to develop strategies in the context of great uncertainty about the future. Companies have to be nimble enough to react to developments, while still pursuing a strategy that guides decision making towards long-term goals within a framework of fundamental values.

Strategic thinking is intended to produce an integrated perspective of the business, but if it ignores the powerful forces affecting a company and its markets, it cannot adequately identify the direction in which the organisation should move. We believe resilient strategies are needed to provide the deeper insights that will bring long-term success.

How alert are companies to strategic myopia?

In our research, we set out to discover, from the practical experience of companies like Jaguar Land Rover, Singapore Telecommunications and United Airlines, the extent to which leading global businesses are adapting strategies with an awareness of societal issues and trends.

Believing that there is a need for a fundamental shift in the way businesses evolve to ensure a long-term, sustainable future, we investigated how and why some companies have begun to develop resilient strategies.

We interviewed 16 companies (see Acknowledgements for details), exploring four broad questions:

- 1 Is a company's business strategy development informed by the economic, social, political, technological and environmental context in which it operates?
- 2 How does the company attempt to identify disruptive developments and avoid the trap of linear thinking?
- 3 How does the business attempt to understand its interrelationships with multiple stakeholders and handle conflicting demands?
- 4 What makes for success or failure in strategic thinking?

We hope this research will provoke debate about the importance and relevance of the wider societal context in developing successful strategies.

2. Volatility and uncertainty

The starting point for our inquiry was to question how companies can foresee potential threats and opportunities that should influence their strategic direction and planning processes. Business professionals know they cannot predict the future but they must attempt to prepare for what lies ahead. This is more difficult as the world is changing in a myriad of ways at a frenetic pace, with some fundamental changes lying outside the normal scope of corporate expertise. Corporate Citizenship has mapped out four megatrends that businesses need to prepare for*:

Societal threats and opportunities

The business context is Volatile, Uncertain, Complex and Ambiguous (VUCA). This applies to the social, cultural and political components as well as to economic and technological aspects. We see four megatrends that companies need to be aware of in developing strategy:



Crunch – pressure on the availability and affordability of resources ranging from food to precious metals, putting a premium on sound stewardship



Fragment – splintering of traditional governance and social structures, growth of new organisations, expectations, attitudes and activities, requiring multi-dimensional relationships



Connect – new ways of sharing and storing information, bringing people together, increasing scrutiny and threatening privacy, demanding transparency and responsibility



Re-balance – the growth of new economies and new markets with different characteristics and priorities, requiring new approaches

Companies with resilient strategies that respond to these trends will find new opportunities, such as closed-loop products, fruitful relationships with customers and communities, and services for excluded groups. Those that do not will find themselves losing competitiveness, suffering censure and missing out on growth markets.

Understanding developments such as shifting power structures, new social relationships and powerful new priorities is vital for companies to develop successful strategies. Yet our research suggests that even companies among the sustainability leaders are struggling to integrate these factors in their attempts to cope with the uncertain future.

*See our publication *Future Business* for our full analysis - <http://corporate-citizenship.com/our-insights/future-business-the-four-mega-trends-that-every-company-needs-to-prepare-for/>

How to cope with uncertainty?

There are no simple answers to the challenges of uncertainty, volatility and ambiguity about the future business, social, political and cultural environment. Despite the difficulties however, companies that fall into the trap of extrapolating from recent experience risk suffering significant shocks when unexpected events or opportunities emerge. Even the best-laid plans cannot anticipate the 'unknown unknowns', but strategists need to consider a wide range of developments and act on those that are the most significant and material to the company.

Our research found evidence of such broad-based horizon scanning among several of the companies we interviewed. In the most comprehensive example, one company has created a scouting group that consults a wide range of opinion formers and experts in several disciplines not directly related to the industry. The aim is to gather intelligence on the key cultural and scientific shifts that will shape the future of the industry.

Another company has a Strategic Foresight Team which examines the global trends that might impact the business over the longer term, informed by a process of internal engagement with managers. Executive leadership is challenged to rethink their fundamental views on how the world and the competitive environment are evolving. The strategy process focuses on individual topics and considers scenarios for potentially disruptive forces.

