Contemporary Strategy in a Changing World

Turning turbulence to your advantage

Capgemini Consulting CEO study 2009/2010
<table>
<thead>
<tr>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>About the Capgemini 2010 CEO study</td>
<td>03</td>
</tr>
<tr>
<td>Methodology and approach</td>
<td>05</td>
</tr>
<tr>
<td>Key Findings</td>
<td>07</td>
</tr>
<tr>
<td>Fundamental market changes are increasingly driven by a new set of factors, and occur more often and with higher impact</td>
<td>08</td>
</tr>
<tr>
<td>Agility is the most important non-financial factor influencing valuation of firm</td>
<td>12</td>
</tr>
<tr>
<td>Norwegian companies focus on improving their operational agility, but there is an unrealised potential</td>
<td>13</td>
</tr>
<tr>
<td>Few Norwegian companies have developed agile capabilities to seize the upside of turbulence</td>
<td>17</td>
</tr>
<tr>
<td>Building a strategically agile company requires a focused and systematic approach</td>
<td>22</td>
</tr>
<tr>
<td>Turning turbulence into your advantage – conclusion</td>
<td>28</td>
</tr>
</tbody>
</table>
To assess the condition of the Norwegian business climate on selected topics of strategic interest, Capgemini Consulting interviewed Norwegian CEOs on an annual basis. Last year’s study covered sustainability and how companies can create strategic opportunities through mastering their triple bottom line.

In this year’s study, we have investigated a key topic in strategic management, namely strategic and operational agility. We have defined strategic agility as *companies’ capacity to identify and capture opportunities faster and with higher impact than competitors*, while *operational agility is defined as companies’ ability to withstand and adapt to market turbulence*. As we conducted this study against the backdrop of the financial crisis, we were given the opportunity to investigate not only how leading companies had reacted strategically, tactically and operationally to the situation, but also to meaningfully distinguish between the strategic agility demonstrated as compared to measures directed at operational resilience.

This study is not about the specific consequences of or responses to the credit crunch or the current economic downturn that most countries and industries are facing, but rather seeks to investigate the importance of being well prepared for significant changes and disruptions in the markets. Last, but not least, we offer insight into how companies should be developed to take better advantage of the opportunities and challenges these changes represents.
Methodology and approach

The study is based on in-depth interviews with CEOs and Top Management of 35 large and medium-sized Norwegian companies and public organizations. The interviews took place during the autumn of 2009. The 35 participating companies have been divided into six sectors:

- Engineering, Manufacturing & Construction
- Financial Services
- Public
- Transport and Distribution
- Telecom and Media
- Energy and Utilities

In addition, Capgemini Consulting conducted a survey among analysts and investors from a total of eleven Norwegian financial institutions participated in the survey. The main focus of the survey was to gain insight with regards to how the financial markets emphasise a company’s agility and ability to adapt to market changes in their valuation of the company. Furthermore, the survey sought to identify the characteristics of companies who succeed during market turbulence, as well as those that fail.

The insight and findings from the studies are supplemented with other Capgemini Consulting surveys, such as the European Business Transformation Study from 2009, as well the use of leading literature and research on the subject of how companies prepare for and respond to market changes.
Key Insights

Key insight 1 – Fundamental market changes are increasingly driven by a new set of factors, and occur more often and with higher impact.
Our study shows that companies face new challenges to adapt, driven by a higher frequency of fundamental market changes, especially as these changes have an increasingly higher impact. Interestingly, most industries also experience a shift in the factors causing the changes, with environmental issues expected to be the most important factor going forward.

Key insight 2 – Agility is the most important non-financial factor influencing valuation of firms.
In a survey by Capgemini Consulting from 2009, investors and analysts rate agility and the ability to adapt to market changes as the single most important non-financial measure influencing valuations and decisions.

Key insight 3 – Norwegian companies focus on improving their operational agility, but there is an unrealized improvement potential.
Most of the interviewed CEO’s have confidence in their companies’ ability to realize initiatives faster than their competitors. There are distinct differences between industries as to which areas of the operation agility has been built. Furthermore, the CEO’s have clear ambitions to further improve agility within key areas of their operations, clearly recognizing the need for scalability and flexibility.

