

# 10 future business mistakes in strategic planning

BearingPoint Partners share their views on what the most common pitfalls will be for businesses over the coming months, but also offer advice on navigating around them.



# 10 future business mistakes in strategic planning

BearingPoint Partners explore complexities and dangers lurking beneath ten strategic planning presumptions; and provide concrete recommendations for CEOs and CFOs



**Robert Wagner,**  
Partner, Financial Services  
with Kai Waechter  
and Samyr Mezzour

## 1 Basing strategy on yesterday's stereotypes, not tomorrow's demographic archetypes

The quantity and quality of data available means it is increasingly easy to base business and marketing strategies on hard facts. However, businesses still revert to their comfort zones of doing what worked for them in the past. This results in business landscapes that are changing faster than the businesses that serve them. For example:

- Activities that are historically associated with younger individuals, including culture and sports, are being undertaken by increasingly more mature groups
- There is mass migration from lower to middle classes in many countries

Forward-thinking 'digital' companies – like Google and Facebook, as well as telcos and retailers – are using demographic insights to jeopardise traditional industries such as banking and insurance.<sup>1</sup> Every company must now embrace the digital age in order to keep up.<sup>2</sup>

### Actions:

- Use real data, not untested hypotheses, as the basis of both market analysis and skills planning
- Learn from new entrants, run pilots or spin-off innovation units that operate outside the mothership

## Still protecting the castle when the world is a village **2**

As the global economy moves towards an increasingly complex ecosystem, many organisations still operate as though they are at the centre of their market – they are protective of existing customers, but slow to reach out to new economies and they keep suppliers at arm's length. Meanwhile, emerging economies are overtaking their Western counterparts in innovation and productivity:

- Many innovations come from developing countries, such as mobile money and remote health<sup>3,4,5</sup>
- Now-established countries such as China and India look increasingly to outsource manufacturing to lower-cost centres<sup>6,7</sup>
- Consumers are also becoming more vocal, more demanding and, above all, more global as middle-class demand for products and services grows

Smart businesses are now looking beyond their organisations and industries, recognising that partnering and engagement with global suppliers and customers are key to future success.

### Actions:

- See partnering as a central element of corporate strategy, with an emphasis on open data exchange
- Adapt the corporate dashboard to incorporate locally driven metrics and success criteria
- Set business incentives differently based on regional factors, from sales cycles to HR

## Over-reliance on business models that assume unlimited resources **3**

Many organisations are planning inadequately for the coming absence of resources - not just fossil fuels and minerals, but also rare metals and certain foodstuffs. Although businesses might have other challenges on their minds as they come out of the downturn, they still operate in a state of denial about future resource availability, which could cause them problems if it leads to inadequate planning. Businesses may see:

- Unavoidable payment of increasingly high premiums on a growing range of resources
- Supply-chain resilience tested by price fluctuations on raw materials
- Shortages leading to taxes on both production and logistics

Although it may be an exaggeration to suggest that businesses could fail as a result of such challenges, organisations that have already revisited their business models, financial plans, product roadmaps and procurement strategies will be better placed than their competition when the inevitable resource crisis occurs.

### Actions:

- Review your business against the BearingPoint Sustainability Stress Test<sup>8</sup>
- Review dependencies on 'danger zone' resources, raw materials and foodstuffs, and define risk mitigation strategies



**Yvon Donval,**  
**Partner, China**  
with Matthias Loebich  
and Jean-Michel Huet



**Patrick Maeder,**  
**Partner, Insurance**  
with Matthias Loebich  
and Jean-Michel Huet



**Dr Robert Bosch,**  
**Partner, Financial Services**  
with Robert Wagner

## 4 Flying in fog without sufficient instruments

Most organisations have key performance indicators (KPIs), indeed some businesses have too many.

Organisations with a wealth of KPIs may also lack insight into what the data means. Few CFOs we speak to have an integrated end-to-end view of their business and few boards have the tools needed to make decisions quickly. This is not what technology promised. Here are some of the issues that need to be addressed:

- Operational information is hidden within a variety of sources
- Organisations often manage pools of data without knowing if they are even useful

As the world becomes increasingly data-oriented, such challenges are only set to grow. A shift in mindset is needed to make information availability and accessibility central to business success.

### Actions:

- Review the core information types and performance indicators that should be fundamental to steering the business
- Assess the benefits of situational awareness processes on business service delivery<sup>9</sup>



**Emmanuel Autier,**  
**Partner, Utilities**  
with Kai Waechter

## 5 Relentless focus on business efficiency, rather than market-driven effectiveness

Focusing on efficiency is understandable for organisations that find themselves in this streamlining phase, which continues in the post-financial crisis era. However, the market landscape now looks very different to five years ago:

- Supplier and partner networks have become increasingly proactive and data-driven
- Consumers and employees now interact and collaborate directly, without the need for external media or gatekeeper companies

Paying too much attention to efficiency is subject to the law of diminishing returns and risks missing opportunities to respond to changes in the market. In consequence, businesses can stay locked in an old-fashioned mindset that responds to historical needs. Business effectiveness will come from a relentless focus on customer needs, on building engaging experiences, and on creating both broad and deep relationships with a widening pool of suppliers.