Scenario exercises are used in other companies, with a basic assumption that there will be significant changes. In one case, the senior leadership team programs discussion of long-term developments at its annual conference. While such exercises help to identify risks and opportunities, one interviewee commented that ultimately there will always be uncertainties and it is necessary to believe that the fundamental approach of the business will sustain success.

We also found evidence of less agile practices. In several companies the strategy process appears to be somewhat mechanistic and tied closely to more immediate business drivers. Interviewees told us about brand protection work, market research and immediate issues in their markets, but not about broader and less immediate aspects.

Some stated that they have a long-term perspective, but they were unable to articulate how this has actually affected the business strategy. Others commented that the sustainability teams are aware of important long-term trends, but these do not appear in the risk register and opportunities matrix that inform strategic thinking. In one case, the CEO has urged his teams to look for disruptive influences, but there is nevertheless a strong emphasis on shareholder value in planning and a time horizon of just three years.

"I'm not sure we take account of weak signals that pop up on the horizon. I'm not sure our risk assessments really touch on some material issues. These things appear on the sustainability agenda, but they don't appear on the corporate risk register."

How broad is the perspective?

Companies that are sophisticated in their approach to uncertainty and non-linear thinking may nevertheless have a fairly narrow focus on conventional business drivers. For example, technology companies know that disruption is typical in their sector, but even their well-developed technology scanning may still miss key societal trends.

A strong starting point for a broader approach to strategy is vision and values which recognise the importance of societal relationships. We observed this approach in several companies we spoke to. In two companies the values were laid down by the founder/owners and are prominent in all major decision-making. One current CEO insists that all projects must adhere to the founding values while another talks about a “new industrial revolution” and the “connected world” the company is part of. Another tells employees that despite financial pressures, it is important to think of the company “serving a higher purpose” which is reflected in values of fairness, integrity and transparency.

“If you want to be a player in the cities of the future you need to understand trends. We try to match long-term trends to our capabilities.”

The vision is a starting point, but it must stimulate thinking that embraces society beyond the confines of financial metrics and the short-term demands of the market. In other words it must be a live, meaningful consideration rather than merely a collection of fine slogans. It must drive managers to engage with the wider context of economic, social, political, technological cultural and environmental interactions.

“You have to see the industry from the outside and think differently to meet the challenges of the future.”

Most of these companies attempt to understand societal trends through their regular interactions, sometimes including formal stakeholder engagement (see section 4). Customers, especially those with high-profile consumer exposure, are an important source of values-oriented inputs for one company. But while several companies actively scan for such developments, some appear to rely on routine market research, which is often restricted to mainstream business issues and consumer attitudes, potentially missing important developments. One interviewee described looking specifically for links between social behaviour and technology and the company’s products. But another said the company relies on the corporate risk function, which was believed to have too narrow of a perspective.

BEST PRACTICE WHEN...

Coping with uncertainty



Avoid extrapolating from today’s experience



Consider a wide range of possibilities



Explicitly search for ideas beyond the usual business boundaries

3. Broadband thinking

Trying to anticipate the future is the starting point. The day-to-day reality is that this process needs to fit into an organisational structure. The companies included in our research told us how to create the appropriate management reporting lines that support the development of long term thinking on business strategy. We were particularly interested in how they integrate societal aspects into strategy, with or without the participation of sustainability professionals and practitioners.

Who is responsible?

Ultimate responsibility for strategy in every business lies with the CEO and executive team. In most of the companies we spoke to, strategy development is delegated to others outside this executive team, but in one case senior managers form a Strategy Council that meets monthly to review the key aspects of the business environment.

Most companies in our sample have dedicated strategy or business development teams who lead on strategy development, but we found developments both away

from and towards this model. One company has recently appointed a Director of Strategy to develop a greater strategic focus. In another case, the dedicated corporate strategy function has been disbanded as it was seen as having an “ivory tower” approach. Instead, each major function in this company now has strategic responsibility for its own area of expertise. In other companies, each business division is responsible for its strategy, with the centre having a co-ordinating and reviewing function.

What kind of organisational focus?