Key insight 4 – Few Norwegian companies have developed agile capabilities to seize the upside of turbulence.
Having demonstrated their resilience through adapting operationally, the study reveals that Norwegian companies to a lesser extent have been able to seize strategic opportunities created by the financial crisis. Having moved in the direction of more dynamic strategy processes, the study indicates that there is a substantial potential in further developing and structuring capabilities related to strategic agility.

Key insight 5 – Building a strategically agile company requires a focused and systematic approach.
Strategically agile companies have systematically developed processes and capabilities directed at identifying and understanding fundamental changes before they occur. Combining operational scalability and flexibility with strategy processes aiming to identify and act upon fundament changes, is a powerful and attractive mix characteristic of long-term market winners.

On the following pages we will go deeper into each of the key findings.
“There is no coincidence that two of the largest crises in the last century occurred during the last nine years.”

CEO Financial company

“Environmental issues affect everything we do and are deeply reflected in our strategy process.”

CEO Energy sector
Fundamental market changes are increasingly driven by a new set of factors, and occur more often and with higher impact.

The interest in strategic agility is distinctly linked to a more dynamic and changing market environment, a notion that is supported by this study, where a clear majority of the respondents state that fundamental changes in their markets happen more often and with greater impact than before. Moreover, the CEOs experience that market turbulence spreads more quickly between industries and geographies compared to before. These views are reflected across all the industries covered in this study, including the public sector. Other research also confirms that market turbulence and dramatic shifts are increasing both in impact, frequency and speed. (Sull, 2009). Interestingly, the respondents predict changes in the factors that will cause fundamental change in their industry in the future. In the past ten to fifteen years, the CEOs...
highlight regulatory conditions, the economic cycle and globalisation as the three most important factors. In the coming years, the CEO’s expect environmental issues, regulatory conditions and customer behaviour to become the most significant influences. It is interesting to note that there is an expectation that economic cycles will be a less significant factor in the coming decade.

The dramatic rise in the importance of environmental issues is hardly surprising, and has been well documented in several studies (amongst others in Capgemini Consulting’s 2008 CEO Study). The monitoring of environmental trends, as well as the thorough understanding of the industry impact, will be a significant input to leading companies’ strategy processes in the coming decade and beyond.

To which extent do you feel fundamental changes have higher influence than before?

- Lower degree
- No changes
- Higher degree
The other two external factors predicted to increase in importance are customer behaviour and technological development. In our understanding, these two factors are in many cases strongly interlinked. Through technological development purchasing patterns, information gathering and distribution of products have changed and will change dramatically. The consequences for customer behaviour in industries such as banking, travel, music, media and telecom have been profound, and are expected by respondents to continue, if not escalate, over the coming ten to fifteen years.
“Management capability to react early to changes in the competitive environment is critical to become the winner going forward.”

Analyst
In the summer of 2009, Capgemini Consulting performed a survey among investors and analyst to identify the most important non-financial factors used in valuation of companies. The survey shows that when making valuations and decisions, non-financial measures are weighted at more than 40 per cent. More interestingly, agility and the ability to adapt to market changes were perceived as the most important non-financial measures influencing valuation of firms. According to the respondents in the survey, a company’s level of agility strongly influences its business performance and therefore its share price. Several of the investors and analysts believe CEOs and top management should focus more on increasing their agility and the ability to adapt to market changes, in order to maximise shareholder’s value. The following factors were seen as most important in determining a company’s level of agility and ability to respond to market changes:

- Scalability in operating model to quickly adjust volume or cost
- Management capability to take fast, competent decisions
- Ability to respond to extensive changes faster than competitors
- Ability to reallocate resources quickly
- Capability to predict and plan for impact of potential changes

The study suggests that most companies who adapt successfully to changes in the competitive environment to a large extent inherit these characteristics.

In general, the findings from the survey support and emphasise the fact that being agile is becoming increasingly more important in order to succeed. The ability to demonstrate strategic and operational agility proves not only important in creating sustainable results for organisations, but is also a critical measure in driving share price development.

