



Winning in uncertain futures

Big bets strategy

NormannPartners

During the last six months we have had to learn to live with major disruptions and the need to revise many previous plans. While the need to design strategies for resilience and success in different future scenarios is broadly recognised, comprehensive redesign might not be feasible. One way out of this dilemma is to first focus on your “big bets”.

As the world moves on from short-term management of the acute pandemic crisis to longer-term strategy, it becomes evident that the time is over when you could move ahead with confidence towards just one base case. CEOs and strategists now realise that they need to be prepared for different plausible scenarios. Strategy needs to be scenario-based at heart.

You might not yet have designed your full strategy to be resilient against future scenarios. Focusing on big bets – often impactful shapers of mid- to long-term strategy – offers a pragmatic opportunity to get started.

Identifying big bets

Big bets are major decisions that shape the future direction of the organisation. Given the number of disruptions playing out today the list of big bets a company needs to evaluate and plan for may well be quite long. This can be large investments, acquisitions, strategic alliances, technology choices, entering into new business areas or other changes to key elements of the operating model.

Given their high importance, with timing which might be opportunity-based and decoupled from strategy cycles, big bets are often assessed separately. These large decisions typically involve substantial investments and resource commitments. This motivates a thorough assessment of their future conditions for success, making them well suited for scenario-based strategy assessment.

Scenario-based big bets strategy

In scenario-assessment, you test your decision against different plausible business futures. You can use a comprehensive approach with coordinated scenario-testing of all identified big bets. A pragmatic alternative is to test individual big bets against scenarios as part of the regular decision-making process, on a case-by-case basis. Either way, introducing business scenarios to assess big bets

enables more robust decisions. It also offers a clear framework for reassessing these decisions if conditions change in the future.

Asking the right questions

We believe there are a few key questions that CEOs should ask to challenge big bets and their likelihood of success in uncertain futures.

What motivates the decision and what assumptions does it rest upon? What do we assume will stay the same, and what do we believe will change in the market and the world around us? What are the main uncertainties, and what are their big open issues?

Do we have a set of scenarios that describe how uncertainties might play out? How can they, when influencing each other, shape the future external conditions for the big bet? The scenario set should contain information about relevant time horizons: from short-, mid- to long.

Has the big bet been stress-tested against the scenarios? What is the short-, mid- and long-term risk profile in each? Is the investment failing in any scenario and/or time horizon? Or is it more powerful than envisioned in any of them? What are the strengths to leverage and risks to mitigate?

What actions and options could strengthen the big bet? What can be done to increase robustness and flexibility? Is there a window of opportunity or risk that might close or open, and if so, should also alternative actions be prepared and what are the trigger events to monitor?

How will the big bet be followed up? How do we monitor the development of macro factors and the big bet execution, including if alternative actions should be considered? If the big bet is approved or postponed, there should be a continuous follow-up process.

Building a scenario-based strategy practice

When faced with rapid change and significant disruption, it is challenging to create a more comprehensive scenario-based strategy design approach. In the short-term, focusing on scenario-assessment of big bets is a pragmatic and good alternative. You can choose to do ad-hoc assessments of individual big bets, or regularly assess your full portfolio of big bets.

Guided by the questions above you can gradually build a consistent scenario-based strategy practice. This will lay a foundation for big bets and strategy execution explicitly aiming at adapting to and winning in uncertain futures.

Our expertise

NormannPartners is a world-renowned advisory firm fully dedicated to scenario-based strategy development. This whitepaper is based on research by and insights from NormannPartners professionals, produced in a spirit of sharing thoughts with clients, other businesses and organisations.

For further information on how to work with strategy in times of turbulent uncertainty, please refer to our website **NormannPartners.com**, or contact us directly:

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What leaders should do

The scenario-based approach takes a very broad view and guides strategy design and execution in distinctly different futures. While it takes time and commitment to develop full scenario-based strategy capabilities, companies can start fast and smart by focusing on their next big bets.

There are a few things to keep in mind:

- Start with the biggest pending decisions
- Surface the macro and market assumptions behind the big bet
- Ensure that you have scenarios that contain relevant information
- Stress-test the big bet against all your scenarios
- Learn from all scenarios and define options to hedge or accelerate
- Move from "go/no-go" to "in which scenario" and "how and when"
- Let this guide what to do now and what to decide or act on later

Include how to execute and monitor progress and any potential need for hedging or accelerating. Over time, turn this scenario-based approach to big bets strategy into a continuous way of thinking and acting in the organisation.

A turbulent business environment does not need to be an impediment to good decision-making. When correctly executed this approach moves an organisation from trying to make sense of what is happening in the world to deciding what should be done differently and how.