Companies can adopt different approaches to strategy development, developing strategy for the entire company or strategy for a business unit. Most companies we interviewed told us that they develop strategy in both the corporate and business unit context. In one case, however, a team has been created to focus specifically on a major new strategic initiative at a more micro-level. The unit is treated as a mini start-up within the business, reporting to the strategy team. This Insight Team is tasked with exploring new market opportunities, understanding technological developments and creating innovative products and services that will meet

anticipated consumer demands in 10-15 years’ time. The idea is to create a strong focus on specific objectives, free from many of the usual corporate constraints, to achieve exceptionally swift progress.

This Insight Team is about **taking action** to develop new concepts (in this particular case designing a radically new product), not merely identifying future challenges or market demands. Note that this approach is different to the Strategic Foresight Team at another company (mentioned in section 2) which concentrates **thinking** on future trends.

What is the time horizon?

We found a wide range of approaches to the breadth and depth of strategic thinking. Several have long timescales and broad horizons, but others appear to consider strategy as little more than medium-term planning. Five-year timescales are typical.

Three companies are utilities or include utilities in the group, so their approach is naturally driven by the regulatory framework and timescale. Usually this encompasses not only a five year plan but also a requirement for a 25-year strategic vision. In the technology sector, horizons can be long-term (think of Google Glass and Amazon drones), yet at the same

time can be compressed by the speed of technological change and the relatively short lifecycles of products and services.

Two companies have a 20-year perspective and two others explicitly ask executives to think ten years ahead. In one example, a ten-year strategy was introduced a few years ago because the chief executive saw the need to consider factors beyond the immediate, short-term issues that preoccupy senior managers. Outside of these examples, however, there were almost as many companies where it is rare to look ahead more than five years.

What kind of inputs?

External inputs help executives gain a wider perspective. Strategy consulting firms were frequently mentioned as providers of external expertise and insight. Industry bodies also provide sector-specific inputs and several companies use independent market research and economic analysis. Only one company calls on an external consulting company to bring in sustainability expertise and a wider societal context to the strategy development process.

One way of gathering different viewpoints is through a formal panel or advisory board. One company has such a group consisting of senior executives from other industries, academia, nongovernmental organisations (NGOs) and other experts. It meets twice a year with

"Citizenship is one of the screens used to decide how to move forward."

senior managers. Another has created a board of experts on water resources – the key natural resource relevant to the company's sector. The experts help senior managers understand the critical external developments to which they need to respond. Another company collaborates with an academic institute that focuses on broad issues for the future of the sector.

Is there a connection between sustainability & strategy teams?

While the corporate vision frequently incorporates societal ambitions – explicitly in several cases – this is not necessarily reflected in a close connection between the sustainability team and the strategy process. In at least three cases the head of sustainability has a major role in strategy development. However, in many companies, the role of the sustainability director is more indirect. Their views and expertise are often filtered through one of the senior executives, who acts as a sustainability champion, or senior executives may incorporate societal thinking through their membership in a Sustainability

Council or Committee. One interviewee told us that sustainability and strategic planning had been carried out independently in the past but there were now moves to align the two.

Any omission of this broader contextual thinking in the strategy development process is double-edged. It means that sustainability professionals are not sufficiently engaged with corporate strategy, as well as the business may potentially fail to take account of key societal developments to their advantage.

"We want to build it [sustainability] into the ten-year strategies to make sure the business units are taking account of long-term issues such as climate change."

BEST PRACTICE IN...

Strategic thinking



Think long-term – at least 10 years – to spot emerging trends, risks and opportunities



Seek inputs from unusual sources to avoid group-think



Stimulate dialogue and understanding between strategy teams and sustainability professionals

4. Business and society relationships

The third area our inquiry considered was how the strategy development process is informed by external perspectives. The key question is: how do companies look outside the narrow scope of business planning to incorporate societal developments in a broader perspective? We see this as a vital element in creating a resilient strategy that takes account of the megatrends previously identified.

We probed further to discover how companies attempt to understand the business/society relationship. The fluidity and fast-changing nature of the landscape makes this change difficult to pin down and keep track of. Many companies respond with specific engagement of stakeholders and tracking mechanisms, and we found several examples. It is interesting to note that stakeholder engagement is not a panacea – there were mixed views on its effectiveness.