### Which companies do investors and analysts characterize as being agile and adaptive?

<table>
<thead>
<tr>
<th>Company</th>
<th>Agile capabilities</th>
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<tbody>
<tr>
<td>ORKLA</td>
<td>Continuous cost cutting and flexible resource allocation</td>
</tr>
<tr>
<td>TANDBERG</td>
<td>Product development and timing</td>
</tr>
<tr>
<td>TANDBERG (now part of Cisco)</td>
<td>Recognized the importance of technology leadership on network products</td>
</tr>
<tr>
<td>JYSKE BANK</td>
<td>Focused on costs and reduction of the balance sheet before the financial crisis occurred</td>
</tr>
<tr>
<td>H&amp;M</td>
<td>Adapts quickly to changes in market trends</td>
</tr>
<tr>
<td>EKORNES</td>
<td>Management makes fast and decisive initiatives in times of turbulence</td>
</tr>
</tbody>
</table>
“We were very proactive in response to the financial crisis and managed to quickly reduce our capacity and costs.”

CEO Engineering, company

“Every level of our organisation can withstand changes in revenue and have developed a high degree of scalability.”

CEO Energy and Utilities company
Norwegian companies focus on improving their operational agility, but there is an unrealised potential

When discussing agility with the CEOs, they focus on their ability to adjust operations in volatile times. In assessing how they responded to the financial crisis, the study shows that most companies had a proactive approach, and interestingly this approach had a leaning towards operational rather than strategic responses. The most frequent responses were handling risk management, reducing costs and capacity, as well as securing capital.

But how skilled are the companies in achieving operational agility and resilience? In general, the respondents have confidence in their ability to implement necessary initiatives, and more than 60 per cent of the respondents believe they

Which initiatives have your company carried out in connection with the financial crisis?

How well do you implement and carry out initiatives compared to your largest competitors?

- Risk management
- Cost reduction & efficiency
- Change in customer processes
- Capacity reduction
- Preparedness & strategic review
- Sale of assets
- Restructuring of portfolio
- External analysis
- Cashflow adjustment
- Refinancing & secure balance
- Change in governance structure
are better than their competitors in realising initiatives. The findings suggest that some of the respondents may be overconfident in their ability to be operationally agile.

However, when asked about future ambitions, 94 per cent of CEOs aspire to further improve their operational agility. Based on this, we can conclude that the CEOs in this study have placed a strong emphasis on operational agility in the past, and will continue to develop their companies in order to further improve their agile capabilities.

Overall, the CEOs believe they are most adaptable and agile within the operational areas of logistics, finance and marketing. The level of scalability and flexibility within these areas is perceived by the respondents as relatively high, to some extent based on the fact that they are often outsourced or partly based on external suppliers. However, within technology, infrastructure and human resources, CEOs’ believe they are less agile and adaptive. Within these areas, achieving scalability is seen as a major challenge.

Share of the CEOs who state that they have ambitions to improve the agility in one or several areas of their operations
The CEOs state distinct ambitions to improve operational agility, suggesting a large unrealised potential. At the same time, there seem to be less focus on improving areas within the core business. Most have ambitions to improve the agility in support activities such as procurement and finance. The one area linked to the core is how to improve human capital management (HR/HCM) in a way that supports flexibility and agility. Improving operational agility in core areas such as innovation, production and infrastructure is more demanding and this may be an explanation for why these areas are ranked lower.

Furthermore, there are apparent differences between the industries when it comes to which operational areas the CEOs regard as challenging and have ambitions to improve. For instance, technology is regarded as the most prioritised area by the public sector organisations, while the CEOs in Energy and Utilities do not mention this as a key area to improve. They have a greater focus on improving finance and marketing and sales. The differences demonstrate that industry characteristics affect which areas of operations are critical for achieving operational agility and that CEOs must be aware of the specific set of challenges that affects the industry they operate in.

Within which areas of operation does the company have clear ambitions to develop and arrange for adaptability?
CEOs face a number of challenges in implementing operational initiatives when extensive market changes occur. We find that the greatest challenge facing CEOs in times of turbulence is communication – more than 40 per cent of the CEOs face challenges with communicating the need for change to their employees.