### Actions:

- Look at business portfolio management to balance continuous improvement with innovation
- Review marketing strategy and tactics to ensure it is adapting to the needs of the market

## Investment in the workforce: talking **6** the talk, not walking the walk

We often hear organisations say that employees are their most important asset, but do they really mean it? Investment in staff is recognised as having long-term benefit, but the reality is short-term priorities often take precedence. This results in short-term cost savings, but can result in poor performance in the long term. The ways in which organisations treat their staff have implications:

- Affects how people are managed, how plans are set, incentives and bonus schemes
- Affects organisation's agility and ability to innovate from within

Organisations' success or failure is based on whether employees are enabled to deliver on strategic objectives. Google's '20% time' model is an example of best practice, where employees take a day out of each week's schedule to work on their own projects.<sup>10</sup> However it can be difficult to pinpoint from where in the business such imperatives should be driven.

### Actions:

- Move the focus to business-oriented results and away from process metrics
- Provide (potentially self-service) individual training to employees rather than mass training
- Offer opportunities for employees to become genuine partners in the success of the business

## Failure to adapt to customer-driven market transformation **7**

Many organisations recognise that strategic change is inevitable in their future, but are less comfortable with the idea of it being in their present. Boards believe that existing value chains are just fine and don't need to adapt to the uncertainty of current business trends. The results of this approach are:

- Slow reaction times
- Blinded by existing success, organisations become one-trick ponies at risk of being overtaken by competitors

The historic graveyard of well-known companies is testament to how easily this process can occur: Kodak, Blockbuster and Woolworths all provide stark warnings. The future holds a great deal of opportunity for organisations that are able to respond to changing demand from BRIC<sup>11</sup> and MINT<sup>12</sup> countries. Companies need to adopt a start-up mentality each day, looking for opportunities to innovate and collaborate with suppliers and customers, or else they risk joining the scrapheap.

### Actions:

- Promote open innovation in parallel with keeping the existing lights on<sup>13</sup>
- Look at piloting new ideas at a distance from 'the mothership'<sup>14,15</sup>
- Reach out directly to new markets rather than expecting them to approach.



**Franz Hiller,**  
**Partner, Finance, Risk**  
**and Compliance**  
with Olivier Chappert



**Kai Waechter,**  
**Partner, Government**  
**and Defence**  
with Kay Manke, Rozenn Guellec  
and Emmanuel Autier



**Henri Tcheng,**  
**Partner, Communication,**  
**Media and Entertainment**  
with Franz Hiller and Juergen Lux

## 8 Treating regulation as a destination (to be avoided), not as a journey

Business regulation will continue to evolve - both at national and international levels of government. This will be largely based on how markets are globalising, how demographics are changing and political efforts to address areas of weakness identified in recent years. New regulations can be seen as a set of constraints to be ignored, circumvented or avoided, as companies look to exploit loopholes in existing laws, even as new ones are drafted.

As the business world globalises, two areas of regulation are of particular interest:

- Financial, particularly in terms of how international business is conducted and monitored
- Protection of customer data, as companies rely increasingly on cloud-based services

Regulation is set to gain sharper teeth as transparency around data increases. The response of organisations should be to recognise the role of regulators in guiding industry sectors and to work with them in terms of the spirit of regulation: adapting to paradoxical customer behaviours and attitudes (e.g. around privacy) while keeping within existing laws.

### Actions:

- Work with national and international regulators to understand what is driving decision making
- Create internal innovation groups that see regulatory frameworks as a driver



**Andreas Rindler,**  
**Partner, Banking**  
**and Capital Markets**  
with Christoph Schiefer  
and Matthias Loebich

## 9 Considering services to be a poor relation to products

While the world still needs and wants products, business success is becoming increasingly dependent on front-line services. Sectors from manufacturers and FMCG, to utilities and mobile service providers are looking to optimise customer relationships and offer value-added services. For example:

- Retailers are using online ordering with 'showrooming' of products in an attractive retail space<sup>16</sup>
- Car manufacturers are looking at how 'connected cars' can augment their driver communities<sup>17</sup>

Using digital data to support the day-to-day working of a business is central to this. Organisations that ignore this digital transformation face increasing commoditisation on product complexity and associated premiums; they also have scant protection against growing competition from manufacturers in emerging countries. Organisations without a service strategy for their customers face an inevitable race to the bottom, where there can be few winners.

### Actions:

- Look for opportunities to differentiate based on innovative services
- Grow and nurture customers not only as individuals, but also in terms of communities

# Sinking, swimming or surfing the data deluge 10

About 10 billion devices currently connect to the internet, a figure expected to grow to 50 billion by 2020. For the majority of businesses, we expect the main consequence of this growth to be in terms of the volume of data generated, which will soar to fifty times its current level over the next 5–10 years. What can we expect to be the outcomes?

- Opportunity: new levels of insight will enable organisations to become more competitive and agile if data is handled correctly
- Threat: the integration of cumbersome existing systems and data sources with the new data flood

Inadequate processes for dealing with increased data flow not only takes up valuable time, it draws attention away from the main goal of a business: to harness the value that new data sources can bring. Businesses cannot afford to be distracted by the so-called 'technology debt' caused by the integration, management and maintenance of legacy systems and databases.

Organisations must develop new business models that reap the benefits of market knowledge from external sources. These business models must be implemented by organisations before future waves of data-driven innovation pass them by.

## Actions:

- Build strategy around opportunities to exploit external data sources, setting business goals around the opportunities they reveal
- Look at opportunities to rationalise, consolidate or 'end the life' of existing systems and databases, while releasing time to look for insights from outside the organisation. 📌

## Notes

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**Matthias Loebich,**  
**Partner, Supply Chain**  
**Management**  
with Kiumars Hamidian  
and Augustin Huret

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