The structured stakeholder engagement process in one company is driven by the sustainability team's insight that other people's problems present business opportunities. The process is linked to a materiality exercise that covers the entire value chain and identifies stakeholders who provide the greatest opportunities and who the company needs to understand better.

In many cases, however, engagement appears to be tactical – concerned with immediate issues rather than more substantial trends with strategic relevance. Indeed, one interviewee commented that stakeholders often have very short time horizons and are not interested in discussing issues beyond the next couple of years.

The engagement process can also under deliver by limiting the kind of organisations represented. One participant has carried out a substantial consultation but most of the stakeholders were from the industry or were industry specialists. Few social interest groups or consumers were included, risking rather narrow conclusions.

In two cases, NGOs are clearly seen as having little to contribute to strategic thinking. Although essential as partners in delivering specific programs, they are seen as having a narrow perspective based on the issue they support. As such, one company believes it is difficult to extract useful intelligence from what are seen as alarmist messages. Another adopts a passive, defensive

posture, preferring not to engage as this might provoke criticism.

Others accept that some engagement can be productive, but there is an element of trial and error in finding the groups that can help companies understand the changing context. Creating an effective stakeholder group can be “a bit of a cha-cha-cha”, as one sustainability professional put it.

“You have to be able to work comfortably with unusual people you don't normally associate with – a much broader range of people, and that's not a skill that's easily acquired.”

Gaining strategic insights is particularly difficult for companies operating in many different countries (most of those in this research). One company directs engagement from the centre but it is carried out locally by each country operation. Consolidating these discussions may create a compendium of local concerns rather than informing a wide-ranging strategic understanding.

To supplement stakeholder inputs, some companies look to formal research and tap the resources of think tanks, including some that focus specifically on sustainability. One company commissions research on potential trends, particularly in markets where it is not well represented and therefore has less understanding than in its home market.

How widespread is awareness within the company?

As business strategy is the responsibility of the executive leadership and the most senior management, it is essential that societal insights gained through the processes we have described are understood by all professionals that help develop or implement strategy. An internal engagement process is necessary for the strategic relevance of any insights to be fully understood.

The dialogue between the executive team, strategy professionals and sustainability specialists requires mutual understanding. It is about the business using all the resources at its disposal (both colleagues across the organisation with different lenses for viewing the world as well as external stakeholders) to understand the business context.

Such mutual understanding is necessary to identify trends that might not be the most important on a global scale but do have most relevance for the company's strategy – and vice versa, megatrends that are less relevant in the company's specific sector and circumstances.

"You have to assess which [NGOs] are most relevant. Some are alarmist, some have a good perspective. You have to work out what's real."

In some of the companies this mutual understanding is clearly demonstrated. One strategy professional told us that senior management become more interested in sustainability topics the more they see the link to commercial success. Another said the environment group looks five years ahead, ties its thinking to the business plans and creates awareness through programs that link to business objectives.

"All issues are situational – they require an understanding of the context."

Several companies have formal board committees or executive groups dedicated to sustainability-related topics. But it is difficult to judge the extent to which such bodies truly engage with strategic issues. Our research casts some doubt on whether mutual understanding within companies is widespread. For example, interviewees told us:

- As long as activities are legal, senior managers see any concerns as niche issues.
- Sustainability focuses on citizenship programs, rather than global issues such as privacy and taxation.
- Some of the senior management team understand the importance of societal issues, but not all.
- There is an appetite among senior executives to look at things differently, but it is subdued.

BEST PRACTICE IN...