In addition, several factors are regarded by many as restraining the willingness and ability of the organisation to change. Internal work-processes are considered as not promotive by two thirds of the participating CEOs, making adaptation to market changes difficult. Companies which have hierarchical organisational structures, experience that this restrains the ability to act agile.

Moreover, we observe large cultural differences between and even within the companies. Half of the CEOs claim that their culture promotes their company’s ability to change, whereas the other half does not seem to possess a culture that promotes change.

### Which challenges do you as CEO of the company face when extensive market changes occur?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Act upon change</td>
<td>30%</td>
</tr>
<tr>
<td>Communicating the need for change</td>
<td>40%</td>
</tr>
<tr>
<td>Understanding need for change</td>
<td>50%</td>
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### To which degree do the following factors restrain or promote the willingness and ability to change in your company?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Degree</th>
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<tr>
<td>Internal working process</td>
<td>Not promotive</td>
</tr>
<tr>
<td>Culture</td>
<td>Not promotive</td>
</tr>
<tr>
<td>Organizational Structure</td>
<td>Not promotive</td>
</tr>
</tbody>
</table>
“We should have done more and exploited more opportunities - we did not have the confidence to go after them.”

CEO Financial Services company
Few Norwegian companies have developed agile capabilities to seize the upside of turbulence

Moving then, to the core of strategic agility and the capabilities related to act upon changes to seize opportunities, the study suggests that this area is less developed and structured among the interviewed companies. Having said this, the findings clearly point towards more dynamic processes and increased focus on and willingness to develop agility capabilities.

As discussed in the previous chapter, the organisations in this study managed to act proactively to the financial crisis, but with a tendency to act on an operational rather than a strategic level. Turbulent times also provide opportunities, but only nine per cent of the organisations mention that they seized new opportunities during the financial crisis. Strategic opportunities which typically occur in times of market turbulence, such as acquiring cheap assets or attracting talent in a less competitive job market, were to a small extent seized by the respondents.

The lack of ability to seize opportunities is to a certain extent reflected in the processes established to analyse and understand changes in external factors. The study indicates a large variety in the use of such measures, and only a limited number of respondents seemed to work comprehensively with a set of measures aimed at identifying and acting upon fundamental changes. For instance, a majority still steer...
Companies have taken a number of important steps towards more dynamic processes, both in terms of how strategy processes are being carried out and in how they are communicated. Roughly 60 per cent of the CEOs characterise their strategy processes as continuous, and almost half believe there is a broad involvement around the strategy processes throughout the organisation.

How will you characterize the strategy processes in the company?

towards a fixed future state rather than use alternative scenarios. Only 21 per cent of the companies in this study use scenarios as a tool to prepare for fundamental changes.

Another important element in developing strategic agility is the extent to which the strategy processes are dynamic, continuous and is communicated to and understood by the organisation.

The study indicates that Norwegian companies have taken a number of important steps towards more dynamic processes, both in terms of how strategy processes are being carried out and in how they are communicated. Roughly 60 per cent of the CEOs characterise their strategy processes as continuous, and almost half believe there is a broad involvement around the strategy processes throughout the organisation.
In terms of implementation and follow-up of the strategy however, the traditional measures still dominate in most companies. Of the interviewed companies, as much as 40 per cent use budgets as their only or dominant measure for follow-up with only 20 per cent favouring the rolling forecasts. Similarly, approximately 70 per cent use mainly quantitative measures to follow-up strategy realization whereas less than 20 per cent use strategy reviews.

One of the most important capabilities in developing the company towards agility is the gathering and use of relevant information. The study indicates that Norwegian companies have taken several measures to strengthen and structure the information-gathering process, developing systems to provide reliable market data aimed at supporting strategic decision making and enable the company to handle fundamental market changes. The CEO’s do however, appreciate that they are only to a moderate degree able to utilise this information.
To conclude on this section, the findings from this study indicate that Norwegian companies are increasingly developing capabilities associated with strategic agility. As of yet, only a few of the companies seem to have established a comprehensive and strategically focused view of how these capabilities and measures can be put to effective use in order to gain long-term competitive advantage.

Case: The airline Norwegian’s approach to the financial crisis

In a difficult period for the airline industry, Norwegian has outperformed most of its competitors, achieving a record high increase in revenues and profits and increasing its market share by 60 % in 2009.

The airline company has expanded by 63 new routes in 2009 alone, both in new markets as well as higher frequency on existing routes. They have invested in 42 new aircrafts with the latest technology, providing better comfort for their customers.

The company are also taking the environmental challenges seriously and all new aircrafts are using less fuel, contributing to lower emissions and costs. In addition, Norwegian has seized new business opportunities, developing new business areas within banking and mobile services.
“Companies that display both agility and resilience don’t just thrive during turbulent times; they emerge as true market leaders.”

Don Sull in “How to Thrive in Turbulent Markets”
Having identified and discussed the need for companies to build capabilities related to agility, we will try to outline some of the steps required in order to systematically develop companies towards agility. In developing these steps, we appreciate that organisations’ need to develop agility will vary greatly, both in magnitude and in terms of which areas should be in focus. Nevertheless, there are some fundamental insights that can be leveraged across industries and organisations.

One of the most important elements in achieving agility is the element of leadership. Although not a major area of this study, we nevertheless investigated how the CEOs felt their management team had capabilities to deal with extensive changes and have the courage to seize major opportunities. Most CEOs felt that the management team was well balanced and strong in terms of handling the changes. Several pointed to the fact that they had made changes during the last few years, and that they worked continuously with strengthening their leadership capabilities. These capabilities range from change management, empowerment, culture as well as the balance between strategic and analytical.

On the other hand, several pointed to the fact that their leadership capabilities were more focused on reaction rather than proactively seizing opportunities. This corresponds with the other findings of this study.

### Strategic Agility

The starting point for developing strategic agility is the manner in which the strategy processes are designed and carried out. Put simply, if you do not look for fundamental market changes, chances are they will find you rather than the other way around. Consequently, strategy processes should be designed with a purpose of identifying possible fundamental changes and analysed both in terms of consequences and opportunities.

The findings in this study suggest that strategy processes to a large extent emphasise the more rigid strategic planning aspect, rather than the more dynamic view of questioning and analysing the fundamentals. We believe this serves to explain why the response to the financial crisis of companies in this study leaned towards operational rather strategic, and also why only nine per cent of the companies in the study had seized new opportunities following the downturn.

In our opinion, strategy processes should be redesigned in order to serve two distinctly different purposes, both that of strategic planning and hence continuous strategic improvement and change, as well as the more complex process of questioning the fundamental strategic assumptions. The objectives and the very nature of these processes are profoundly different, and consequently we believe organisations should approach them separately.
This study suggests that the use of scenario planning is increasing, and used in the right manner this will be a powerful tool in identifying future opportunities and possible directions for companies. As we found in the first chapter, the external change forces are changing in most industries. This gives rise to new opportunities and new platforms for innovation and growth. Through analysing these forces and understanding possible development paths, organisations will be better prepared to seek opportunities proactively, thus better combine operational and strategic responses to changes in their environment.

Another important aspect of developing strategic agility is the manner in which strategy is followed up and discussed within the organisation. As we discussed earlier, strategic follow-up in the companies in this study leaned

<table>
<thead>
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<th>Primary Objective</th>
<th>“Challenge the rules of the game”</th>
<th>“Playing by the rules of the game”</th>
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<tbody>
<tr>
<td>Areas of analysis</td>
<td>Drivers of change, use of scenarios</td>
<td>Competitors, customers</td>
</tr>
<tr>
<td>Focus of governance</td>
<td>Strategic Learning</td>
<td>Secure activity based implementation according to strategy</td>
</tr>
<tr>
<td>processes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Focus</td>
<td>Resource based – where can our competencies be utilised</td>
<td>Existing</td>
</tr>
<tr>
<td>Leadership</td>
<td>Focused on creating growth platforms</td>
<td>Focused on creating stable improvement platforms</td>
</tr>
<tr>
<td>Agility focus</td>
<td>Identify and act upon disruptive changes</td>
<td>Optimise resource allocation dynamically across portfolio</td>
</tr>
</tbody>
</table>
towards quantitative measures and budgets, although most CEOs depicted gradual changes towards more dynamic and qualitative follow-up procedures. We believe this change is absolutely necessary, both in order to increase the organisation's ability to act agile at every level, but also to improve the information flow and stimulate strategic dialogue throughout the organisation.