Societal relationships



Scan a wide range of opinions



Engage stakeholders in long-term thinking



Think globally as well as locally



Ensure engagement feeds into the strategy process

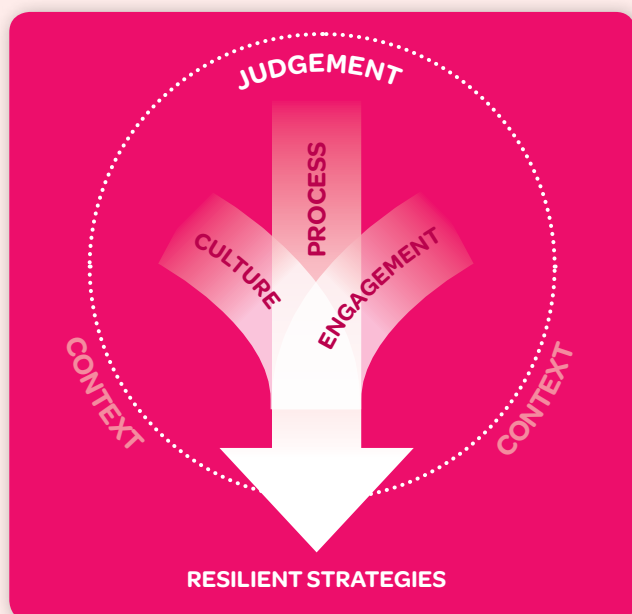
5. Successful strategising

In this penultimate section, we offer our perspective on the observations we have set out from our interviews to provide a model for thinking about the strategy development process.

Defining successful strategy development is notoriously difficult. Accordingly, our interviewees did not offer any single solution to solve all the challenges. Indeed, some commented that success can never be guaranteed and failure should be expected. Failure is in the nature of risk taking – as Einstein’s much-quoted saying has it: “Anyone, who never made a mistake, never tried anything new”.

One overriding requirement for success is the need for sound judgement. Judgement, based on clear values and beliefs, is the core ingredient for sound strategy. It cannot counter all the risks in a new venture, but poor judgement will undermine otherwise strong processes. The best strategic thinking will not deliver success if it leads to the wrong conclusions. But while good judgement is essential, and could be said to be the essence of managerial decision-making, it is very difficult to control or account for.

The following framework introduces judgement, alongside the other criteria recognised in this research, to illustrate the key factors in a resilient strategy and the relationships between them.



1. Process

Refers to the approaches a company has in place to develop its business strategy. While we start with this element, it is important to recognise that this process is integral to how a company creates culture and performs engagement. The process element encompasses organisational structures, roles and responsibilities, and the extent to which a business uses external advisors to design the mechanisms for strategy development. In thinking about appropriate processes, a company has to answer three key questions:

- Who is responsible for what – should strategic thinking be a cross-functional or specialist activity?
- How far do we rely on consultants in the process and content of strategy development?
- What is the best structure for directing strategy in order to move from thinking to action?

2. Engagement

Concerns the company’s propensity to build deeper relations with a wider group of external advisors, experts and opinion formers. To be effective, this will involve a horizon scanning process that incorporates a more holistic view of the context in which the business operates. It is not simply enough to understand future trends from multiple perspectives – the mark of a truly resilient business is one that can draw out the linkages between different (and sometimes competing) views of the world. Key questions to ask include:

- Is the company willing to engage with critics of the business, as well as those who are supportive of our activities?
- Where are the real sources of inspiration and enlightenment that can help us understand the future?
- How do we ensure the voices of experts from non-traditional backgrounds both speak with authority and are taken seriously?

3. Culture

Relates to the organisation's ability to embrace change and promote innovation. To a certain extent, this can be influenced by the processes described above – organisational structures can help or hinder strategic innovation. In a similar way, culture is strongly influenced by the judgement of the leadership team who often set the values of the business (discussed below). Senior management can do much to promote a culture that inspires people to think strategically. In this respect, the executive team of a company needs to address such questions as:

- Is our business driven by long-term considerations of profit optimisation, or short-term concerns of profit maximisation?
- Is strategic thinking directed towards risk mitigation, or are we concerned about creating opportunities?
- Do we positively promote difference and originality among our employees, or do we value and reward people that think the same way as us?

4. Judgement

The final element of the strategic-planning process concerns the beliefs and judgment of senior leaders. Unlike the other three elements of this model, this core ingredient is more difficult to control, but it remains possible to influence senior management thinking. It gets to the heart of the perspective of the individual members of the executive team – where do they think society is heading; what will be the impact of the mega-trends like population growth and climate change: what will be the role of business in society in 2025? The Director of Strategy and the Chief Sustainability Officer cannot expect to change these fundamental views and judgements, but they can surface them by asking such questions as:

- What are the principles informing the executive's thinking on key strategic decisions?