**Operational agility**

In order to respond to market changes, the first response is usually to launch a cost cutting program and implement capacity reductions. This study suggests that the use of scenario planning is increasing, and used in the right manner this will be a powerful tool for identifying future opportunities and possible directions for companies. As we found in the first chapter, the external forces for change are shifting in most industries. This gives rise to new opportunities and new platforms for innovation and growth. Through analysing these forces and understanding possible development paths, organisations will be better prepared to seek opportunities proactively, and thus better combine operational and strategic responses to changes in their environment.

In the process of transforming your business to become more operationally agile there are in our opinion four main focus areas to address:

1. **Identify key areas for achieving operational agility**

Operational agility must be developed in areas that will enhance the firm's overall ability to quickly act upon change and turn around the organisation. But, as we have seen in this study, there are distinct differences between industries as to which areas are key in achieving operational agility. Having a clear understanding of their external business environment is therefore crucial for top managers...
in identifying key areas. At the same time, we find that there are differences between companies in a given industry when it comes to which areas that are considered vital. As a consequence, the top managers must reflect on which aspects of their firm that are industry related and which are unique to their organisation.

Moreover, this study shows that most companies across all industries mainly have ambitions to improve their agility in support activities such as procurement and finance. Although core operational areas will vary between industries, we find that general key areas such as innovation are to a smaller extent prioritized by the top managers. We believe that operational agility in the core of a firm’s operations is a prerequisite for the ability to quickly act upon changes, and recommend that CEOs should increase their ambition level in enhancing agility in their core areas.

2. Make your organisation more resilient
Whereas agility enables firms to quickly spot and seize opportunities, resilience is about having the strength and stamina to weather market shifts. A resilient organization is recognized by an organization that can manage significant shifts in demand and cost fluctuations and still have the ability to maintain good margins from their operations. Although the ability for an organisation to be resilient is highly dependent on which industry it operates within, there are several generic initiatives that can be deployed in order to be less vulnerable to fundamental market changes (Sull 2009).

Case: Zara’s unique operational agility in responding to changes in demand

ZARA has built-in systems to collect real-time market information daily to determine what is selling and what is not. Constant dialogue with store managers and customers as well as trend-spotting in the market keeps employees informed about customer preferences.

Information is spread widely in the organization so that everyone is up-to-date about external conditions and trends. Design teams constantly work on new products, and are able to move a new product from design table to store rack in merely three weeks.

Operational reviews are constantly performed, which makes it possible for Zara to quickly withdraw items that are not selling.
To weather a wide range of market changes, such as higher raw-materials costs or declining demand, it is desirable to keep your fixed costs as low as possible. Moreover, it is crucial to monitor and maximize your cash position to create a buffer against inevitable hard times. The cash flow should be as diversified as possible to withstand downturns in specific units. To provide a safe stream of cash in turbulent times firms should try to keep their core market protected. For instance, creating higher switching costs ensures a higher degree of customer lock-in, which buys time when competitive dynamics and markets shift. Rethinking your product mix and pricing strategies can also be key initiatives in securing your cash flow during market turbulence.

3. Ensure that resources can be allocated flexibly
Having systems and processes for allocating resources flexibly across the organisation is crucial in order to achieve operational agility and resilience. This view is also supported by investors and analysts, who believe the ability to reallocate resources quickly is one of the key factors determining a company’s level of agility and ability to respond to market changes.

We believe the processes for resource allocation should be fast and unbureaucratic to ensure a dynamic allocation and extraction of resources when market turbulence occurs. Through focusing on certain key areas, resource fluidity can be improved. Having agile IT-solutions is imperative to ensure flexibility in the operational processes. The IT-systems should enable scaling up and down in line with changes in demand. Organisations should make sure that the need for adoptability and scalability are addressed when developing IT strategies and IT architecture. The development of cloud computing technology and the introduction of pay-per-use models is a key enabler for more scalable IT solutions that allow companies to move from fixed IT cost to variable IT cost. Within human resources, we recommend establishing processes for job rotation, internal job markets and resource pool schemes.

In general, ensuring flexible and dynamic resource allocation across divisions and business units promotes a high level of operational agility. At the same time, having the possibility to constantly shift resources between units may actually lead to a low degree of operational agility within each unit. Companies with large portfolios and a high level
that strategic initiatives are systematically followed-up throughout the organisation. The Balance Scorecard defines a set of targets and objectives within important areas for the business, such as Financial and Operation. Key Performance Indicators are then formulated to ensure that the objectives will be successfully met. All KPIs should be supported by concrete initiatives and actions to ensure that “what we must do” to move in the agreed upon direction, is clear. For KPIs to be effective they need to be prepared and reported at a frequency that supports the need for control and corrective actions.

During market turbulence, the organisation’s objectives and targets may be altered due to changes in external factors. Having a dynamic performance management system is therefore fundamental to secure that new strategic initiatives formulated on the basis of market changes, are implemented and followed up throughout the organisation.

4. Establish dynamic performance management

In times of market turbulences, CEOs are highly dependant on the organisation’s ability to execute initiatives in a swift and effective manner. This study shows that 63% of the CEOs believe that they are better than their competitors in realising initiatives. At the same time, over 40% of the CEOs struggle with communicating the need for change to their employees, and almost the same percentage regards it as challenging to act upon change. To ensure that their strategic priorities are translated into concrete measures and action, we believe it is imperative to have a system in place for dynamic performance management.

The Balanced Scorecard framework is a powerful performance management tool to secure
Turning turbulence into your advantage – the way we see it

In order to develop an agile organisation, it is important to address both the strategic and operational aspects of your business. Agility must also be a central part of how a company or organisation is governed and rooted in the leadership of the organisation. In assessing agility in a number of Norwegian organisations, we have learned that operational agility is the main focus, and that there is a general satisfaction in terms of how these companies address operational aspects of market changes. This said, there is definitely a need for further development of this ability. When it comes to the ability to seize strategic opportunities in times of volatility, a different picture emerges. Most of the organisations we surveyed did not have this as a focus area, nor did they have a structured approach to assessment of new opportunities that arise from changes in the market place. We would strongly recommend taking this further by making sure that the strategy process and decision making processes include increased focus on developing the ability to act strategically. Companies have to acknowledge that significant changes in the marketplace can create new opportunities for increased revenue or capturing market share. This has to be combined with the other measures within operational areas. Our survey among investors and analysts shows that agility and the ability to adapt to market changes are perceived as the most important non-financial measures influencing valuation of companies. Thus, in order to enhance business performance and increase shareholders’ value, companies should focus on developing agile capabilities.

The agility level of a company will differ according to the sector and market dynamics. Therefore it is crucial for each organisation to become aware of these dynamics and to identify which key areas that need to be addressed, both strategically and operationally. Agility is not something that is implemented easily; it is more of a business philosophy and has to be embedded in the strategic positioning of an organisation. Agility must therefore be a central part of your strategy process, governance & decision making process, leadership and a core element of business transformations.
Sources


2) The Capgemini Consulting CEO study 2008, “Mastering the Triple Bottom Line”


4) Y Doz & M. Kosonen, ”Fast strategy – how strategic agility will help you stay ahead of the game”, Wharton School Publishing

In addition, we would like to give a special thanks to Bjørn Brubakk for his valuable contributions.

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Contact

Steinar Simonsen
Head of Capgemini Consulting
Phone: +47 41 43 18 89
mailto: steinar.simonsen@capgemini.com

Karl Thomas Reinertsen
Head of Transformation
Phone: +47 41 43 18 61
mailto: karl.reinertsen@capgemini.com

Anders Rygh
Head of Strategy
Phone: +47 95 11 81 33
mailto: anders.rygh@capgemini.com
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Capgemini Consulting is the Global Strategy and Transformation Consulting brand of the Capgemini Group, specializing in advising and supporting organizations in transforming their business, from the development of innovative strategy through to execution, with a consistent focus on sustainable results. Capgemini Consulting proposes to leading companies and governments a fresh approach which uses innovative methods, technology and the talents of over 4,000 consultants worldwide.

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