- What were the reasons for choosing NOT to pursue certain business opportunities?
- What are the unstated beliefs of individual Executive team members that drive their vision of the operating environment?

Reality Strategy: Success versus Failure

It is through this complex interplay between processes, culture, engagement and judgement that a company is able to maximise its opportunities to develop a winning strategy that will deliver results over the long-term.

But success can never be guaranteed. We always return to the dilemma that Einstein referred to – recognising that any strategic innovation brings with it the potential risk of failure.

However, there is an important difference between an unsuccessful strategy and poor strategy development. A poor strategy with little chance of success is likely to emerge from an inadequate strategy approach. That is an inexcusable error that companies must avoid. In the context of our research, it is the failure to take account of societal developments for growth and impact.

An unsuccessful strategy is different. A strategy with sound judgement, solid processes and all of the other elements described above, may fail because of unforeseeable circumstances, misreading of trends, technological uncertainties or other unknowns. But the strategy approach was the right one.

The right strategy approach, one that results in a resilient strategy – a strategy that will position the company for long-term success – has a much greater chance of success. A resilient strategy is based on an understanding throughout the company of the potential for success stemming from the societal context in which the business interacts and operates. This in turn will develop the insights and inspiration that lead to innovation and resilient growth.

BEST PRACTICE...

On growth



New business models increase profits while decreasing resource use



New products and services can meet previously unidentified needs



New business relationships involve previously excluded groups



New collaborations create highly effective networks

Practical Guidance on Strategy Development

We believe that to develop a resilient strategy, companies must be capable of:

- Looking holistically at the societal context to recognise interdependencies.
- Collaborating to achieve fresh, profitable insights.
- Articulating the fundamental values that define the role of business in society and its contribution beyond the narrow confines of the balance sheet.

Based on our research, we provide these useful insights into creating a resilient strategy:

- Corporate values should be prominent and meaningful, encouraging proactive behaviour and giving people confidence to make judgements and make things happen.
- Success requires rigorous analysis of a wide range of factors.
- The business must adopt a forward-looking perspective because as trends evolve, the company will be well-positioned to take leadership.
- Success depends on understanding the needs of a wide range of stakeholders, maintaining an open dialogue with different groups and adjusting to changing demands.
- To embed a strategy throughout the company it must be exciting and sound attractive to those who will have to make it happen.
- It is necessary to continually review and adapt – assumptions may be wrong but you can still make investments pay by responding swiftly and appropriately to the new context.
- A company should consider the long-term sustainability of the business as a core purpose of the strategy development process, rather than simply an enabler.

We add several elements for successfully integrating societal factors in strategy development:

- The corporate vision should explicitly encompass the business/society relationship – explaining both the business and social purpose of the company and drawing out the linkages between the two.
- Horizon scanning needs to look beyond the conventional business drivers to understand, anticipate and capitalise on a wider set of long-term issues.
- The sustainability team must be fully integrated into the strategy development process, rather than operating in a vacuum without connection to the corporate strategy.

More effective strategy creation and integration of social factors will result in resilient growth.

This will lead to a more innovative, forward-thinking business, better able to sustain high performance in the face of increased volatility and complexity.

“The challenge is to innovate and imagine a different future.”

“You need bravery to jump from the current path to something quite different.”

“You need a strong, principles-based approach to make good judgements.”

About Corporate Citizenship

Corporate Citizenship is a global corporate responsibility consultancy that uses clear insight and a simplified approach to sustainability to deliver growth and long-term value for business and society. We work globally across industry sectors. Our work takes us to Europe, USA, Asia, Africa and Latin America. We help our clients make the smart choices that will enable them to survive and thrive in an increasingly challenging business environment.

Corporate Citizenship promotes the idea that companies can be a force for good. We advise global client list on a number of areas: strategy, reporting, supply chain, socio-economic impacts, inclusive business models and assurance. Our long standing clients include Unilever, Shell, Abbott and Vodafone.

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